

# WEALTH, POVERTY AND HAPPINESS IN THE CONTEXT OF THE DIFFICULT CONDITIONS OF THE EARLY 21<sup>ST</sup> CENTURY

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## ABSTRACT

Wealth, poverty and happiness, as well as their interdependencies, respectively the mutual interrelations have attracted the interest of philosophers, economists, psychologists, sociologists, but also scientists from other disciplines, politicians and policy makers. The beginning of 21<sup>st</sup> is associated with the formation of new economies. The formation of new economies presents very complex, dynamic and costly process which, moreover, takes place in conditions of strong globalization trends as well as in conditions of the global financial and economic crisis. The beginning of 21<sup>st</sup> century is associated with continued deepening polarization within individual countries, regions, but also in global context. This strengthens the position of a minor elite, weakens the position of the middle class and increasing number of people who are at risk of poverty. Complexity of the conditions requires special attention. The aim of the paper is to contribute to the ongoing debate about the need for a new perception wealth, poverty and happiness, the need to respect their mutual relations and compliance, the need to identify the causes of having to change their perceptions and the consequences of these changes. On the basis of generalization of acquired theoretical and empirical knowledge to identify the possible alternatives for further development, that will correspond with the needs of the formation of new economies in the difficult conditions in the early 21<sup>st</sup> century. The processing of the issues supposes the application of a multidisciplinary approach. A multidisciplinary approach is based mainly on knowledge of economics, sociology, positive psychology, political science. To check the hypothesis that there is a relationship and conditionality between wealth, poverty and happiness we use a wide spectrum indicators on the example of the EU.

**KEYWORDS:** Wealth, Poverty, Happiness, New economy, Polarization, Minor elite

## 1. INTRODUCTION

The end of the first decade and the beginning of the second decade of the 21<sup>st</sup> century can be characterized as a period for which is symptomatic a shift from positive expectations to more or less negative expectations in the national, regional and even in global context. The negative impacts of the global financial and economic crisis have affected all countries, all subjects although to varying degrees and in different directions. Scientists need to correct their vision of forming new economies, integration and globalization processes. Scientists must justify the need for orientation on real resources and their effective use. In this scenario, it can be expected not only an increase of the competitiveness of individual economies, but also the growth of prosperity, and of well-being just some individuals or some

economies, as well the positive development in the global context. Scientists must intensify their effort in the direction of correction of their perception, because the real resources are limited. Appropriate choice of their use, the elimination of the inefficiencies and the fairer distribution can lead to the restoration of positive expectations.

## 2. SOME ASPECTS OF THE PERCEPTION OF WEALTH, POVERTY AND HAPPINESS

### 2.1. The perception of wealth, poverty and happiness and their determinants (methods)

The aim of the paper is the identification of the particulari-

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ties of perception of wealth, poverty and of happiness, of their interdependencies and mutual conditionality, as well as the identification of the main determinants that affecting them. Therefore, it was necessary to apply the general and specific theoretical methods as a method of scientific abstraction, analysis and synthesis, induction and deduction. It was desirable to apply the logical - historical approach in order to obtain correct knowledge.

Based on the analysis of works and of the elimination of irrelevant knowledge, as well as, on the basis of synthesis of generalized knowledge, and consequently, their comparisons be to identify the shifts in the perception of wealth, poverty and happiness, also to identify the need for a redefinition of these categories with regard to changed conditions. Specification of mutual conditionality was performed by comparing of a wider range of indicators, using statistical data and by their interpretation. Application of multidimensional approach meant the application of specific methods appropriate to specific disciplines (empirical surveys, tests).

## 2.2 Theoretical aspects of the perception of wealth, poverty and happiness (results).

The limited scope of the paper does not capture the full area of diverse views on wealth, poverty and happiness, yet we try to point out a few insights that we consider to be inspiring. It is desirable to indicate that the theory does not provide a clear definition of wealth and poverty as well as happiness. We meet with the narrower or broader definitions, also with the definitions that are contingent of particularities of different sciences.

Many scientists defined the wealth. J. Tobin defined wealth as a continuous spectrum of assets, the assets of various types that individual subjects freely confuse depending on their expected returns, the expected risks, as well as on the transaction costs. F. Modigliani defined wealth as the sum of current assets, the current labor income and the current value of expected future income, I. Fisher described the wealth as the current value of the future stream of income, or M. Friedman defined wealth by supporting the five structural components of wealth - money, securities, bonds, movable and immovable assets, and human capital. Generally, wealth can be defined as the monetary value of all assets that an individual or household has at some point. The extent of the assets is not identical for all authors.<sup>2</sup>

Scientists are looking for answers to questions affecting the motives of creation and accumulation of wealth, particularly the creation of enormous wealth in the hands of minor elite. American economist K. Galbraith very concisely wrote that the motive for wealth ac-

cumulation is the satisfaction from the power, honors and the possession of things that a person acquires due to wealth (Galbraith, 1967). Undoubtedly, exists a wide range of other motives such as: a sense of freedom of choice without the borders; the possibility of further acceleration of wealth due to a greater number of opportunities, as the ability to conduct business on a global scale, where they can succeed only the strongest players; the opportunity to meet all needs without need to seek a compromise; the possibility of participation on the global information and knowledge resources; the possibility of self - realization; an enhance of self-esteem; the strengthening its position within the company; the opportunity to ensure the safety, security and health. At the same time exists a number of motives that leading to the formation of enormous wealth, but not necessarily in full accordance with the law or with the ethical principles. The wealth allows them to hire the best lawyers, accountants or other professionals who are able to legalize the revenues from illegal, but highly profitable activities.

Based on the generalization of knowledge can be stated that the main resources of enormous wealth are: a huge capital concentrated in the hands of a few individuals, the high profits from high-risk investments or the extremely high wages of young experts or some managers operating in the financial markets. The elite of the financial sector also benefits from the existing rules. In some cases, the wealth was not acquired by efforts and an extraordinary commitment, but it was obtained through a system that does not provide the border.

The scientists have long been pointed out the need for correction of the definition of poverty. It should be noted that there is no consensus on the definition of poverty. We may encounter with a very narrow definition of income poverty, but also with more complex view of the definition of poverty. Several authors point to the fact that poor people cannot make the choice that is common for wealthy individuals, respectively wealthy households. In general, poor people are more at risk of various diseases also they are more vulnerable and unable to lead honorable life. These people are not able to perform their functions in society, respectively do not wish to participate on the activities of society (Dahrendorf, 1991, Sen, 2006, Payne, 2006).

Scientists do not pay attention only to the definition of poverty, but also to the identification of the various causes that lead to poverty. If the cause of poverty is the freedom of trade or globalization; the loss of competitiveness of firms and the growth of unemployment, particularly of long-term unemployment; the emergence of new economies and the associated lack of qualifications in relation to the needs of the market, for

<sup>2</sup>Rozborilová, D. (2005). Teória spotreby, úspor, investícií a vládných výdavkov, s. 21 – 70, 71 – 86. True wealth incorporated money, health, relationships, time to do the things you want to do, having meaning and purpose in your day to day. Schneider, K.: Happiness creates wealth. Mhtml:file://G:\Happiness creates wealth.mhtml

example computer illiteracy or an ignorance of foreign languages and the limited ability of mobility (search for employment outside the home's country); the financial costs of acquiring knowledge and skills that correspond to market conditions, while these conditions are constantly changing and without lifelong learning is the keeping of job unrealistic; the loss of breadwinner; the serious illness; the disability; old age; a different starting position; a different talent or the various physical assumptions is required different approach than in the cases, if the cause of poverty lies in a lack of interest in work; or people consciously work towards it to become poor.

The knowledge of the causes of poverty creates better conditions for to detect the consequences of poverty and for its elimination. Eliminating poverty is not very realistic, but what can be regarded as real is poverty alleviation. To the most serious consequences of poverty can be classified: inability to meet needs beyond the basic needs; decrease in purchasing power due to reducing of business activity and employment; the upward pressure on government spending, respectively expenditures and activities of other entities; crisis of values; family crisis; apathy; depression; suicidal tendencies; respectively addiction; aggression; crime; low chance of achieving of sound lifestyle, which is reflected in a higher risk of serious diseases that may threaten the entire society; the lack of interest of participation in the activities of society; social exclusion, with all the negative impacts on individuals as well as on the society. Although this is only a fraction of the different effects of poverty, their significance is undeniable. Poverty is seen as one of the most important phenomena of today.

Poor individuals, respectively households often get into situations that can be characterized as social exclusion. It is an allocation to the margin of society that excludes them from participation in the activities of the society. The seriousness of social exclusion is in the difficulty of its identification because can be examined in the context of different levels (local, regional, national and global) as well as in the context of different dimensions (economic, political, cultural or spiritual.)

Similarly, scientists from different fields of science looking for answers to the questions: What determines human happiness? Which determinants play the dominant role? Jeremy Bentham, an important representative of utilitarianism, wrote that the best society is one where the people are happiest, and the best policy is one that produces the greatest happiness. The aim of the society is to ensure the highest level of happiness for as many people as possible. He pointed out that in people's lives are present both pleasure and suffering and also he suggested the methodology as to test the happiness.

Bentham concluded that the level of each suffering or pleasure can be measured on the basis of the following categories: intensity, duration, certainty, proximity, productiveness, purity and extent. He cover pleasure and suffering to both aspects, to the material as well as to the spiritual aspects. Bentham believed that the government can intervene if creates a space to achieve a sustainable level of happiness. The ideas of Bentham were elaborate by others authors such as the great English economist John Stuart Mill. Mill evaluated a success of government on its ability to create equal opportunities<sup>3</sup> for all and to prevent excessive concentration of wealth.

Further contribution to the theory of happiness provided by the authors of the old and new school of the welfare economics. Arthur Cecil Pigou proclaimed that the goal of welfare economics is the study of determinants which influence economic welfare. He approved of government intervention in case that the obstacles would arise to facilitate the increase of welfare. J. R. Hicks and N. Kaldor, authors of the new school of the welfare economics, distinguished between individual and social welfare and stressed that the maximization of individual welfare does not have necessarily to coincide with the social welfare maximization. They designed the compensation test, which have been subjected to considerable criticism (Kaldor, 1939, Hicks, 1975).

The approaches of institutionalists, neoinstitutionalists, and also of the authors of positive psychology (Fordyse, 1997, Seligman, Peterson, Steen, Park, 2005, Haidt, 2006, Diener, 2000) or of the authors of the theory of public choice (Pestieu, 2006, Besley, 2001) can be seen as the alternative approaches. Institutionalists and neoinstitutionalists apply a holistic approach to examining the ability of government to pursue a policy that is ultimately for the benefit of the whole society. The authors analyze the ability of government to use the institutional factors to desirable behavior that ensures maximization of happiness (Galbraith, 1967).

Significant benefits can be attributed to authors of positive psychology who apply a holistic approach to finding the answers to questions: What is happiness? Can we define happiness? Can we measure the intensity of happiness? What is the most important thing in life? The authors of positive psychology have attempted to specify the definition of happiness and to identify the determinants that affect happiness in different countries of the world. Jonathan Haidt, professor of psychology, identified the definition of happiness: pleasure + engagement + meaning = happiness (Haidt, 2006). Happiness is perceived as a positive emotion that can be described also in other words as contentment, satisfaction or well-being. In their view, the most important deter-

<sup>3</sup>The equity is the category which is provoked and continues to provoke much heated debate. In order to avoid sharp rejection encountered in the theory and practice of substituting the term by another term, which is milder and more accept. The concept of equity is usually replaced with the concept of fairness.

minants are income, wealth, social relations, employment, health, age, social status and freedom.

Several scientists have shown the impact of income and wealth on happiness. American sociologist Richard Easterlin wrote that happiness was found to be an increasing function of income however the marginal impact on happiness was found to decline with the increasing income (Easterlin, 2001). Easterlin also concluded that people are less happy despite the fact that they are richer. Extra wealth has not brought extra well-being. It could even be making matters worse. British economist Richard Layard perceived income and personal relationship as the important determinants of happiness. Higher incomes are generally the basis of higher happiness, but it is not completely a linear relationship. The richer societies are not happier than poorer societies in the case when the average income is above 10 000 £ per head because people compare their incomes with the incomes of other people. In rich societies, the quality of personal relationships affects happiness (Layard, 2005). Angus Deaton analyzed the data on health satisfaction and life satisfaction to national income, age, and life expectancy. In some aspects, the findings aligned with the conventional wisdom that wealth brings happiness. The citizens of richer countries are on average more satisfied with their lives than the citizens of poorer countries. Each doubling of national income is associated

with a near one unit increase in average life-satisfaction. He came to an interesting conclusion. Deaton's findings on life satisfaction are directly contrary to the idea that countries with high adult mortality rates would have correspondingly a

low ranking in life and health satisfaction. In fact, it has little effect (Deaton, 2006). The scientists also pointed out that the combination of some determinants can increase happiness, but in other cases can lead to its decrease for a given individual, or for other individuals. The social scientists discovered that the levels of life satisfaction gradually decline over the last quarter of a century.<sup>4</sup>

American psychologist Ed Diener is one of these scientists who foresee the possibility to measure happiness by asking people how happy they are. Diener prepared a test that consists from five the statements. People must decide whether they agree or disagree using a 1 – 7 scale. Test is available on the internet. Anyone who is interested can be tested, and can learn what can do to be happier and those the determinants may contribute to greater happiness. Some researchers prefer a different approach. People must describe in their own words what happiness means to them.

**Table 1.** Test your Happiness by Ed Diener

**The statement of the test:**

1. In most ways my life is ideal.
2. The conditions of my life are excellent.
3. I am satisfied with my life.
4. So far I have gotten the important things I want in life.
5. If I could live my life over, I would change almost nothing.

**7 scales:** 1.Strongly disagree, 2. Disagree, 3.Slightly disagree, 4.Neither agree nor disagree, 5. Slightly agree, 6. Agree, 7. Strongly agree.

Source: Happiness test by Professor Ed Diener from the University of Illinois. <http://www.goodnewsfor.com/san-clemente/happiness-test.php>

### 2.2.1. A spectrum of the indicators – an assumption of identification of interdependencies and the mutual conditionality

Scientists from different fields of science looked for the answers to the questions: What determines wealth, poverty and happiness? Which determinants play a dominant role at different levels of economic development? We can consider about a mutual conditionality between wealth, poverty and happiness? Scientists are looking for the best indicators that identifying the situation in individual countries, not only in the terms of ensuring a long-term economic growth, but particularly in terms of the conditions for the growth of prosperity of society and of well-being of individual members of society.

The understanding of mutual conditionality eliminates the problems of a simplified view on the situation in the individual countries, eliminates a simplified perception of economic growth, as well as an increase of the competitiveness of individual economies, and the ongoing integration and globalization processes that reflect an automatic growth of wealth and prosperity. The aim of paper was also to verify the hypothesis that higher income and more wealth while mean increase happiness for the individual members of society, but beyond a certain limit of income or wealth leads to marginal increase of happiness.



**Table 2.** Human Development Index, Happy Planet Index, Index of Wellbeing – Overall- Life satisfaction and Legatum prosperity index

Indicators	HDI 2011		GNI per Capita PPP \$	* Life expectan	**	***	HPI	a)	b)	c)	LPI 2009	LPI 2011	OLS****
Countries	HDI	Ranking											
France	0.884	20	30.462	81.5	10.6	16.1	46.5	6.8	81.5	4.9	18	18	6.8
Germany	0.905	9	34.854	80.4	12.2	15.9	47.2	6.7	80.4	4.6	16	15	6.7
Italy	0.874	24	26.484	81.9	10.1	16.3	46.4	6.4	81.9	4.5	26	30	6.4
Belgium	0.886	18	33.357	80.0	10.9	16.1	37.1	6.9	80.0	7.1	15	17	6.9
Netherlands	0.910	3	36.402	80.7	11.6	16.8	43.1	7.5	80.7	6.3	11	9	7.5
Luxemburg	0.867	25	50.557	80.0	10.1	13.3	29.0	7.1	80.0	10.7			7.1
UK	0.863	28	33.296	80.2	9.3	16.1	47.9	7.0	80.2	4.7	13	13	7.0
Denmark	0.895	16	34.347	78.8	11.4	16.9	36.6	7.8	78.8	8.3	2	2	7.8
Ireland	0.908	7	29.322	80.6	11.6	18.0	47.4	7.3	80.6	6.2	9	11	7.3
Finland	0.882	22	32.438	80.0	10.3	16.8	42.7	7.4	80.0	6.2	4	7	7.4
Sweden	0.904	10	35.837	81.4	11.7	15.7	46.2	7.5	81.4	5.7	7	5	7.5
Austria	0.885	19	35.719	80.9	10.8	15.3	47.1	7.3	80.9	5.3	14	14	7.3
Spain	0.878	23	26.508	81.4	10.4	16.6	44.7	6.2	81.4	4.7	20	23	6.2
Portugal	0.809	41	20.573	79.5	7.7	15.9	38.7	4.9	79.5	4.1	25	25	4.9
Greece	0.861	29	23.747	79.9	10.1	16.5	46.5	5.8	79.9	4.9	36	40	5.8
Slovenia	0.884	21	24.914	79.3	11.6	16.9	40.2	6.1	79.3	5.2	23	27	6.1
Czech Republic	0.865	27	21.405	77.7	12.3	15.6	39.4	6.2	77.7	5.3	24	26	6.2
Slovakia	0.834	35	19.998	75.4	11.6	14.9	40.1	6.1	75.4	4.7	37	32	6.1
Poland	0.813	39	17.451	76.1	10.0	15.3	42.6	5.8	76.1	3.9	28	28	5.8
Hungary	0.816	38	16.581	74.4	11.1	15.3	37.4	4.7	73.3	4.0	38	36	4.7
Lithuania	0.810	40	16.234	72.2	10.9	16.1	34.6	5.1	72.2	4.4	40	44	5.1
Latvia	0.805	43	14.293	73.3	11.5	15.0	34.9	4.7	73.3	4.0	41	51	4.7
Estonia	0.835	34	16.799	74.8	12.0	15.7	34.9	5.1	74.8	4.7	31	33	5.1
Malta	0.832	36	21.460	79.6	9.9	14.4	43.1	5.8	66.6	2.6			5.8
Cyprus	0.840	31	24.841	79.6	9.8	14.7	45.5	6.4	79.6	4.4			6.4
Bulgaria	0.771	55	11.412	73.4	10.6	13.7	34.1	4.2	73.4	3.6	47	48	4.2
Romania	0.781	50	11.046	74.0	10.4	14.9	42.2	4.9	74.0	2.8	48	58	4.9

Source: Human Development Index and its Components. Statistical Tables – Table 1, pp. 127 – 130, Human Development Report 2011. HDI world 0,682; Human development Index groups: Very high human development 0,889; High human development 0,741; Medium human development 0,630; Low human Development 0,456. Gross national income (GNI) per capita (constant 2005 PPP \$), \* life expectancy at birth, \*\* means years of schooling, \*\*\* expected years of schooling. Happy Planet Index a/ experienced well-being, b/ Life expectancy, c / ecological footprint. The 2011 Legatum Prosperity Index TM an Inquiry into Global Wealth and Wellbeing. Legatum Institute. High ranking countries (top 30), medium ranking countries (middle 50), Low ranking countries (bottom 30). Ranking of countries in years 2009 and 2011, s. 43. www.prosperity.com. In 2011, data for 110 countries in which lives 93% of the world's population. \*\*\*\* Well-Being - Overall – Life Satisfaction 2006 – 2010 (0 - least satisfied, 10 – most satisfied). Perceptions about Well-Being and the Environment, table 8, pp. 154-157. The value of OLS for the world is 5.3. Human Development Report 2011. Gallup's methodology ensures that the reported data are representative of 95% of the world's adult population.

The Human Development Index is a composite index that measures an average achievement in three basic dimensions of human development – along and healthy life, knowledge and a decent standard of living. All countries of EU, except Bulgaria and Romania, have very high human development. Bulgaria and Romania are among the countries with high human development. The ranking of countries shows that the very high human development is not connected always with countries that have the highest economy level. In the top ten ranking were placed – Netherland, Denmark, Finland and Sweden, and in the twenties were placed Ireland, United Kingdom, Austria, Germany and Belgium. The Happy Planet index is an indicator that identifies the experienced wellbeing, life expectancy, and ecological footprint. Ecological footprint reflects the amount of natural resources that are needed to maintain the life style of a country. Some countries consume much more than would correspond to their share of natural resources. Between these countries are placed Luxemburg, Denmark and Belgium. In comparison, the goals set for 2050 - the average value of HPI 89, life expectancy 87, experienced well-being 8,0, and ecological footprint 1,7. The Legatum Prosperity Index TM provides the world global assessment of prosperity based on income and well-being, what makes this index unique. LPI creates an area for capturing a holistic prosperity unlike the traditional indicators of prosperity. From our point of view is important to remember that prosperity is not about money, it is also about satisfaction with life. LPI is also the first global index that provides an empirical basis for an intuitive sense that true prosperity is a complex blend of income and wellbeing. The advantage of this index is that examines the correlations of both income and wellbeing across different dimensions of society and explores how factors influence an income of country and happiness of its citizens.<sup>6</sup>The ranking of the countries reflects their ability to create the conditions for the growth of prosperity. In the period 2009-2011, the position of the majority countries of EU deteriorated, except France, Denmark, Austria, United Kingdom and Portugal. The highest deterioration occurred in Italy, Greece, Lithuania, but especially in Romania and Latvia.<sup>7</sup>On the other hand, the most favorable environment for the growth of prosperity and the growth of the welfare of citizens is in the Nordic countries, and in Netherlands.

The findings suggest that the political integration by European policymakers have done little to equalise economic or institutional differences among European countries. The income gap between the richest and poorest member states of EU remains vast. In the countries of the Mediterranean area is high levels of corruption, low rates of social trust, low level of rule of law and inefficient public sector. The current financial troubles reflect in several objective and subjective variables of the index. The certain variables tend to be more long-term or permanent by nature and therefore are less affected by temporary fluctuations in the global economy. A recession should not have a major impact on the rank of countries, unless it shakes the foundations of long-term prosperity.<sup>8</sup>

The comparison of a wider range of indicators created a space for identifying countries that could to create conditions for growth performance and competitiveness in the global environment and the conditions for a happy and satisfied life despite a various income inequality.

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<sup>6</sup> The 2011 Prosperity index consists of eight sub-indices (economy, entrepreneurship and opportunities, governance, education, health, safety and security, personal freedom and social capital). Each sub-index has been identified as a foundation of prosperity or each sub-index give an answer to the question of how the local area will contribute to higher level of income and the greater personal wealth. Each from eight sub-indices is equally weighted. The creation of LPI, the more detailed explanation of the methodology and the data sources, country's profiles, and tools that allow you to explore the data can be found at [www.prosperity.com](http://www.prosperity.com).

<sup>7</sup> The situation isn't favorable due to lower level of tolerance for immigrants and ethnic minorities, but also less satisfaction with their freedom of choice and own life.

<sup>8</sup> Human Development Report 2011, 2008 Financial Crisis – Impact and Legacy, p. 36

**Table 3.** The Indicators of the Income Inequality, Poverty and their Components

Indicators	GI 2000 – 2011	GI	Quintile Income Ratio	MPI	a/	b/	% people in risk of poverty	40% median	50% median	60% median
France	.	32.7a	5.6	.	.	.	13.0	2.831	7.308	13.725
Germany	28.3	27.0c	4.3	.	.	.	15.0	3.860	8.518	14.342
Italy	36.0	32.0c	6.5	.	.	.	19.0	6.917	12.085	20.335
Belgium	33.0	28.0d	4.9	.	.	.	15.0	3.670	8.078	16.117
Netherlands	.	30.9	5.1	.	.	.	11.0	3.750	6.306	11.607
Luxemburg	.	26.0d	.	.	.	.	13.0	3.249	8.773	13.779
United Kingdom	.	34.0d	7.2	.	.	.	19.0	5.336	11.566	19.195
Denmark	.	24.0d	4.3	.	.	.	12.0	2.348	5.582	13.191
Ireland	34.3	32.0d	5.7	.	.	.	16.0	5.629	13.209	21.974
Finland	26.9	29.5b	3.8	.	.	.	14.0	2.521	6.546	13.541
Sweden	25.0	23.0d	4.0	.	.	.	12.0	2.641	5.596	11.969
Austria	29.1	26.0b	4.4	.	.	.	12.0	3.461	7.127	13.383
Spain	34.7	32.0d	6.0	.	.	.	20.0	7.764	14.084	20.580
Portugal	.	38.5b	7.9	.	.	.	18.0	.	.	.
Greece	34.3	33.0d	6.2	.	.	.	20.0	6.973	12.454	19.690
Slovenia	31.2	24.0d	4.8	.	.	.	12.0	3.492	7.103	12.673
Czech Republic	.	26.0d	3.5	0.010	.	.	9.0	2.987	5.801	11.445
Slovakia	.	26.0d	4.0	0.000	.	.	11.0	3.910	6.996	12.065
Poland	34.2	34.9d	5.6	.	.	16.6	17.0	6.413	11.510	17.748
Hungary	31.2	28.0d	4.8	0.016	.	.	12.0	4.099	7.411	12.476
Lithuania	37.6	36.0d	6.7	.	.	.	20.0	.	.	.
Latvia	35.7	36.0d	6.3	0.006	.	5.9	26.0	.	.	.
Estonia	36.0	34.0a	6.3	0.026	.	.	19.0	7.369	12.623	20.058
Malta	.	26.0b	.	.	.	.	15.0	.	.	.
Cyprus	.	29.0d	.	.	.	.	16.0	.	.	.
Bulgaria	45.3	30.7b	10.2	.	1.0	12.8	21.0	.	.	.
Romania	31.2	32.0	4.9	.	0.5	13.8	23.0	3.588	8.090	14.107

Source: Inequality-adjusted Human development Index. Multidimensional Poverty Index: Population below Income Poverty Line: a/ PPP \$ 1.25 a day in the years 2000 - 2009, b/ National Poverty Line. Human Development Report 2011, Table 5, pp. 143 – 145. Table 8, pp. 154 – 157. Distribution of family income – Gini Index 2011 Country ranks, CIA World Factbook, 2011.

The most commonly applied indicators of poverty - an indicator of absolute and relative poverty – represent a narrow definition of poverty. Absolute poverty is defined in relation to a certain minimum standard. It is usually defined in the form of money amounting to \$ 1.25 / day, respectively 2 or 2.5 USD / day and is also defined as the quantity of basic goods that are deemed necessary. Absolute poverty reflects a real hardship, reflects the state of the inability to satisfy basic needs or is required as a condition of survival. Relative poverty means that someone is poor compared with other people. The threshold of relative poverty is defined as 40, 50, respectively 60% of median net disposable income. Relative poverty provides information on the population that is at risk of social exclusion.

Absolute and relative poverty are the indicators, which are currently considered to be indicators that do not allow adequately identify a situation in which individuals or households are located. Therefore, it is necessary to use other indicators that specify the situation in more detail: the depth of poverty, income poverty by type of household, the share of income of the upper and lower quintile or the dispersion around the at-risk-of poverty.

Criticism of a simplified view on poverty leads to a search of new indicators of poverty, capable of capturing the complexity of the situation in which an individual or a household is. Multidimensional Poverty Index (MPI)<sup>9</sup> is a new international

indicator of poverty, which specifies not only those who are multidimensional poor, but also as are multidimensional poor. In the construction of the index were applied three dimensions of poverty, more specifically through the ten indicators. The individual dimensions have the same weight (1/3), as well as the individual indicators within each dimension. If an individual (household) is deprived for multiple dimensions can be classified as the multidimensional poor. But this is not about some deprivation, a deprivation is exactly specified. If a deprivation is less than 30%, the individual (household) is not poor in a given dimension. Only if the deprivation is higher than 30% at least in two dimensions can be an individual (household) described as multidimensional poor.

The advantage of this indicator is that provides information on the situation in the individual countries, individual regions or in global measure. Identification of deprivation in specific areas creates the conditions for makers of economic policy to allocate the limited resources as efficiently as it is possible. Another advantage of this index is that allows identify the situations when the deprivation may prevent individuals or households to make a free choice, respectively accurately identify a situation in which individuals or households are located. The advantage of this index is that there are no hurdles to the change or to supplement of dimensions in the future. Some countries constructed the national multidimensional poverty indices that allow the choice of dimensions. The indicators create a space for a more accurate identification of the most acute problems, and can also take into account local, political, economic, cultural, climatic and other specifics.

In connection with the construction of the index there is a discussion which affects a range of dimensions and indicators; a discussion whether the change will affect the results, as also discussion which refer to the possibility of changes in the dimensions and indicators. The search for answers by the empirical tests can be found in the work of authors Alkire, S. and Santos, M. E., Yalonetzky, G.: *Is the Multidimensional Poverty Index Robust to different weight?* [Alkire, Yalonetzky, Santos, 2010].

Data in the table show that in the EU countries are not identified the significant negative values of indicator of absolute and relative poverty, but also of indicator multidimensional poverty. The situation is less favorable in the case of the indicator which specifies those who are at risk of poverty. More as 20% people is at risk of poverty in six countries of EU. Also, the values of the Gini index do not reflect a substantial income inequality. Another situation occurs when we examine a quintile shares. Incomes 20% of the richest to incomes 20% of poorest are higher between 3.5 times (CR) to 10.2 (Bulgaria) or 7.2 times (UK).

### 2.3. The some principal problems of the perception of wealth, poverty, happiness and their determinants (discussion)

In the present period can be identified the some major issues covered to wealth. One serious problem is the precise identification of wealth. If a greater share of wealth present the financial assets, especially the virtual assets, is difficult to identify the exact value of wealth. It is also necessary to take into account the fact that in today's turbulent world occurs in a short time to a significant change in the value of wealth.

Other serious problem is the concentration of wealth by minor elite and the changing structure of wealth in favor of virtual assets in symbiosis with the wealth effect can have a big impact on the further development not only within countries, but also in a globalized world. Scientists are stepping up efforts to clarify the nature of these trends as well as to clarify the modification of the structure of wealth. Especially in the current period exacerbated the problem related to the exaltation of wealth. Glorification of wealth is not sustainable in the long term, especially if the trend should be characterized on a global scale. This is due to the fact that the glorification of wealth in developed countries translates into glorification of high demand. Glorification of wealth ignores the needs of people in other countries and also the needs of future generations.

In identifying problems related to wealth cannot leave out the problem of confusion between wealth and well-being. It should be noted that many scientists pointed out the need of the solution of this problem. Pigou pointed out the differences between the desire to maximize wealth and effort to maximize welfare. He rejected the hunt for wealth and for personal advantages, because from his point of view, an abundance of material goods does not mean the growth of prosperity. Pigou expressed the proposition that an economic theory should attempt to qualitatively evaluate the various forms of wealth that can ensure the prosperity. The higher and more stable incomes are achieved if the income distributed more evenly. From his point of view, the maximization of individual welfare does not necessarily maximize social welfare. It is possible in cases where the maximization of individual welfare is in a conflict with the maximization of social welfare, or if the scarce resources are used for the production of goods, that does not increase well-being, as well as in cause if exists a highly uneven a distribution of incomes. These issues are the subject of interest of many scientists: A. Marshall, V. Pareto, N. Kaldor, J. Mead, J. Hicks or A. Bergson.<sup>10</sup>

<sup>9</sup>Calculation of the index:  $MPI = A \times H$ , where A – average intensity of MPI poverty across the poor (%), H – percentage of people who are MPI poor.

<sup>10</sup>Čaplánová, A., et al. (2011.) *Teória verejnej voľby*. Bratislava: Vydavateľstvo Ekonóm, pp. 98-122.



A counterpart of wealth is poverty. Risk of approach to the poverty line is realistic especially in the period of the strongly pessimistic expectations. The causes of pessimistic expectations can have economic or non-economic character. The accumulation of different problems in a global context intensifies the fears, but also intensifies an effort to detect and specify the complex causes which lead to the volatility of positive expectations and to the loss of illusions, as well as to the search of constructive solutions of accumulated problems. In this difficult situation, the issue of poverty is even more urgent, as well as the modification of the perception of poverty and its alleviation.

The discussions lead to the wider definitions of poverty, and to the identification of the causes and the consequences of poverty. The discussions also relate to other issues - whether it is only a problem of individuals or a problem of society, whether it is possible to talk about the deepening divide between the extremely poor and extremely rich, whether it is appropriate and possible to take measures to eliminate or to alleviate poverty.<sup>11</sup> On the one hand are the views that refuse the relevance of interventions towards the elimination of extreme poverty, on the other hand are the views that the opportunities to improve human society are unlimited and that are the justified interventions in favor of those who are at risk of poverty. Discussions also address the question of what the possibilities and forms of reducing poverty are acceptable, respectively at what level (national, regional or global level) it is possible to find the most effective solutions.<sup>12</sup>

To capture real poverty it is also necessary to specify particular forms of poverty, whether it is transitive or permanent poverty, primary, secondary or acquired poverty, old or new poverty, economic, human or spiritual poverty. The acquired knowledge can contribute to finding the most effective solutions to this serious problem.

### 3. CONCLUSION

A new perception of wealth is reflected in the integrity of material and spiritual wealth, in a preference of real wealth before virtual wealth, in a closer linkage between wealth and happiness. New perception of wealth can eliminate the negative side effects of the last approach. It is particularly important to ensure an increase of the efficiency of use of scarce resources. Also it is necessary to prevent the social exclusion of part of population from society, to prevent the growth of social conflicts, which are inextricably linked to the increasing polarization.

The problem of poverty can be identified as a complex problem of a global nature, and therefore the solution of the problem of poverty must have a comprehensive and global dimension. A solution implies identification and analysis of endogenous and exogenous causes, objective and subjective reasons which lead to the fact that individuals, households and countries are becoming poorer. The solution of the problem of poverty implies the identification and specification of the consequences of poverty, not only in the short term but also in the long term, because the severity of the consequences of poverty can significantly escalate over time. It is also necessary to identify and to analyze: economic, ethical, social, political options to solve this problem in different national economies and in the global context; the alternative possibilities of application of scarce resources; the alternative institutions and instruments of mitigation, respectively elimination of poverty.

The complexity of the problem leads to that the adoption of specific measures can be very low. Many individuals lost the motivation to work, especially if a work does not guarantee the change of their position. They lost a sense of participation in activities that would help them to change their fate. Some poor people prefer the social benefits, often a life on the street. It is important to remember that there often exists a predisposition to such a way of life. The very serious problem is a problem of intergenerational poverty that cannot be solved in the short term. A solution is real in a period of several generations. The most effective way to reduce poverty is the prevention, and an education to personal responsibility for their fate. The importance of prevention is based on the recognition that the effort to get out of poverty is not sufficient for the escape from poverty. The absence of relations with people from other classes and a lack of the ability to communicate with people is a serious obstacle. Without understanding of the significance of the intergenerational transmission of knowledge that could change their behavior and without the development of skills cannot think of moving out of poverty.

Although the term happiness has been a frequently used term colloquially, when trying to put the term into the analytical framework, we are left with the necessity to look for its adequate definition. The diversity of approaches is reflected in the different nature of the definitions. There is no strict conceptual identity. There is also an ambiguous view on the possibility of measuring happiness and an explanatory ability of the results. Same may be said that there is a wide diapason of views of which determinants, how much and in what direction affect happiness.

<sup>11</sup> Thomas Robert Malthus in the first edition of his work *An Essay on the Principle of Population*, 1798 wrote that all efforts to improve the existing situation are futile. As a result of the necessary laws of nature a part of people must suffer from shortage. These people are the unfortunates who drew a blank ticket in a large lottery of life. On the great feast of nature is not spread for their. Nature dictates them to move away and not to remain in carrying out his orders. These ideas, however, in later editions (1803, 1806, 1807, 1817 and 1826) of this work have not been presented.

<sup>12</sup> A. Smith, in his work *On the Nature and Causes of the Wealth of Nations* wrote that no society can surely be flourishing and happy if of which the far greater part of the members are poor and miserable. Also wrote, that a person is rich or poor according to the degree to which it can afford the necessary living resources, items pleasant to the life and enjoyment of life (Smith, p. 95, 51).

On the other side there is a consensus on the positive impact of happiness. Happiness is positively correlated with optimism, positive expectations, and willingness to overcome obstacles. The consensus affects the need for change in the thinking of individuals and governments. In many cases is the consensus that the governments can effectively contribute to happiness of the people.

Comparison facilitates an analysis of the perception of happiness in national, regional and global context, also an

impact of various determinants, both in time and between countries, but its contribution can be minimized, if is not adequately and fairly presented. It should lead to the motivation of individuals and governments in the direction of correction of behavior, if the results of several surveys show that resources are used effectively and the people are not satisfied with their lives. Comparison can encourage behavioral change and ensuring greater happiness, but it can also discourage and happiness decreases.

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