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Sense and Nonsense About Happiness

There has been a long debate in the economic literature on the subject of happiness.

A much-cited 1973 article by an American researcher Richard Easterlin concluded that “In all societies, more money for the individual typically means more happiness. However, raising the incomes of all does not increase the happiness of all.”

Moreover, Easterlin asserted that once societies exceed a (relatively low) overall standard of living, further increases in a country’s wealth don’t make its citizens happier.

The so-called Easterlin Paradox was taken up by Richard Layard (now Lord Layard), an adviser to Britain’s Labour government, in a 2005 book *Happiness: Lessons from a New Science*.

Layard’s explanation of the paradox was that “people are concerned about their relative income and not simply about its absolute level. They want to keep up with the Joneses or if possible to outdo them.”

If valid, these conclusions invite far-reaching policy implications. Easterlin argues they “undermine the view that a focus on economic growth is in the best interests of society.” Layard proposes an explicit government policy of maximising happiness (or subjective well-being).

Layard has also been pressing the British government to employ 10,000 additional counsellors to administer “cognitive behavioural therapy” in 250 new “well-being centres” to cope with an alleged epidemic of mild depression.

The inclination to laugh at such ideas is tempered by the knowledge that the Nanny State has little sense of the ridiculous.

The Easterlin Paradox was always a dubious proposition. Simple observation suggests most people strive for a wealthier life for themselves and their children. I will believe otherwise when trade unions stop making wage claims.

And as one critic observed, “if only relative and not absolute wealth matters, why have so many millions of immigrants flocked from poorer countries to richer ones, very often sacrificing their relative social status in the process?” Few people migrate from rich to poor countries, even though they could boost their relative status by doing so.

Moreover, isn't 'status anxiety' what the Bible calls envy?

These intuitions have been given powerful support by new academic research which debunks Easterlin's conclusions.

In an article published in May this year, Betsey Stevenson and Justin Wolfers of the University of Pennsylvania comb through masses of data on happiness. They establish “a clear positive link between GDP and average levels of subjective well-being across countries” and find “no evidence of a satiation point beyond which wealthier countries have no further increases in subjective well-being.”

They also find “a minimal role of relative income comparisons as drivers of happiness”, and that within countries “economic growth has been associated with rising happiness.”

If these findings stand up to scrutiny, we may have heard the last of the Easterlin Paradox.

The economic aspects of happiness research might be regarded as a harmless academic frolic, were it not for its use to reduce liberty and satisfy envy. For example, Layard's proposals for higher taxes to equalise subjective well-being pander to 'soak the rich' sentiments.

They also give rise to anti-consumerism and the anti-growth movement more generally. The case for economic growth is that it gives people more choice and opportunity in the way they want to lead their lives.

Even people who are not interested in improving their material standard of living can enjoy more leisure in a highly productive, high-income economy.

Others have pointed to the moral consequences of economic growth. If people are confident and optimistic about getting ahead, they are more likely to be fair and generous towards others and less resentful about social mobility than in a stagnant economy where one person's gain may be someone else's loss.

But happiness is much more than an economic phenomenon. Ask someone several times a day whether they are happy and you may well get several different answers. Personality is a powerful factor in happiness. Democracy, basic human rights and personal freedoms also increase happiness.

Many psychological dimensions of happiness are difficult for public policy to reach. Government interventions can have malign results in this area too.

They can, for example, give rise to a therapeutic culture, as with Layard's proposal for well-being centres, and to social engineering initiatives in forms such as misplaced self-esteem and emotional education of children.

There seems to be no link between the size of the welfare state and surveyed wellbeing. Government policies that promote unemployment, divorce, dependence and crime undermine happiness.

The US Declaration of Independence stated that people had a right to pursue happiness, not that governments could secure it for them. Anyone who expects the government to make them happy is bound to be disillusioned.

Happiness is in many ways a state of mind. Measuring happiness, one writer has noted, is, at best, open-ended. "At worst, it is utter rubbish because there are no objective, global standards or metrics to gauge a subjective emotional state."

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