

HAPPINESS PATERNALISM:

BLUNDERS FROM A NEW SCIENCE

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“It's time we admitted that there's more to life than money, and it's time we focused not just on GDP, but on GWB – general well-being”, the British conservative leader, David Cameron, said in a speech recently. So, the role of politicians should be changed: “We should be thinking not just what is good for putting money in people's pockets but what is good for putting joy in people's hearts.”¹

Cameron is not alone. The labour government Cameron seeks to replace has an inter-governmental group working on the subject, the Whitehall Well-being Working Group. They want a happiness index to guide public policy, and think that people should be taught about what makes them happy.

This is a consequence of a new interest for happiness and well-being among scientists and scholars, and a new concern that modern society in general and money in particular does not help us to reach it. If we are so rich – why aren't we happy? That is a question that is being asked more and more often. And some say that this is because we have stone-age brains that have to deal with 21st century technology and a constant flow of information, people and choices. We are overwhelmed. There are too many options and too many goods to choose from, and we even have to choose our own identities and try to be adequate in the eyes of ourselves and others, which causes stress and anxiety.

The new research on happiness and well-being has showed that money is not everything. The British economist Richard Layard, whose popular and well-written book *Happiness : Lessons from a New Science* has become a Bible for many European politicians, says that “as Western society has got richer, their people have become no happier”.²

There are several reasons for this. Surveys where people report their own level of happiness and satisfaction show that the joy of a pay rise wears off rapidly, and after a while it doesn't give us much more happiness. Aspirations rise with income. When we had €50, we thought that €100 would make us very happy. But after a while we adapt to the new level, and think that this is normal. Now we think that we need €200 to be very happy.

Researchers emphasise that the happiness we derive from income is relative, we compare ourselves to others. We are happy with 100 euros if all our neighbours have 50. But if they have 200, we are dissatisfied. So the rich in a society are happier than the poor, because they have wealth and opportunities that they don't take for granted – they can see that others don't have it. But as the whole economy gets richer, the average individual's income does not

¹ Speech to Google Zeitgeist Europe 2006, Hertfordshire, May 22, 2006, <http://www.conservatives.com/tile.do?def=news.story.page&obj_id=129957&speeches=1>, and Mark Easton, “The survival of the happiest”, *New Statesman*, April 24, 2006.

² Richard Layard, *Happiness: Lessons from a new science* (London: Allen Lane, 2005), p. 3. Some other representative works from this perspective are Richard Easterlin: “Does economic growth improve the human lot? Some empirical evidence”, in P A David & M W Reder (Eds.), *Nations and households in economic growth* (New York: Academic Press, 1974), Tibor Scitovsky, *The joyless economy* (Oxford University Press, 1976), Robert Frank, *Luxury fever* (New York, Princeton University Press, 2000) and Barry Schwartz, *The paradox of choice : Why less is more* (New York: Ecco, 2004). My favourite is Greg Easterbrook, *The progress paradox* (New York: Random House, 2003).

rise in relation to the others, so he doesn't get happier. Growth only means that the country rises to a new level of wealth, but the rich in that society are no happier than the rich used to be, and the poor are no happier than the poor used to be. We all get richer, but we don't get happier since we cannot all be richer than everybody else.

But this income growth causes new problems, because of mankind's envy and obsession with status. As some people get richer, it forces others to work harder to retain their relative position, but when they do, they get used to the bigger income, and end up no happier than they used to be. Increased wealth of others is a negative externality, "pollution" according to Layard, that forces us upon a "hedonic treadmill". We need constantly higher incomes to retain our old levels of happiness, but this comes at a price. We work too much so that we spend too little time with our families, and we move a long way to better-paid jobs, which is destructive for community and family ties. The obsession with materialism and external rewards actually lowers our well-being.³

In a way this whole perspective is Karl Marx on his head. Marx said that capitalism denied people real freedom, and that exploitation and waste would impoverish the majority. The new critics say that capitalism creates freedom and wealth, but think that *this* is the problem, since it leaves us dissatisfied, envious and stressed up.

Richard Layard suggests, and many concur, that we should deal with this by lowering growth, for example by raising marginal taxes, reducing mobility and restructuring the economy, since these are the only ways to get everybody to work less and spend more time with family and friends, which really brings happiness. Layard also proposes more job security, a national program of values-education, and government control of television and the advertising industry to tame destructive temptations and stop improper role models. If people don't know their own best interest, a paternalist attitude is necessary.

"These are things that as individuals we can't determine, but we can determine as a society together, and that basically means government is in the game", as prime minister Tony Blair's advisor, David Halpern, puts it, and one of his conclusions is that "taxes are likely to increase the well-being of the population".⁴

³ Interestingly, Adam Smith also didn't have much faith that money would make us happy, but his conclusion was the opposite – that this self-deception was a positive externality: "And it is well that nature imposes upon us in this manner. It is this deception which rouses and keeps in continual motion the industry of mankind. It is this which first prompted them to cultivate the ground, to build houses, to found cities and commonwealths, and to invent and improve all the sciences and arts, which ennoble and embellish human life; which have entirely changed the whole face of the globe, have turned the rude forests of nature into agreeable and fertile plains, and made the trackless and barren ocean a new fund of subsistence, and the great high road of communication to the different nations of the earth." *The Theory of Moral Sentiments*, part IV, chap 1, sect 10.

⁴ Mark Easton: "The politics of happiness", BBC's website, 22 May 2006, <http://news.bbc.co.uk/1/hi/programmes/happiness_formula/4809828.stm>

You don't have to be paranoid to envision a future nanny state, embraced by the left and the right, with the aim of adjusting our emotional state and putting joy in our hearts. From welfare state to well-being state.⁵

But does the data really support this view of our miserable condition? Is something broken, that needs to be fixed?⁶

1. The data

According to the research, happiness is high activity in the left prefrontal cortex of the brain, and the data confirms that something often goes on there. Most people consider themselves happy and most people experience few incidences of negative emotions during a typical day. The surveys also reveal the secret of happiness: Get a lot of friends, get a job, get rich, stay healthy and avoid communism (more about that later). Getting married is important, but if you don't find Mr or Mrs Right, a pet can give you almost the same emotional rewards. Starting a family is good, but if there was some way to avoid having a teenager at home it would be even better. If you are actively involved in religion, it works wonders for your well-being, but if you don't believe, strong secular convictions and involvement in other social groups has the same effect. It also helps if you live in a small country with high levels of trust, specifically if it happens to be Denmark or Switzerland. But sorry to disappoint you, dear reader, neither IQ nor education seem to matter.

Most of all you should choose the right parents, so that you are born with a genetic disposition towards happiness. Identical twins separated at birth show a remarkable similarity in self-reported life satisfaction even if they have very different life experiences.⁷

⁵ One wonders how long it will take until right-wing populists exploit that the results also suggest that people are happier if they stay married and that people are happier when they live with people who are like themselves, for example of the same race – which the chairman of the UK's Commission for Racial Equality, Trevor Phillips, has pointed out.

⁶ "Happiness" and "life satisfaction" are often used interchangeably in well-being research, as a way to measure self-reported subjective well-being. I follow that approach here, even though there is an important difference. You can feel happiness and joy briefly as an immediate positive response to certain stimuli – wine, sex, a Monty Python sketch – despite being miserable with your life as a whole. Being satisfied with your life is a less hedonistic and more long-term reaction to a life filled of positive things and meaningful activities. Perhaps you can call it happiness in the long run. Anyway, the surveys reveal a strong correlation, and mood swings heavily influence all responses. Individuals report much higher life satisfaction on a day with nice weather, or after they have found a dime (placed there by the researchers, as part of the experiment). Daniel Kahneman & Alan B Krueger: "Developments in the measurement of subjective well-being", *Journal of Economic Perspectives*, vol 20, 2006, p 6.

⁷ The largest collection of surveys is found in Ruut Veenhoven's "World Database of Happiness": <<http://www1.eur.nl/fsw/happiness>>. If no other source is given, I have taken the statistics from that database. For a good and regularly updated source of discussion from a classical liberal perspective, see Will Wilkinson's blog: <<http://happinesspolicy.com>>. A comprehensive overview of the results of the research is found in Ed Diener & Martin E P Seligman, "Beyond money : Towards an economy of well-being", *Psychological Science in the Public Interest*, vol 5, July 2004. Watch out for charlatans when

But what about money? Can GDP buy happiness? First of all, it is wrong to say that growth does not contribute to happiness. This was an interpretation that one of the pioneers, Richard Easterlin, originally hinted at, and it's sometimes a journalistic interpretation nowadays, often based on a single example from a single survey, for example Nigerians are happier than Americans or Mexicans are happier than Swedes.

Easterlin has abandoned that interpretation a long time ago. One of the few things there is a consensus about in this young field of science is that money *does* buy happiness. The studies show a very strong correlation between wealth and happiness. There are of course exceptions, but on average, low-income countries report low levels of happiness, middle-income countries report middle levels and high-income countries report high levels. Even among the wealthiest countries we can see the pattern. The least happy of the "EU 15" member states are the poorest, Portugal and Greece.

What the researchers say, though, is that this correlation levels off at a national income between \$10,000 and \$20,000 a year. Reported happiness rises rapidly when you move from Peru to Chile economically, or from Turkey to Greece, but after that, additional income is not associated with extra happiness, according to this interpretation. Since the 1950s, people in the West have become much richer, but not any happier, they say.

But this is not quite true. If you look at countries like England, Germany, France and the Netherlands, reported well-being increased rapidly as growth picked up after the Second World War. The proportion who said that they were unhappy was reduced by half between 1948 and 1975.⁸ Since then it hasn't increased this fast, but slowly and steadily happiness seems to increase. Since 1973, the European Commission's Eurobarometer tracks well-being in regular surveys. The average of the five first surveys and the five latest surveys show that happiness has increased by 0.3 on a 10 point-scale in the first nine member states. It seems to have increased at least as much in more recent EU members, even though the data is not as good.

Astonishingly, Layard admits this in the first footnote of the book, where he says about European surveys that 'data since then [1975] show a slight upward trend in happiness' (p. 247). But in the rest of the book he completely ignores this fact. Instead he writes that 'for most types of people in the West, happiness has not increased since 1950' (p. 29). Instead he focuses on the United States, which according to him did not get happier. He does that by

you're looking for data. For example, New Economics Foundation's "Happy Planet Index" claims that the island of Vanuatu is the happiest place on earth, and that the US is quite miserable. This has been reported in major media outlets around the world, despite two problems that each, on its own, make it completely unserious: a) The index is not a happiness index, but an index of happiness and life expectancy *divided by consumption*, so the result basically shows that Vanuatu was poor, which suits NEF's environmentalist agenda. b) NEF didn't even have a study of happiness from Vanuatu, but extrapolated the score from other countries. Carl Bialik, "Putting a number on happiness", *Wall Street Journal*, 20 July 2006. The report is here:

<<http://www.neweconomics.org/gen/uploads/dl44k145g5scuy453044gqbu11072006194758.pdf>>

⁸ Ruut Veenhoven, *Conditions of happiness* (Boston: Reidel Dordrecht, 1984), p 171.

showing a graph that is used frequently in books and reports on happiness, based on surveys originally from the American Institute of Public Opinion and National Opinion Research Center. It shows that the proportion of Americans who say that they are “very happy” is stuck at 25-30 percent, despite the fact that incomes have increased 3-fold.

But there is something strange about the graph. After very small changes on an annual basis for a long time, the number who said that they were not happy doubled and the number who said that they were “very happy” was reduced by a third – in a single year, 1971. That indicates a problem with the survey. And there is one. Layard does not mention it, but this year the response alternatives were changed. Before, people had the alternatives of saying that they were “very happy”, “fairly happy” or “not happy”, but this was changed into “very happy”, “*pretty* happy” and “not *too* happy” (my emphasis). So the American population did probably not suffer an outbreak of depression in one year, but they thought that the new alternatives better fitted their mood. It’s not unreasonable that more people think that they are “pretty happy” than “fairly happy”, and it’s pretty obvious that more people think that they are “not too happy” than “not happy” which is a more extreme statement.

The interesting thing is that the average happiness level in this study increased by 3 percent 1947-1970 and by more than 7 percent between 1971-2004/5. So the thesis that growth in America has not increased well-being is based on one single year – the very year that the survey was changed. That is not a strong base from which to suggest radical changes to society.

This all goes to show that you should not rely on just a few examples and single survey series to draw conclusions on happiness and growth. The Dutch well-being researcher Ruut Veenhoven has created the biggest collection of studies in a “World Database of Happiness”, and, based on it, he and Michael Hagerty conclude:

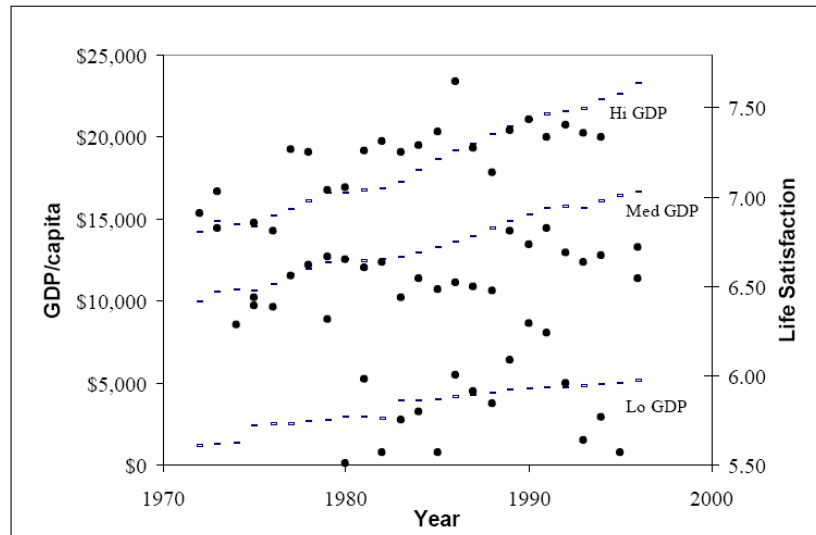
“Happiness does *not* decay [after an increase in income] to its original value. Instead, the adaptation effect reduces happiness to about one half of its peak increase. In summary *both* absolute and relative utility effects are active as national happiness varies with national income. Contrary to strict models of relative utility, happiness is not a zero-sum game. Instead, increasing the income of all *does* increase the happiness of all, but adaptation reduces the rate of increase to about half of its peak.”⁹

In other words, happiness is no more a zero-sum game than the economy is. One person’s gain is not another one’s pain, and one person’s happiness is not another one’s misery. There are diminishing returns and an adaptation effect, but it is possible to increase the well-being of all. There is no sudden outburst of misery in the Western world that has to be explained. There is, however, a smaller increase of happiness than we would like to see, and possibly

⁹ Michael R Hagerty & Ruut Veenhoven, ‘Wealth and happiness revisited’, *Social Indicators Research*, 64 (2003), <<http://www2.eur.nl/fsw/research/veenhoven/work-chronological.htm>>, p 14.

smaller than we would expect. Why? And does this show that growth on our level of wealth is pointless?

GDP/capita (dashes) and life satisfaction (dots)



From Hagerty & Veenhoven, "Wealth and happiness Revisited", 2003.

2. Alternative hypotheses

For the record, I am convinced that relative utility and the adaptation effect that Layard and others mention play an important role. But that is not the question here. The question is whether these are so important that they offset the role of economic growth. However, before I try to answer that question I will briefly mention, but not develop, some alternative hypothesis, that might also contribute to explain why self-reported subjective well-being hasn't increased more.

First, three reasons why happiness might have increased, but we don't see it in the surveys:

1) *Whom do we ask?* Economist Tyler Cowen has pointed out that those surveyed are people in normal life circumstances. Not the starving, the extremely ill, soldiers in a war, people whose buildings collapse over them or victims of a flood. And since wealth and democracies normally reduce these problems and the effects of them, it might be that happiness questionnaires miss some of the largest welfare improvements brought by economic growth. The surveys also completely miss the benefits of longer life expectancy (the dead are not surveyed).¹⁰

¹⁰ Tyler Cowen, "Does money make you happier?", http://www.marginalrevolution.com/marginalrevolution/2005/02/does_money_make.html

2) *Ageing populations*. Despite some contradictory evidence we probably report less well-being as we get older than 50.¹¹ So as life expectancy increases, we should predict that average happiness is lowered a little bit. (This might be an explanation for the stagnation of happiness in rapidly ageing Japan, which has surprised many observers.) But longer life expectancy is good, not bad, and since old people still report that they are happy, it means that the number of happy life years increase even if average happiness did not increase.

3) *Changing definitions*. Perhaps it's not possible to measure happiness by asking people how they feel, since there are no objective standards or precise definitions. To a large extent, the respondents probably just compare their present state to what they are used to. If this year has been nothing but happiness and excitement, this is soon a normal state. In that case I begin to demand more before I call myself "very happy", than if this year has been nothing but sorrow and misery. Perhaps we get happier as life improves, but as that happens, we demand more before we call our experience happiness? In that case we should at least give some consideration to the things we actually strive for, our revealed preference (the fact that we actually work hard for a higher income, for example) rather than just what we say in surveys, and not the other way around as the happiness paternalists would have it.

And here are three alternative hypotheses about why happiness hasn't increased more than it has:

1) *Diminishing returns*. This is the most obvious explanation, and often suggested by the happiness researchers: The first million is more worth to us than the 15th million. Perhaps one of the best aspects of wealth is that it makes us less obsessed with money, and more interested in non-material aspects of our lives. Instead, we get joy from other things in life. Perhaps someone would sell his own mother for the first million, but few would do it for the 15th million. Billionaires like Bill Gates and Warren Buffet seem to get more joy from giving their money away than from making it.¹²

2) *Chronic complainers*. Perhaps the adaptation effect is not just related to wealth and incomes. Mankind is a problem-solving species because those of our ancestors who solved problems survived. When we solve an old problem we don't stop and enjoy the fact that we triumphed. The novelty of the new circumstances wears off rapidly, and we begin to look for the next worse problem, and begin to work to solve it. We don't lie awake at night and contemplate the fact that we have been able to deal with polio and tuberculosis, we lie awake and worry about bird flu. This is a good thing, because it leads us to improve our lives and the world, but it also means that our minds are constantly occupied by problems and we perceive the world to be worse than it is. And in worst case, we just become chronic

¹¹ One problem with the methodology is that the young are "happier", but the old are more "satisfied".

¹² As Dilbert's creator, Scott Adams, puts it, when arguing against people who think that wars are started by capitalists: "I have a theory that only people who have never been rich would believe that the rich are routinely willing to kill enormous amounts of people to get richer. Personally, I've been poor and I've been rich. And I can speak from first hand experience about how it changes you. I'm far less bloodthirsty than before." "Motivated by money", <http://dilbertblog.typepad.com/the_dilbert_blog/2006/04/motivated_by_mo.html>.

complainers. We forget to enjoy the increase in life expectancy because we worry about the costs to the pension system, basically.¹³

3) *Limited room for improvement*. A comparison between identical and fraternal twins by David Lykken at the University of Minnesota reached the conclusion that about half of an individual's life satisfaction comes from genetic programming. Lykken attributed only 8 percent to circumstances like income, marital status, education and religion, and the rest to "life's slings and arrows".¹⁴ If this is anywhere near the truth (and there are both higher and lower estimates), higher incomes could increase the happiness we get from circumstantial factors very much, but at the same time, barely register in our overall life-satisfaction.

2. Why growth is better than it looks

So back to the original question: Is economic growth irrelevant to our well-being? Is our relative position the only important thing? If that is so, why do people move en masse from poor countries to wealthier countries, where they will be among the poorest relatively, but much richer than they were back home? Should people really move in the other direction to increase their happiness?

Think about these recent events and remember that reported well-being rarely changes quickly: In 1990, the US was in the middle of a recession, ten years later it was in a boom. During these ten years, American happiness increased by 10 percent. 1999 to 2002, Argentina went from high growth to a deep crisis. Happiness levels dove 16 percent. Central- and Eastern Europe reported a rapid reduction in happiness during the turbulent early 1990s, when production collapsed. As growth picked up, the levels increased rapidly.¹⁵

In none of these episodes was the story that the relative position of people in the economy changed – most people got richer or most people got poorer. If the theory of relative utility is correct, that we only compare ourselves to others, happiness levels wouldn't change much. But they did, big time. The business cycle is one of the strongest determinants of people's mood. When the economy is doing well, we are happy, when it doesn't we are not.

American studies show that people do not seem to derive greater happiness from their income because they happen to come from poorer groups (which they would if their joy came from the comparison). A specific income results in the same level of happiness whether the person lives in a poor or rich area.¹⁶

¹³ This is something I develop in my John Bonython lecture "The wealth of generations", CIS Occasional Paper 98, 2005.

¹⁴ Claudia Wallis, "The new science of happiness", *Time*, January 2005.

¹⁵ And it increased the most in places where reforms were deep and the economy picked up the most, like Estonia and Slovenia. See Peter Sanfey & Utku Teksoz, "Does transition make you happy?" London: European Bank for Reconstruction and Development, Working paper nr 91, April 2005.

¹⁶ Ed Diener, Ed Sandvik, Larry Seidlitz, and Marissa Diener, "The relationship between income and subjective well-being: Relative or absolute?," *Social Indicators Research*, vol 28, 1993.

This shows that we don't just compare ourselves to others, we also compare ourselves with our own past and future. If we make rapid progress we are happy about the fact that life is better than it was yesterday, and if we live in a society that gets richer, we believe in the future, which increases our happiness. But this is very difficult for happiness researchers to capture with their methods. And here is why:

Imagine for a moment that you are happy because you have a lot of nice dinners and parties to look forward to in the upcoming months. After they are over, a well-being researcher could come in, ask you a bunch of questions and determine that you are no more happy than you were before — and conclude that you should stop devoting time and energy to parties because they apparently don't increase your happiness.

That would be a bizarre conclusion. After all, would you have been as happy if you hadn't had all those interesting dinners and nice parties to look forward to? Probably not. Isn't it possible that the same goes for wealth?

Brian Knutson, professor of psychology and neuroscience at Stanford, who uses MRI to monitor brain activity, concludes:

“When people think of happiness they think of feeling good, but a big part of happiness is also looking forward to something”.¹⁷

The fact that rising incomes do not increase happiness much does not mean that the prospect of a higher income serves no purpose. It might be that the potential for economic growth down the road is what makes it possible for us to continue to believe in a better future and to continue experiencing such high levels of happiness. The critics who think that they can conclude from the stability of happiness that zero growth is preferable (or equivalent) overlook that loss of income undermines happiness. And we generally tend to value losses more than gains.

From surveys we know that hope correlates strongly with happiness. If you want to meet a happy European, try someone who thinks that his personal situation will be better five years from now. If you want to meet a happy Australian, ask someone who thinks that people like themselves have a good chance of improving their standard of living. And we see the same pattern when we compare Americans to Europeans. According to a Harris poll, 65 percent in the United States — but only 44 percent in the European Union — think their situation will improve in the next five years. And we also find that 58 percent of Americans are very satisfied with their lives, compared to only 31 percent of Europeans.¹⁸

¹⁷ Michael D Lemonick, “The biology of joy”, *Time*, 17 January 2005.

¹⁸ Eurobarometer, Report number 53, Brussels: European Commission, Oct 2000, chap 1; Rachel Gibson et al, *The Australian Survey of Social Attitudes*, (Canberra: The Australian National University, 2003), “Americans remain more optimistic and satisfied with life than Europeans”. The Harris Poll

This is also a reason to feel optimistic about happiness in our personal lives. In a dynamic and healthy society most people can look forward to a better future in their own lives – more knowledge, better technology and a higher income. That’s something to be happy about, already today.

For a recent country example, look at Ireland. This country reported declining levels of life satisfaction in the Eurobarometer between the early 1970s and the late 1980s. Ireland did not grow poorer during this time, but it had low growth and high unemployment. A lack of opportunities for the young led to high emigration. During the stagnation from 1975 to 1988, happiness levels declined 16 percent. In the 1990s things turned around. Rapid liberalisation, foreign investment and information technology doubled Irish GDP per capita in ten years. It became easy to start a business and to get a job. Unemployment fell from about 15 to 5 percent and emigrants returned. At the same time, reported levels of happiness grew by 13 percent.

The same kind of process could help explain why happiness reached high levels in the Western world after the Second World War, when they were close to the Irish situation. With economies growing rapidly, people began to think that their children would enjoy a better life than they had. The fact that economic growth since then has not increased happiness much from those levels does not mean that it is useless – it might be the fact that growth has continued that makes it possible for us to continue to believe in the future, and to continue experiencing such high levels of happiness.

For pedagogical reasons you might compare it to static gains from free trade. When a country opens up for international specialisation, it receives a one-off jump in wealth since it can produce more in the sectors that it specialises in now than in the old ones. A critic might point out that you don’t see a difference in year-to-year growth after you introduce trade liberalisation, but the fact is that the new, higher level is that high only because free trade is still in place.

We see the opposite of the European experience in the poorest and most badly governed countries, where entire societies suffer from hopelessness. If you are an average individual you have few opportunities, no conviction that what you do affects your position, no hope that tomorrow will be a better day. Belief in the future grows when poor countries begin to experience growth, when markets open up and incomes finally begin to increase. That is why a country experiences such a big jump in well-being when it moves from Peru’s to Chile’s situation. If growth continues after that, happiness will continue to lie on the new, higher level.

We also know that a system in which individuals had few opportunities to improve their lives, and where people were totally dependent on the state – communism – was disastrous to well-being. A lot has been made of the fact that post-communist countries reported lower

#55, July 20, 2005, <www.harrisinteractive.com/harris_poll/index.asp?PID=585>. The American results are the more impressive since happiness generally tends to be higher in smaller countries.

happiness levels immediately after the fall of communism – hardly surprising since national instability is detrimental to happiness.¹⁹ Less attention has been drawn to the fact that communist countries were much more miserable than other countries before the fall.

Ronald Inglehart's World Values Project made two studies in communist countries in the early 1980s, Hungary and a representative region of the Soviet Union, Tambov Oblast. The lack of freedom and growth in these countries were not compensated for by higher degrees of reported well-being. On the contrary, they reported lower happiness than any industrialised country, and were more miserable than other countries on and below their income levels. This seems to be a general pattern:

“Virtually all societies that experienced communist rule show relatively low levels of subjective well-being, even when compared with societies at a much lower economic level, such as India, Bangladesh, and Nigeria. Those societies that experienced communist rule for a relatively long time show lower levels than those that experienced it only since World War II.”²⁰

Actually, the most happy and satisfied places on earth are the ones that are most dynamic, individualist and wealthy: North America, Northern Europe and Australasia. Veenhoven's conclusion is that “[t]he more individualized society, the happier its citizens are”, and “probably, we live now longer, healthier and happier than ever”. The World Values Survey concludes that advanced industrial societies are the happiest: “at least three-quarters of their people consider themselves either ‘very happy’ or ‘fairly happy’”. After having done a comparison of 178 countries in subjective well-being, Adrian White, an analytic social psychologist at the University of Leicester, points out:

“The frustrations of modern life, and the anxieties of the age, seem to be much less significant compared to the health, financial and educational needs in other parts of the World. The current concern with happiness levels in the UK may well be a case of the ‘worried well’.”²¹

¹⁹ The lowest level of well-being ever recorded – 1.6 on a 10-point scale – is from the Dominican Republic after the overthrow of Trujillo's brutal dictatorship. (Of whom Mario Vargas Llosa wrote the amazing novel *The Feast of the Goat*.)

²⁰ Ronald Inglehart & Hans-Dieter Klingemann, “Genes, culture, democracy, and happiness”, in E Diener & M Suh (Eds.): *Culture and subjective well-being* (Cambridge: MIT Press, 2000), p 171. They point out that China seems to be an exception.

²¹ Ruut Veenhoven, “Quality of life in individualistic society : A comparison of 43 nations in the early 1990's”, in M J deJong & A C Zijderfeld (eds) *The gift of society* (Enzo Press, Nijkerk, 1997), <<http://www2.eur.nl/fsw/research/veenhoven/work-chronological.htm>>, p 9, and “Is life getting better?”, *European Psychologist*, vol 10, 2005, p15. Ronald Inglehart & Hans-Dieter Klingemann, “Genes, culture, democracy, and happiness”, in E Diener & M Suh (Eds.): *Culture and subjective well-being* (Cambridge: MIT Press, 2000), p 170. “The world map of happiness”, <<http://www.le.ac.uk/pc/aw57/world/sample.html>>.

Even Richard Layard, the person who tells us that we are in the middle of a well-being crisis, and that we have to change our ways of life, admits that 'we in the West are probably happier than any previous society' (p. 235). So perhaps we shouldn't undermine the institutions there, but instead look at them, to find the secret of happiness?

3. Where anti-market prejudices fail

It we are overwhelmed with choices and alternatives, work all the time, move around and constantly try to find the time to do everything, why is it that we are as happy as we are in the West?

Perhaps we like it.

A lot of the arguments about how hard work and mobility are harmful to well-being are based on indirect correlation. For example, Richard Layard says that working hard undermines the family, and moving to a new neighbourhood lowers trust and increases crime; since we know that family breakdown, lack of trust and crime are bad for well-being, we should avoid this. But that does not follow, since there are other benefits to working as much as you want and moving to a place you prefer, which might compensate for these risks.²² Unless Layard and others manage to establish a direct link between work/mobility and unhappiness, this argument is bogus. It's like saying that it is bad for well-being to get surgery because it is painful.

Such a direct link has not been found. In fact, the most dynamic societies seem happier on average. And OECD's worker surveys show that the more flexible the labour market, the more secure people feel, since they can get a job if they lose the old one. The workers feel most secure in countries with the most liberal labour markets and shorter average job tenure, like the US and Denmark. They feel less secure in countries like Sweden and Italy and the least secure in the countries with the strongest labour market regulations, France, Spain and Portugal. So it is a mistake to equate flexibility with insecurity. Once again it's more important what people can reasonably expect and hope for, than stability in itself.²³

Of course a hectic lifestyle does not suit everybody, but that is another reason why liberal societies are beneficial for well-being, because it gives people the freedom to choose the kind of identity and lifestyle that suits them. And if we get used to valuing and choosing, we will get increasingly better at choosing to live, work and socialise in ways we like. In traditional societies, on the other hand, the individual has to adapt to pre-fabricated roles and demands. Freedom also means the freedom to say no. If you don't think you get happier by hard work and mobility, just skip it. A survey showed that 48 percent of Americans had, in the last five years, reduced their working hours, declined promotion, lowered their material expectations

²² As pointed out by Jan Arild Snoen in 'Lykkeligere som sosialdemokrater?', article on Civita's website, 13 June, 2005, <<http://www.civita.no/civ.php?mod=content&id=1>>.

²³ OECD: Employment Outlook 2004 (Paris: OECD, 2004), chap 2.

or moved to a quieter place.²⁴ Fast-food or slow-food, no logo or pro logo? In a liberal society, you decide.

Theorists have a way of making decisions like that sound impossible when we have many alternatives. How do you make a rational decision between 340 different versions of breakfast cereals without spending the whole day and being burned out? You don't. That is a misunderstanding of how we reach decisions. Because consciously and unconsciously we develop strategies to simplify choices. When I am buying breakfast cereals I don't go through the 340 different versions; I take the same one that I always eat. Just like I don't make plans for how to get to work every morning – I take the normal route. There is nothing irrational in saving mental energy like that. It would be irrational to spend weeks analysing all of the varieties and alternatives. As long as I am content with my normal choice, I will probably stick to it. It is only when I am not content for one reason or another that I begin to look for alternatives and try something new until I find a new favourite.

This does not mean that freedom of choice is irrelevant. On the contrary. Freedom of choice is precisely what forces every single alternative to be as good and tempting as possible, so that I don't have to be too afraid to be cheated. And I also use that freedom liberally when there are choices that interest me personally. Someone might be especially interested in beer and try all the new exotic versions at the pub, but would be satisfied with any shirt that does not itch. Another person might do with a pint of just about anything drinkable, but would spend hours trying different shirt models.²⁵

And for those who don't know what they like, the retail industry has developed an excellent method that has stood the test of time: Ask them for a recommendation.

4. A few notes on human nature

Perhaps we are not happy despite constant choices and a high degree of individualism, but because of it. Perhaps that "stone age-brain" of ours is actually quite well adapted to this kind of life.

²⁴ Robert Fogel, *The escape from hunger and premature death, 1700-2100* (New York: Cambridge University Press, 2004), p 72. And despite all the complaints, that is the direction in which we are all going. The average employed European and American has reduced his working year by more than 250 hours since 1950. And we have 25 hours more of spare time per week than our ancestors in the late 19th century. Angus Maddison, *The World Economy: A millennial perspective* (Paris: OECD 2001) p 347. One of the things we do with all the time at our hands is to spend it with the family: An American study shows that fathers who spend more than an hour with their children every day increased from 60 to 83 percent 1924-99. The proportion of women who spend more than two hours with them increased from 45 to 71 percent. Theodore Caplow, Louise Hicks & Ben J Wattenberg, *The First Measured Century: An Illustrated Guide to Trends in America 1900–2000* (Washington, DC: AEI Press 2001), p 88f.

²⁵ See Virginia Postrel, "Consumer vertigo", *Reason*, June 2005, and *The substance of style: how the rise of aesthetic value is remaking commerce, culture and consciousness* (New York: HarperCollins, 2003).

Great sociologists like Marx and Weber mourned the loss of community in modern society, but they compared it to the traditions from horticultural and agricultural societies with rigid hierarchies and group structures. That is something we experienced for around 10,000 years. That is not where mankind comes from, and that is not where our impulses developed. That is, however, where many of our moral systems and religions come from, so to use their rejection of modern society as an argument against it seems to beg the question.

We don't seem to be collectivist by nature. In fact the common ancestor of homo sapiens and apes probably didn't have group continuity over time, relations were fluid and adapted to circumstances and both male and female offspring left their groups at puberty, to avoid inbreeding. Modern humans developed during hundreds of thousands of years as hunter-gatherers. These habitats didn't allow for large and stable groups. They were probably small, loose and fluid, adapted to an open ecology. When a conflict emerged groups separated, and the same happened in bad times to increase the chance that at least some of them would find food.

The sociologists Alexandra Maryanski and Jonathan H Turner belong to those who mean that this is part of our nature:

“...as big-brained hominoids, we are by nature somewhat individualistic, prone to free spatial mobility, and resistant to hierarchies ... The fact that modern human hunters and gatherers remain individualistic and mobile adds further credence to the view that early hominid species retained the ape legacy of self-reliance, autonomy, and individualism.”²⁶

Stable communities and structures – kinship and kingdoms – are more recent constructs to deal with the needs in settled agricultural communities, with a larger population, large scale cooperation, long-term investments and defence against internal unrest and external enemies. They served important purposes,²⁷ but at the same time they introduced some strain between biological individualists and their socio-cultural structures.

When mankind needed stronger groups, it is probable that the development of brain functions and language that allow for flexible social organisations made a genetic

²⁶ Alexandra Maryanski & Jonathan H Turner, *The social cage : Human nature and the evolution of society* (Stanford University Press, 1992), p 165. You might recognise your own instincts from these examples of spatial mobility: When large parties walk in company, they tend to break down very soon into smaller and more flexible groups. People like the car since it gives them freedom (and I like my bicycle for the same reason), but they resist car-pooling, since it requires synchronisation of their schedule. Trains and buses also require a schedule, but is preferred since it gives us a lot of options. Apparently, we want to decide where to go, at what speed and with whom.

²⁷ People need some control, since the “noble savage” is a myth: Small children have to be taught to be peaceful and 10-60 percent of the men in primitive tribes died of violence, to be compared to around one percent in Europe during the 20th century that gave us two world wars and two mass murder ideologies. See Steven Pinker's *The Blank Slate : The Modern Denial of Human Nature* (London: Penguin, 2003).

reprogramming in a communal and hierarchical direction unnecessary. Cultural evolution has been much more important than genetic evolution in that short time-span.

This human nature would explain why we seem to enjoy modern, individualist society, despite all the talk about how it should make us feel alienated and lonely. Some part of our hunter-gatherer nature must feel very much at home here. This explains why people everywhere escape subsistence agriculture and political oppression as soon as they get the chance. Of course people want to belong and feel as part of a group and a community. But they also want to choose those groups themselves, be able to escape and move about according to their own free will. There is always a tension between our nature and our culture, and more freedom in society goes some way to ease that tension.

The early homo sapiens were also innovative. They constantly developed new and better tools and built settlements, they developed a division of labour within the tribes, and engaged in long way trade. The Neanderthals, with whom they competed in Europe 30-40,000 years ago, didn't do any of this. They lived in caves and did not divide the labour. At most, they used natural resources they collected 50 kilometres from home (compared to 300 kilometres for homo sapiens). The Neanderthals were bigger, stronger and probably better hunters. But they didn't survive. Humans did, because they were innovative, adventurous and constantly looked for better solutions.²⁸

And think about a normal day in the lives of our ancestors. There was a lot of movement between tribes to avoid inbreeding. Gatherers covered enormous distances constantly on the lookout for perhaps a hundred different edible plants, fresh carcasses and a few dozen sorts of small animals and insects while simultaneously taking care of their children. It was a world where people constantly processed new information and made decisions in complex and constantly changing environments.

If you think that this sounds like a night out, or like a day at work, you're not so far off. Look at shopping again. Many shops have tried to skip the discount coupons to introduce "everyday low prices", only to find that the turnover is reduced. Most shoppers don't want shopping to be dull. And that is why Amazon and other online retailers have introduced short-term, targeted discounts to give us a sense of discovery and opportunities that only last a while.²⁹ Apparently, we want to hunt and gather books. It seems like evolution has given us a human nature that enjoys intellectual exercise, just like our bodies appreciate physical exercise. In fact, the highest levels of happiness are reported from people with active lifestyles, who work a lot and who have a lot of options and a high degree of freedom.

The Hungarian-born psychologist Mihaly Csikszentmihalyi captured this with his surprising observation that people asked at selected times of the day to record their emotional status reported more happiness while working than in their spare time with their families. It turned

²⁸ Lasse Berg, *Gryning över Kalahari* (Ordfront, 2005), pp 186-191. Richard D Horan, Erwin Bulte & Jason F Shogren, "How trade saved humanity from biological exclusion : an economic theory of Neanderthal extinction". *Journal of Economic Behavior & Organization*, vol 58, September 2005.

²⁹ Thomas Hine, *I want that! How we all became shoppers* (New York: HarperCollins, 2003).

out that people experienced most satisfaction when they were creative and got to use their skills, when they were absorbed by an activity and felt that it was both challenging and possible to deal with. If I am asked to write an essay on a too complicated subject that I don't really master, I feel worry and anxiety, and if I am supposed to write about something that is too easy, I get bored. But when I strike the right balance, and write about something that is complicated, but I can handle it, then I experience the creative sensation Csikszentmihalyi calls 'flow'.³⁰

Working life offers a lot of opportunities for flow, since it most often provides us with a structure of challenges, incentives and feedback that makes us feel that we are in control, that there is a meaning to our actions. This can be compared with spare time that is often spent in front of the television. Passivity or extremely monotonous work is not just boring, it's even a health risk. This is why human beings consciously make their spare time more 'complicated' by reading difficult books, playing games or by cooking strange, new dishes. Just watch how children invent rules when playing. It makes the play more challenging – and more fun. That is why we try to learn more about complex subjects, and why we try to make simple and monotonous jobs more demanding, for example by timing ourselves.

Long-term unemployment has a very serious effect on reported well-being, much more than a similar lack of income, which suggests that a loss of self-esteem and sense of control is to blame. Generous welfare benefits do not mitigate the psychological effect of unemployment. (So happiness research would suggest that we should do everything to get people to take low-paying jobs rather than stay on unemployment benefits.)³¹

Our need for flow can probably explain why we play computer games. As the cultural critic Steve Johnson points out, their tremendous success shows that our brain seeks out problems and challenges, and receives neurological rewards when we feel that we learn to control and navigate an environment, and therefore we will do it even when the environment is completely fictitious.³² Data also shows that the closest we get to public control of the political apparatus, local autonomy and direct democracy, increases subjective well-being. Decentralised Switzerland is one of the happiest countries in the world, and the Swiss cantons with the most direct democracy are the happiest.³³

It seems like a sense of competence and efficacy gives us happiness – a sense of being in control of complex situations. This is not surprising since it is difficult to imagine a trait that

³⁰ For example in Mihaly Csikszentmihalyi (pronounced *cheek-sent-me-high*), *Flow: The psychology of optimal experience* (New York: Harper Perennial, 1991). General questions about the enjoyment of activities also result in high scores for work. The "day-reconstruction method" reports lower scores, but it still shows that work is a pleasant activity. Daniel Kahneman & Alan B Krueger: "Developments in the measurement of subjective well-being", *Journal of Economic Perspectives*, vol 20, 2006, p 6.

³¹ Bruno S Frey & Alois Stutzer, "What can economists learn from happiness research?", *Journal of Economic Literature*, vol XL, June 2002, chap 4. Piet Ouweneel, "Social security and well-being of the unemployed in 42 nations", *Journal of Happiness Studies*, vol 3, 1997.

³² Steven Johnson, *Everything bad is good for you* (London: Penguin, 2005).

³³ Bruno S Frey & Alois Stutzer, "What can economists learn from happiness research?", *Journal of Economic Literature*, vol XL, June 2002.

has helped mankind to survive and procreate better than this. And interestingly, this rescues the happiness researchers' observation that money as such isn't the meaning of life. It isn't. Studies consistently show that entrepreneurs are happier than others after controlling for income. It is not the money that makes them happy, it's the freedom, the challenge and the sense of control. This could explain why a focus on external rewards, like money and status, rather than personal achievement, for example, seems to be damaging to well-being.³⁴

A classic mystery in the happiness literature is that lottery winners are not much happier than the rest of the population. And it's also a fact that we tend to overestimate how we will react to good and bad changes in our personal lives, because what matters more for how we feel is how we think and how we live our everyday lives. Often the negative feelings we get from the fear of future unhappiness (for example the result of a health diagnosis) is stronger than what we experience after we have received the bad news and begin to adjust to, and make the best of a new situation. It's how we act, not how we react.³⁵

It's not just the money that makes the high-paid happier than the low-paid – more important is their way of life – being active, being creative, and experiencing control of their lives. We produce happiness rather than receive it. So it's one up for Aristotle, who explained that happiness is not a destination, but a way of travelling. And that has some interesting implications for policy.

5. Tax money does not buy happiness

Many of the happiness researchers think that an expansion of the welfare state, more generous social security and longer holidays, would increase happiness. That's strange. Because if they argue that growth does not bring happiness by denying that happiness has increased since the 1950s, they have also denied that happiness increased during the period when the welfare state was built in the Western world.

The Dutch well-being researcher Ruut Veenhoven looked into this. He started out by searching for a correlation between state welfare and well-being that he was convinced existed:

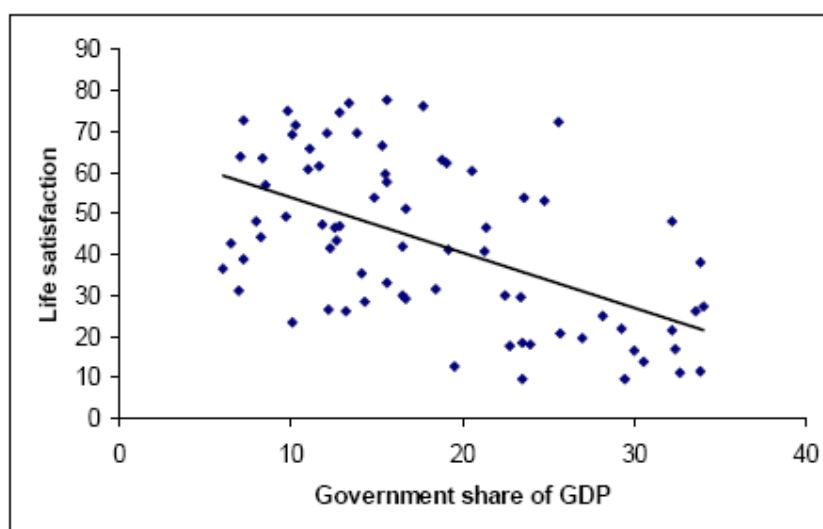
“The first study in this series was initially set up in order to estimate the wellbeing surplus which the welfare state produces. My ambition was to offer a counterbalance to economists who at that time were able to convince public opinion that state welfare had an adverse effect on

³⁴ Even though the causation isn't obvious. It's well-known that depressed people often become more materialist to find comfort. On entrepreneurs, see for example Matthias Benz & Bruno S Frey, “Being independent raises happiness at work”, *Swedish Economic Policy Review*, vol 11, 2004.

³⁵ Philip Brickman, Dan Coates & R Janoff-Bulman, “Lottery winners and accident victims : Is happiness relative?”, *Journal of Personality and Social Psychology*, vol 36, 1978. There are methodological problems with this study, but it pointed to an interesting problem. D T Gilbert etc, “Immune neglect : A source of durability bias in affective forecasting”, *Journal of Personality and Social Psychology*, vol 75, 1998, pp 617–638. Kathryn Brown, “Feeling just fine”, *New Scientist*, 4 September 1999.

economic growth. Against that loss at the material level I hoped to set the gain in psychological wellbeing. The result was not what I had expected, however. There proved not to be any wellbeing surplus. I resisted the temptation to ignore that result."³⁶

Veenhoven's results also show that redistribution has not even managed to create a more equal distribution of happiness, and neither had increases or decreases in state spending any effect. A study from the Swiss Federal Institute of Technology in Zürich recently came to a similar conclusion after having looked at the World Values Survey figures for 74 countries. Their result was that in a statistically significant way, "life satisfaction decreases with higher government spending"³⁷.



From Bjørnskov, Dreher & Fischer, "The bigger the better?", 2005.

One reason why the popular perception says the opposite is the consistently high self-reported happiness in Nordic countries. Many just take for granted that the reason for this is their welfare states. But the propensity to trust fellow people in these countries seems more likely to explain the satisfaction. When Sweden, Norway and Denmark are compared to

³⁶ Ruut Veenhoven, 'Wellbeing in the welfare state', *Journal for Comparative Policy Analysis*, vol 2, 2000, <<http://www2.eur.nl/fsw/research/veenhoven/work-chronological.htm>>, p 3. Veenhoven finds it odd that these results have not been followed up by other researchers, and suggests this explanation, which should be kept in mind when looking at this field: "The majority of the experts in this area earn their living conducting research in the service of the welfare state. They are unlikely to be enthusiastic", p 21. See also Ruut Veenhoven & Piet Ouwenel, "Livability of the welfare state : Appreciation-of-life and length-of-life in nations varying in state-welfare-effort". *Social Indicators Research*, vol 36, 1995.

³⁷ Christian Bjørnskov, Axel Dreher & Justina A V Fischer, "The bigger the better? Evidence of the effect of government size on life satisfaction around the world", Economics Working Paper Series, Technical University of Zurich, 2005.

other small European countries like Switzerland, Iceland and Ireland, where social spending is less than half, their happiness levels are not higher.

The results also surprises since many popularisers assume that inequality in a society has a negative effect on society. But that interpretation is not supported by the evidence. A global comparison even showed that income equality has a negative effect on national well-being, even if that was mostly because unequal Latin American countries are happy. Another study showed that the effect of equality on happiness varies with ideological attitudes. Europeans are negatively affected by inequality, but Americans are not. Actually, the effect on the poor in the US seems vaguely positive, probably as a result of the perception of possible mobility. The only sub-group in the US for which inequality had a negative effect was actually left-leaning rich!³⁸

One reason for the lack of happiness in welfare states could be that the government crowds out private social initiatives, which could have created both security and a sense of involvement and community. It might be that the cradle-to-grave welfare state has marginalised the role of the family and civil society organisations, and therefore also undermines some of the most important sources for intimate social relations and moral guidance.

But it is also possible to tie this to the findings about flow and creativity. Even though redistributive states have created more equal access to resources and welfare services, it might be that this benefit is undermined by the fact that we are given this without working for it ourselves. In effect, the welfare state makes the beneficiary a lottery winner. The resources received do not make the welfare recipient more active, involved or in control – often quite the opposite – and with adaptation to the new resources, happiness is no higher than before.

If happiness comes from a sense of competence and efficacy, the welfare state is worse than a lottery. A limited government can probably make individuals more active and productive by upholding the rule of law and make sure that infrastructure and education works, but if the welfare state goes on to redistribute in a big way, abolish problems and risks and guarantee a certain material result whatever we do, then it deprives us of many of the challenges and responsibilities that are such an important part of our lives. Cognitive psychology consistently shows that setting personal goals and knowing that we are able to overcome difficulties are necessary for self-esteem and satisfaction. But if someone else takes care of us from cradle to grave, we won't do it ourselves. That actions have consequences, both rewards and punishments, is not just good because it helps us make better decisions, it is also important because it gives us a sense of control. It shows us that our actions have a meaning, that they make a difference. Without this direct feedback our sense of hopelessness and frustration grows.

³⁸ Christian Bjørnskov, "The happy few : Cross-country evidence on social capital and life satisfaction", *Kyklos*, vol 56, 2003. Alberto Alesina, Rafael Di Tella & Robert MacCulloch, "Inequality and Happiness: Are Europeans and Americans different?", Harvard Institute of Economic Research Paper No 1938, June 2002.

Once again, the analogy with computer games is relevant. Steven Johnson has pointed out that the big secret about them is that most of the time they are boring and frustrating, as you look for solutions and try to find out what to do next: "If this is mindless escapism it's a strangely masochistic version. Who wants to escape to a world that irritates you 90 percent of the time?".³⁹ But of course it is those very problems and challenges which make the game more enjoyable. When you have to fight for the rewards they are more rewarding.

A government can give us anything, except the conviction that we created that result ourselves. So a government might put money in our pockets, but that is not likely to put joy in our hearts. Thomas Jefferson was right to stipulate the right to *pursue* happiness in the American Declaration of Independence, and not a right to happiness. Because happiness is what we get when we are in control and assume responsibility ourselves. A way of travelling, not a destination.

Research tells us that optimism works.⁴⁰ People who think that they are in control of their lives go on to be more successful than others, whereas those who indulge in victimisation and think that someone else is to blame for their problems are most often proven right in their pessimism. Creating paternalist institutions that guides us to whatever the government thinks would bring us happiness, and redistributing heavily from work and risk-taking to passivity and welfare-dependency would be a way of depriving us of freedom, and the sense of control, and therefore probably also of happiness.

This finds further support in another of Veenhoven's studies, which found that economic freedom is strongly correlated with life satisfaction, especially "for those in conditions of poverty and low capability". In poor countries, economic freedom was much more important for happiness than political freedom and personal freedom – a result Veenhoven considers a "disappointment".⁴¹ The findings of the Danish economist Christian Bjørnskov are also that a liberal business climate and openness to foreign trade is strongly associated with life satisfaction.⁴²

³⁹ Steven Johnson, *Everything bad is good for you* (London: Penguin, 2005), p 26.

⁴⁰ See for example Barbara Fredrickson, "What good are positive emotions?", *Review of General Psychology*, vol 2, 1998, and Charles Murray's *In pursuit of happiness and good government* (New York: Simon & Schuster, 1988). On average, students who are cheerful in their first year of college, get a higher wage two decades later. Ed Diener & Martin E P Seligman, "Beyond money : Towards an economy of well-being", *Psychological Science in the Public Interest*, vol 5, July 2004.

⁴¹ As he says, "a pleasant surprise for the right-wing free market lobby, but a disappointment for liberals like me". Ruut Veenhoven, "Freedom and happiness : A comparative study in 46 nations in the early 1990's", in E Diener, E. & E M Suh (eds), *Culture and subjective well-being* (Cambridge, MA: MIT press, 2000), <<http://www2.eur.nl/fsw/research/veenhoven/work-chronological.htm>>, p 14.

⁴² Christian Bjørnskov, "Life satisfaction : Is there a role for policy?", Policy Paper, European Enterprise Institute, October 2005.

In other words, the 1819 lesson from the French classical liberal Benjamin Constant still stands:

“The holders of authority...are so ready to spare us all sort of troubles, except those of obeying and paying! They will say to us: ‘what, in the end, is the aim of your efforts, the motive of your labours, the object of all your hopes? Is it not happiness? Well, leave this happiness to us and we shall give it to you.’ No, Sirs, we must not leave it to them. No matter how touching such a tender commitment may be, let us ask the authorities to keep within their limits. Let them confine themselves to being just. We shall assume the responsibility of being happy for ourselves.”⁴³

6. Conclusion

So what seemed like a natural conclusion from the relatively stable level of happiness in the West – that we should care less about growth and economic mobility – turns out to be a possible threat to happiness and well-being. That higher incomes don’t make us happier does not mean that we wouldn’t be more miserable if our incomes stopped increasing. I won’t be happier after the nice dinner next week, but I would be sad if it were cancelled.

There is also a real possibility that reduced growth would not at all deal with the problems of envy and social comparisons, but instead make them worse. We compare ourselves in two dimensions: with others, but also with ourselves – past and future. If our own positions become more static, and we don’t see how things change for the better during the course of our lifetimes, we would probably spend even more time looking at the incomes and lives of our neighbours and our brothers-in-law and feel inadequate in relation to them. We need contrasts to see, and if the more benevolent contrast is removed, we have to do with less benevolent ones.

There is also a risk that reduced growth would create more hostility and conflict between people and groups. In a society with growth, a person can succeed without someone else losing out. If we create less wealth, one person’s gain will more often have to be another one’s loss. With a detailed historical analysis, the Harvard economist Benjamin Friedman has showed that periods of healthy economic growth in the US, England, France and Germany have also been periods when tolerance, openness and equality made progress, since the majority has felt that it could give space to new groups without giving up their own positions. At the same time, periods of low growth have led to intolerance, discrimination and xenophobia, since groups get the impression that they have to lose if others are to make progress.⁴⁴

⁴³ ‘The liberty of the ancients compared to that of the moderns’, speech given at The Athénée Royal in Paris, 1819, in Benjamin Constant, *Political writings*. (Cambridge University Press, 1988).

⁴⁴ Benjamin Friedman, *The moral consequences of growth* (New York: Knopf, 2005)

It is possible to argue that it is absurd and undignified to strive for more growth all the time, even though it doesn't give us any real benefits, but only the emotional sense of progress. But if you think so, that is how you should argue, and to say that human attitudes should be changed to adapt to a society with low or zero growth. Anyone is free to argue for this, but in the name of logic they also have to abandon the thesis that growth is actually not correlated with happiness. And that was the hypothesis that gave the politicized version of happiness research so much attention and legitimacy.

One reason why this has been given so much attention is of course that this is a novel and very interesting field of study, and the hypothesis that growth and happiness didn't mix happened to be the most interesting one. But there might also be another reason that contributed. The American social scientist Charles Murray, one of the pioneers in studying happiness and policy, has complained that this new kind of happiness research:

“concerns what I would call a European version of happiness. That is, the purpose of life is to while it away as pleasantly as possible. Whichever country has the longer holidays is best.”⁴⁵

Of course there are Americans who have reached these “European” conclusions as well, but it is true that the “holiday” version of happiness is more embraced in Europe, whereas the “flow” version of happiness can be seen as a bit more in line with the American dream: Benjamin Franklin, Horatio Alger, getting up early in the morning, working hard and being entrepreneurial.

It has been pointed out that there is an easy way of always hitting the target: Hit first, and then call whatever you hit the target, no matter what it is. Might it be the case that politicized happiness studies are popular among European politicians because it is obvious that the EU does not reach its economic targets? If Europe does not manage to compete economically with North America and Asia, it might be tempting to say that material progress isn't everything, that it actually does not increase happiness, and therefore the society is better that isn't too obsessed with those values.

The problem with such a strategy is that it is not sufficient to look at indirect relations. It's not enough to talk of quality of life and then point to long holidays. On the whole it seems like Europe does not even manage to hit this target better than the US. As already noted, 58 percent of Americans and only 31 percent of Europeans are “very satisfied” with their lives, when they respond to the same question (the Eurobarometer questionnaire). There is only one European country where satisfaction is higher than in the US: Denmark.

And if this has anything to do with higher growth, more jobs, more entrepreneurial activity and a sense of opportunity and progress in the US, it is likely that more paternalism, taxes

⁴⁵ John Lloyd, “What price happiness? How economics is learning to lighten up”, *Financial Times*, 1 May 2006.

and a reduction of growth in Europe (with the intention of increasing happiness) would result not just in less wealth and opportunities, but also in less happiness.

In the preface to his book *Man's search for meaning* the Austrian psychiatrist Viktor Frankl pointed out:

“Don't aim at success – the more you aim at it and make it a target, the more you are going to miss it. For success, like happiness, cannot be pursued; it must ensue”

CAVEATS

Personally, I appreciate the fact that psychology has gone from being obsessed with problems and paranoia (especially under the influence of psychotherapy), to giving at least some consideration to the enabling conditions for human flourishing. A good physician does not just study disease, but also health.

Nonetheless, there are some central criticisms that could be raised against the politicised happiness research that I would like to mention even though I don't develop them here.

First of all it's possible to challenge the whole concept of measuring happiness. Since happiness and satisfaction per definition are extremely subjective concepts, we don't know for certain how to interpret people's statements about their wellbeing. Respondents' attitude to these terms might also differ strongly between families, cultures and epochs, which makes comparisons difficult. In order to get any results we have to ignore the long-running philosophical and psychological discussion about what happiness really is and make do with what people say about their own level of happiness. For example is a positive mood the same as human flourishing? In that case, why do people sometimes prefer achievement and personal growth to enjoyments? Does this really mean that they are deceived by evolution or by a search for status? Or does it mean that human goals are more multifaceted than some researchers think?

And even if we could measure happiness perfectly this does of course not solve the old debate about whether a maximum of happiness should really be the political goal. There is nothing in happiness research that could even theoretically support the utilitarian idea that it would be a good thing to sacrifice someone's happiness for someone else's greater happiness, or one person's joy for two persons' joy. No matter how much we know about how happy we are this does not say anything about how we should attain that happiness. Utilitarianism presupposes an ethical statement that it is right to sacrifice everything else for happiness, and that this is not just an individual trade-off, but a collective goal, that we should enforce on everybody.

But this paper is not supposed to be as an exhaustive critique of politicised well-being research. Instead I ignore these problems and criticize its conclusions with the field's own arguments, methods and data.