

**Bentham from the Crypt Once More:
Politicians in Pursuit of Happiness**

By Charles Kenny

June 2011

www.cgdev.org/content/publications/detail/1425209



ABSTRACT

There is a burgeoning academic literature on happiness polls that has used a range of different measures and approaches across countries rich and poor alike to answer the question, “what makes people say they are happy?”

The excitement surrounding this work is well justified. These polls suggest an idea of happiness that would be broadly understood by philosophers from Aristotle to Mill to Rawls or Parfit. Happiness studies also suggest some potential reasons why we appear to act irrationally according to the dictates of revealed-preference-utility-maximization. Subjective-well-being (SWB) polls also help to illustrate some of the absurdities of taking income per capita as our measure of the ultimate good.

At the same time, a lot of things we surely care about are not reflected in SWB poll answers. Cross-country studies involving economies and societies at distinctly different levels of development suggest a limited role for income, rights, health and social factors all combined in explaining SWB. And all the usual criticisms of and concerns with utilitarianism apply to SWB polls.

Polls do not capture a be-all and end-all measure of the good. Both because of the difficulty of interpreting SWB evidence with regard to SWB-maximizing policy and because it appears clear that SWB (on whichever measure) is probably not what we want to maximize, considerable caution is required in the use of such polls for policymaking.

The Center for Global Development is an independent, nonprofit policy research organization that is dedicated to reducing global poverty and inequality and to making globalization work for the poor. CGD is grateful for contributions from the William and Flora Hewlett Foundation in support of this work.

Use and dissemination of this essay is encouraged; however, reproduced copies may not be used for commercial purposes. Further usage is permitted under the terms of the Creative Commons License. The views expressed in this paper are those of the author and should not be attributed to the board of directors or funders of the Center for Global Development.

Bentham from the Crypt Once More Politicians in Pursuit of Happiness

Worldwide, happiness questionnaires as sources of policy advice are all the rage. French president Nicolas Sarkozy recently suggested adjusting traditional economic indicators with a measure for happiness. The UK government is adding questions on subjective well-being to its regular household surveys. And there is a growing sentiment that happiness is not merely the concern of the postindustrial state, but a potential indicator of progress suitable for countries at all levels of development—exemplified by Bhutan’s declaration that it focuses on maximizing gross national happiness.

These developments build on the back of a burgeoning academic literature on happiness polls that has used a range of different measures and approaches across countries rich and poor alike to find out what makes people say they are happy.

The excitement surrounding this work is well justified. The field of happiness studies pushes economists (further, back) toward asking questions about *the better life*, not just the wealthier one. And it explores a range of important questions with potentially significant ramifications for government policy in countries rich and poor alike.

At the same time, there are some reasons for concern. The chain from happiness polls to policy conclusions is a long one, with many links—some quite weak—along the way. This essay examines some of those links. It is not a review of econometric methodology in happiness economics. Nor does it add any new data or statistical analysis. It largely relies on results that have already been repeated across countries, samples, and techniques. The essay is about how we can, or should, use the results of such studies to drive policy advice, and advocates for taking considerable caution.

The Money Metric of Utility

The discussion of what counts as the ultimate good of life reaches back for millennia. While Nietzsche might have argued for power or Augustine for eternal life with the Almighty, at least as far back as Aristotle one answer has been happiness. Aristotelian notions of happiness are about *the life well lived*, however. Only with Benthamite utilitarianism does the idea of happiness in terms of pleasure minus pain make an appearance as the ultimate good.

Despite its relatively recent philosophical pedigree, the field of economics today is made up of professional utilitarians. Economists do not attempt to calculate singular or aggregated accounts of pleasure minus pain, but they do want to maximize individual subjective satisfaction.

Because we cannot look into a man’s soul and find out how happy he really is, traditional microeconomics argues that it is best to judge his happiness from measures based on how he behaves. Thus the measure of revealed preferences and the goal of public policy to maximize revealed preferences satisfied. This replaces *actual* maximization of happiness with a measure

of ultimate good maximization that would be achieved by a rational actor with strong foresight as to her future feelings. Note that there is no necessary assumption in microeconomics that people are maximizing pleasure minus pain—only that they are trying to maximize (one, reduceable) *something*, rationally and with some foresight. That something is labeled as utility by economists.

The empirical analysis of revealed preferences has produced a number of fairly robust results. Amongst these are that people regularly act as if they prefer to have more rather than less money. Most people are revealed to want bigger rather than smaller houses, and would rather live in Manhattan than Staten Island. Many people act as if they prefer to have kids. Most people act as if they prefer to avoid losing a limb, and prefer to avoid risk if possible, and so on.

At the same time, under fairly weak assumptions about rationality, behavioral economists have shown that people act in ways that suggest they are not trying to maximize a reducible and stable set of preferences over time. Daniel Kahneman demonstrated, for example, the mere fact of ownership of an item considerably alters our perception of its value, so that a mug with a picture of Britney Spears on it that we wouldn't pay more than \$2 to buy we'd refuse to sell for less than \$4. Again, sighted people would pay far more to retain their sight than the blinded would pay to recover it—we adjust our preferences in response to a change in ways that we don't appear to be good at predicting.

The money metric of utility is an offspring of the revealed preferences approach. Money is tradeable for many of the things we might have preferences over: goods, services and (to some extent) time. We can (therefore) measure the revealed preference utility associated with a good using the price that an individual is willing to pay for it. Still, the additional caveats to the money metric beyond those of rational maximization in the first place are well recognized. Summed income makes a terrible accounting for public goods and nonmarket activities. For example, you can't pay to be on a planet that isn't seeing rapid species decline, so it is hard to measure how much that costs in terms of income. Again, it is hard to put a dollar value on how much living in a world free of smallpox is worth, but surely it is a big number. Added to the list of concerns with a money metric, how much one is willing to pay for a good will be determined in part by how much money one has in the first place. On the other hand, some people may garner more utility from fewer preferences satisfied than others, so each dollar will be worth more to them. And so on. Especially when it comes to summing utilities across people, then, money is at best a partial measure of revealed preferences satisfied.

Subjective-Well-Being Polls as an Alternate Measure of Happiness

The widespread acceptance of the limits to a money metric of utility suggests considerable scope for other approaches. The subjective-well-being (SWB) literature responds by abandoning revealed preferences altogether and taking a different tack to the measurement of utility. It suggests replacing *revealed preferences satisfied* with *happiness proclaimed* as our measure. It agrees with traditional economic thinking that we cannot look into a person's soul. But it

suggests that instead of watching how she behaves, we should ask her how happy or satisfied she is as a better measure of her levels of utility. Note once again there is no necessary assumption in the SWB literature that people are thinking about pleasure minus pain or *life well lived* when they answer happiness polls. Proponents argue that one of the strengths of such polls is precisely that they don't force a particular definition of happiness on respondents. But, as with revealed preferences, it is important for the poll's subsequent use for policy guidance that respondents are thinking about something that should be maximized in the good life.

Subjective-well-being surveys appear to capture an underlying psychological reality. Different polls vary widely in their format and question. Sometimes respondents are asked to rank themselves on a ten point scale, sometimes they are asked about satisfaction with life rather than happiness per se, for example. Nonetheless, there are strong correlations between responses to different instruments used to measure subjective well-being. Again, surveys conducted in quick succession report very similar levels of satisfaction. And open-ended questions which ask for the areas of life most relevant to happiness consistently point up the same areas—family and friends coming foremost.

Furthermore, the literature suggests that answers to happiness polls are correlated with many of things you would expect, if such polls were measuring happiness as commonly imagined today. Those who say they are happy smile and express positive emotions more than average; they sleep better, and are seen as happier by friends, family, and psychologists. They have higher self-esteem and feel more in control of their lives. They have higher than average levels of dopamine and lower levels of cortisol, an adrenal hormone related to the risk of obesity, hypertension, and autoimmune conditions. People who say they are happier go on to live longer, healthier lives. Countries which score low on subjective well-being see significantly higher rates of suicide.¹

Happiness surveys suggests that what people who say they are happy have more of is in some senses what makes us human in the first place. It is family and friends and meaningful work and time for play. It is belief in something bigger than ourselves. It is also status—doing better than our friends and colleagues. We really are social animals. These polls suggest an idea of happiness that would be broadly understood by philosophers from Aristotle to Mill to Rawls or Parfit. Happiness polls also suggest how much we are the same the world over: the correlates with our stated happiness appear broadly similar across continents.

The empirical analysis of SWB polls also suggests that, however strongly people have the wants uncovered by the study of revealed preferences, satisfying those wants has a remarkably limited impact on how happy they say they are. And a number of factors that are hard to measure using a money metric—things like status and a sense of community—appear to be strongly related to

¹ Results are from Cummins, 2002, Frank, 1997, Myers and Diener, 1996, Kahneman and Krueger, 2006, Helliwell, 2004, Krueger and Schkade, 2007, Stutzer and Frey, 2010.

subjective well-being. This is what has created much of the excitement around happiness studies.

SWB and Money Maximization Contrasted

Happiness studies suggest some potential reasons why we appear to act irrationally according to the dictates of revealed-preference-utility-maximization. We underestimate the rapidity and extent of our adaptation to changed circumstances for example, suggesting our forecasts of experienced utility may be subject to systematic error (or at least, that's true if you think SWB polls reflect utility).

Happiness polls also give greater substance to a number of old complaints against traditional economic thinking, in particular that man is not atomistic as viewed in basic economic theory, but a social animal. Friends matter, and doing good for others (and gaining recognition for it) matters. At the same time, there is a powerful element of keeping up with the Joneses in people's decision-making processes.

Overall, happiness surveys also present one indication of how much caveats and gaps in the money metric of utility may matter. Allowing for both the relative and absolute impact of income, changes in income just don't seem to be that closely related to changes in SWB.² Variation in incomes in the United States at any one time is correlated with about two to five percent of the variation in subjective well-being between people.³ One study of changes in the happiness of Germans over time asked how satisfied with life they were on a case from zero to ten. The results suggested that it would take an 800,000 percent increase in income to raise the average German's reported satisfaction by one point on that ten point scale.⁴ Related to the social determinants of happiness, in wealthy countries, subjective well-being correlates far better with subjective evaluations of peoples' own income levels than it does with objective levels.⁵ It is frequently the case that those with money troubles are not objectively amongst the poorest but those who *feel* poor. According to a number of studies, the gap between income aspirations and actual income is what really appears to matter for SWB.⁶ Even those researchers who are more bullish about the impact of income on happiness find that survey evidence suggests it matters considerably less than friends, family, health, faith, or having a job.

² Stevenson and Wolfers, 2008, perform a comprehensive reanalysis of the cross-country and over-time links between life satisfaction, happiness, and income. Their results suggest the following conclusions widely supported by the existing literature: There is a strong cross-country link between SWB and income at any one time. Over short periods, economic growth (decline) is associated with increases (decreases) in SWB. Over longer periods (first and last World Values Survey waves), there is a weaker relationship between economic growth and SWB (their coefficient on satisfaction is positive and insignificant—although in later versions of the same work it enters significantly—and on happiness is insignificant and negative).

³ Ahuvia and Friedman, 1998.

⁴ Ferrer-i-Carbonell and Frijters, 2004; see also Di Tella et al., 2007.

⁵ Ahuvia and Friedman, 1998.

⁶ Stutzer and Frey, 2010.

In this regard, it is perhaps interesting why the rich say they aren't particularly happy. Richard Conniff in *The Natural History of the Rich* asked a trust-fund beneficiary why the rich weren't more delighted with life and the response was a litany of woes: "social isolation, resentment from peers, rich-bashing from society, betrayal or exploitation by friends, unrealistic expectations from family and society, unequal financial status in marriage, and the absence of all the usual factors (like worrying about the rent) that cause the rest of us to drag ourselves out of bed most mornings in search of bread and a modicum of self-worth."⁷ In other words, too much money can sometimes have a negative impact on status, family, friendships, and meaningful occupation, all factors which appear to be more important than money in determining happiness.

At the other end of the scale, SWB holds up even in objectively desperately poor environments. In the slums of Calcutta, where incomes hovered around \$60 a month, a survey found an average level of subjective well-being that was lower than usual. Nonetheless, the surveyors concluded that "scores were not as low as one might expect based on living conditions" and "even in the face of adverse circumstances these people find much in their life that is satisfying."⁸

Again, using survey data for Malawi, World Bank researchers Martin Ravallion and Michael Lokshin find that the average level of subjective well-being in the country, one of the poorest (with a GDP per capita one third the average for sub-Saharan Africa), is low. They also find that subjective well-being is *positively* related both to one's own income and friends and neighbor's income for poorer Malawians, especially those in rural areas, suggesting relative status concerns are outweighed by the security, comfort, and potential signaling value of (slightly) better-off contacts.⁹

Nonetheless, even in the Malawi case, the percentage of variation explained by measures of absolute and relative economic welfare, alongside household characteristics, education and location, remained only around 4 percent of total variation in SWB. And even in the Malawi case, relatively rich respondents are concerned with relative income in the usual manner, that is, being poorer than friends and neighbors reduces "rich" Malawians' subjective well-being. It is worth noting that the top quintile of the population in Malawi sees income adjusted for purchasing power in the range of \$1,697 a year, which gives them less than five percent of the income of the average citizen of the United States.¹⁰

⁷ Conniff, 2002.

⁸ Diener and Diener, 1995.

⁹ Ravallion and Lokshin, 2005.

¹⁰ Or take China. Real incomes per capita in the country increased by a factor of 2.5 between 1994 and 2005. But the percentage of people dissatisfied with life grew, and the percentage satisfied declined (Kahneman and Krueger, 2006). Knight et al., 2007, find strong relative income effects in rural China, while Fafchamps and Shilpi, 2006, find strong relative consumption effects in Nepal. Furthermore, some developing country surveys suggest an even smaller impact of income on SWB than we see in rich countries. A survey of subjective well-being in Kyrgyzstan finds the usual

Yet while rich people don't appear to gain much in the way of SWB as a result of their wealth, given all of the attractive features of the happy from a productivity standpoint, there is some evidence of a reverse-relationship. The self-professed happy are more likely to initiate contact with friends, more likely to respond to requests for help and more likely to trust strangers and respect law and order. They are less likely to be absent from work or to be involved in disputes when at work.¹¹ So it is perhaps unsurprising that survey evidence from Russia suggests more contented people grow relatively richer over time.¹² Again, contented countries grow more rapidly than those with low SWB.¹³

The Gap between SWB and Objective Quality of Life

SWB polls have shown their value, then, in highlighting potential problems with an accounting of revealed preferences satisfied as a measure of utilitarian success, especially when preferences satisfied are proxied through income. And SWB appears to measure something that captures elements of both net pleasure and subjective reports on elements of *the good life* more broadly defined. But, like income, it appears that SWB is at best a proxy measure for utility (let alone the good life).

For example, a lot of things we surely care about are not reflected in SWB poll answers. This is simply illustrated by Carol Graham's work in Afghanistan.¹⁴ Her recent survey suggests Afghans are more content than the average Latin American (they also smile 20 percent more often than do Cubans). Given Afghans are happy under the circumstances, does that mean that 20 percent infant mortality doesn't matter that much, or that it is not a problem to deny many women basic rights and liberties, or that a low-grade civil war isn't really something to be concerned with? Again, cross-country survey evidence suggests that political and personal freedoms are correlated with subjective well-being only in wealthy countries where they tend to be already comparatively high.¹⁵ Should we take that as meaning people do not care about freedom in poor countries? And corruption, crime, and ill-health matter less to SWB in corrupt, crime-ridden, and unhealthy areas.¹⁶ Does that mean that people just don't care about crime, corruption, and ill health where they are rampant?

results that marriage and employment are positively associated with income, but finds actual income is not robustly associated with subjective well-being (Namazie and Sanfey, 2001).

¹¹ McGill, 1967; Frank, 1997; Guven, 2009.

¹² Graham, 2010a.

¹³ Kenny, 1999. Ahuvia, 2002, argues that there is a causal relationship from increasing incomes to SWB scores, however this is not because of the contentment derived from higher consumption, rather it is through "creating more individualistic cultures that encourage their members to pursue personal happiness over honor and meeting social obligations."

¹⁴ Graham, 2010a

¹⁵ Frey and Stutzer, 2002.

¹⁶ Graham, 2010b.

These results speak to the considerable adaptability of humanity to different circumstances—the ability to make the best out of what one has. And it applies almost as much to changes in circumstances as it does to different initial conditions. People return (close) to a set point of SWB remarkably rapidly after even dramatic life changes. They adapt to losing a limb or a spouse (or gaining a spouse in the first place) as much as they do to living with crime or rights violations—or gaining extra income. Cummins and colleagues report returns toward set levels of subjective well-being for people who have received a diagnosis of cancer, people who have become paraplegic, and those who have received burns.¹⁷ Even the bereaved aren't much unhappier than the average for long. And surely of some concern to the more normative of evolutionary biologists, offspring also bring us little or no benefit in terms of subjective well-being, according to the survey data.¹⁸

Once more, if the original Easterlin paradox is correct that subjective well-being has flatlined in the United States since the 1950s, this suggests not only the small effect of average incomes, but also the irrelevance to SWB of civil rights legislation, greater equality for women, markedly better health outcomes, a declining risk of thermonuclear war, and the spreading availability of decent coffee.

In fact, we didn't really need poll data from Afghanistan or cases of modern tragedy to understand that humans must be incredibly adaptable to circumstances. We just need to look to the past. In the vast majority of world for the vast majority of human history people lived on less than dollar a day, a fifth or more of infants died in first year, people were denied basic liberties, and so on. And yet there is plenty of historical evidence that a lot of people appeared reasonably happy a lot of the time.

This suggests when we are thinking about our answer to a question about general happiness we cannot mainly be thinking about a large income, health, civil rights, education or other things most of us have lived without very much of for most of history. Or, at least, we are rarely thinking about them in any absolute sense. At most, we are thinking about how we are doing with, and compared to, our neighbors or our past. Perhaps “do you think of yourself as happy?” actually forces us into a relative state of mind? But if so, this suggests some challenges with regard to using SWB answers as an absolute measure of individual utility.

¹⁷Cummins et al., 2002. It should be noted that Easterlin, 2005, does suggest the evidence is in favor of *some* long-term impact on subjective well-being from marriage (positive) and health shocks, divorce, separation or widowhood (negative). Which question one asks is important here—there appears to be less adaptation involved in measures of life satisfaction than measures of net affect (Kahneman and Krueger, 2006).

¹⁸ see Carbonell and Frijters, 2004. Children are no longer status goods, perhaps. In addition, it seems unlikely they would raise average affect—you worry about them as well as taking joy in their company. I would expect they would raise taking-life-as-a-whole SWB scores, but perhaps they just become too much of who you are to imagine what it would be without them. Similarly, when you ask those without back pain to think about their lives no doubt they pay little attention to the absence of back pain in their answer.

Furthermore, the considerable strength of the set point suggests that even relative objective conditions play a comparatively minor role in determining outcomes.¹⁹ Lykken and Tellegen conclude on the basis of a study of twins that 80 percent of the differences in life satisfaction poll answers were heritable, while less than 3 percent were explained by socioeconomic status, education, income, marital status, and religious commitment combined.²⁰

Social and economic factors may have a larger role in determining SWB than this study suggests. For example, while modern U.S. twin samples suggest that nearly 90 percent of height variation between individuals appears to be genetic, that is in part because nearly everyone in the United States is well fed and free from serious childhood disease. As a result of improved nutrition and health, *average* heights in the United States have changed considerably over time.²¹ Perhaps the same applies to SWB.

Having said that, cross-country studies involving economies and societies at distinctly different levels of development *still* suggest a limited role for income, rights, health, and social factors all combined in explaining SWB. A 41-country study, including countries as far apart in development outcomes as the United States and Zimbabwe, found that 87 percent of the variation in satisfaction with life scores was due to within-country, rather than across-country factors.²² This contrasts significantly with most measures of objective quality of life (health, for example) where within-country differences are dwarfed by cross-country differences. A second analysis used measures of income, employment, marital status, household size, religion, gender, age, education, and the status of democracy across survey populations in 28 countries and could find correlating factors associated with only eight percent of the variation in individual subjective well-being.²³

Even these low powers of explanation may overstate our ability to find causal objective factors behind SWB poll answers. Many of the independent variables we put in a happiness regression may not be truly independent—including income, as we have seen, but also number of friends, marital status, or (potentially) even being part of a religious community. In all of these cases, naturally happy people might be at a distinct advantage, finding it easier to make friends or find a mate, potentially even to find spiritual meaning. If so, our ability to causally explain happiness is even lower than it first appears.

¹⁹ While there is some attractiveness in thinking of happiness as a reward for socially beneficial behavior evolved by a social species, the strength of the set point suggests that this evolution is at best markedly incomplete.

²⁰ Lykken and Tellegen, 1996; see also De Neve et al., 2010.

²¹ Violence is also partially predicted by heritability while considerably determined by the acceptability of such behavior in different milieus. It is difficult to explain the uptick in suicide rates over time, for example, if we do not use some social measure of its acceptability, the decline of religion, growing life expectancy and so on.

²² Vitterso et al., 2002.

²³ Dorn et al., 2005.

SWB as a Combination of the Permanent and the Fleeting

In the short term, one reason for the low explanatory power of our standard set of supposedly causal factors behind happiness may be that survey answers depend considerably on what respondents were thinking about just before they answer the question. For example, if you ask people taking their life as a whole how happy do they think they are, and then ask them how many dates they went on last week, there is no relation between the two sets of answers. But reverse the question order and ask about dates before you ask about happiness, and those who went on more dates report being happier.²⁴

That may suggest we're not necessarily that good at thinking about our life as a whole in some abstract, out-of-body manner. Indeed, putting it that way the result isn't surprising. The idea of the polling exercise is that the answers are subjective, so of course it is going to be biased toward how we feel at the moment we answer the poll. That is the *point*. Asking the question first in a series helps get around the problem of survey bias, in that everybody polled won't be primed into thinking about a particular aspect of their life. But it is likely that they all come in thinking about *something* in particular which plays some considerable role in determining their answer. Perhaps in particular cases they will be biased by having spilled coffee on or been complimented about their outfit that morning, or having woken to a screaming as opposed to a smiling baby.²⁵

So, if SWB levels vary somewhat over the course of hours as a result of what we are feeling and worrying about in the instant but that variation is around a set point which varies little over decades, this suggests (once again) that things which change over months or years can't explain too much. There just isn't too much space for things in the middle—income or status or health conditions that change over the medium term, for example—to drive SWB levels.

More broadly, while many of the correlates of subjective well-being are similar across countries, it is clear that culture plays a role in determining what is being thought about when answering SWB polls and what answers are given.²⁶ Even within the same culture, just as it is increasingly clear that there is not just one form of intelligence that can be measured by IQ, there probably isn't just one form of happiness. We may have separate happiness accounts covering things such as family or work, and our answer to general happiness questions is at best a fuzzy, temporally and personally specific amalgam of those accounts. We may all be acting under the dictates of a paradigm of happiness that might be termed *subjectively Aristotelian*. If so, it becomes even more unclear what SWB polls are measuring.

²⁴ Strack, Martin, and Schwartz, 1998.

²⁵ Life-satisfaction questions appear as susceptible to framing as happiness questions. When we answer questions on how satisfied with life we are, some report how well we are doing compared to aspirations, but most respond relative to a peer group. Ask how well we are doing compared to our own or our parent's past, and views of life satisfaction rise considerably (Hagerty, 2003).

²⁶ Uchida et al., 2004.

Despite strong evidence that subjective poll answers tell us something—that answers are correlated with other things we’d expect to be higher in happy people like frequency of smiling, for example—this doesn’t mean that the answers are a perfect or even (only) an unbiased measure of happiness in Bentham’s sense of the word (or anyone else’s). It is very far from clear that there is a standard of the absolute good to which all have access, that two people both answering eight out of ten on a happiness poll means that they have a similar stock (or flow?) of the utils that we want to maximize as utilitarians. At least traditional welfare economics, operating under the assumptions of Pareto, allows us to get away without summing individual utilities. Subjective-well-being studies (alongside income per capita measures, of course) do not.²⁷

What Are We Trying to Maximize?

Leaving aside concerns with the malleability of SWB, is the answer to the question “when you look at your life as a whole, how happy are you” really what we want to maximize at either the individual or social level? One does not even need to leave the subjective well-being literature to find other alternatives that are arguably as plausible. What about “all things considered, how satisfied are you with your life as a whole these days?”—the more common question used in recent analysis of SWB across countries?

It turns out that switching to such a formulation would have an impact on our policy priorities. Happiness and life-satisfaction questions are related. Fifty percent or more of the variation in people’s answers to a happiness question can be predicted by how they answer the satisfaction question. But while cross-country studies suggest there is little significant impact of increased income on subjective happiness, there appears to be a stronger link with satisfaction.²⁸ Do we want people who are satisfied with life or happy when they think about it? If the first, we should focus on income growth as a policy goal. If the second, not so much.²⁹

Again, our instant recording of a flow of pleasure versus pain can look considerably different from our answers to questions designed to sum up how happy we are about life as a whole. The impact of the death of a family member has a limited impact on life satisfaction in Africa but a

²⁷ Given that a strong reason to trust SWB polls is their correlation with smiles dopamine and cortisol levels, perhaps we should cut to the chase and attempt to maximize national levels of the sum of smiles and dopamine minus cortisol.

²⁸ Krueger and Schkade, 2007; Graham, 2010b.

²⁹ The importance of institutions to subjective well-being also appears to depend considerably on the measure of subjective well-being being used (Bjornskov et al., 2008). Oswald, 2010, argues that according to a number of measures it is plausible to argue that Western countries are becoming more miserable over time. If that is true, and given that it is distinctly untrue of life satisfaction answers, the range of different policy answers according to different SWB formulations must be considerable indeed.

bigger impact on measures of joy minus sorrow.³⁰ Whether we care about mortality as something with a spillover effect will depend on our measure of subjective well-being.³¹

Perhaps what we should be maximizing is the sum of momentary pleasures. Kahneman and colleagues argue this case strongly, arguing that the use of life-satisfaction questions induces a focusing illusion by drawing attention to relative standing (as suggested earlier) while actual moment-to-moment hedonic experiences are far less affected by such considerations.³² But it is surely unclear that any of life-satisfaction or happiness or time-record questions capture *well-being, contentment, or joy minus sorrow* or whatever it is we really mean when we think of utility maximization—or at least that utility itself is a fuzzier concept than it appears at first glance.

Concerns with Utilitarianism as a Moral System

Neither income nor any particular poll question appears to be a perfect measure of utility, then, however we might define it. But even if they were a good measure of utility, utilitarianism as a system of deciding what to do is hardly free of controversy. A rich philosophical tradition from Aristotle’s work on ethics to Sen’s on capabilities would argue strongly against.

As suggested above, ask a devotee of Bentham “are you happy?” and they’ll start working out how much pleasure and pain they’ve felt recently, and subtract the second from the first. But ask an Aristotelian “are you happy?” and, while they may start calculating how much of their time they spend in studying philosophy, they would also suggest that their own report might be unreliable. As a result of a broadly Aristotelian critique, Amartya Sen argues that a person in poverty can be disadvantaged no matter what they think about it: “can we possibly believe that he is doing well just because he is happy and satisfied? Can the living standard of a person be high if the life that he or she leads is full of deprivation?”³³ Better Socrates dissatisfied than a fool satisfied, as Mill put it.

Indeed, all the usual criticisms of and concerns with utilitarianism apply to SWB polls. Broadly, it just isn’t clear why utility maximization should be our target. Even when it is what the individual tries to maximize by definition, that doesn’t mean it is necessarily what we should try to maximize for society.³⁴

³⁰ Deaton et al., 2009.

³¹ Kahneman, 2000. It appears clear that we misremember the past, and our views regarding the pain of an operation, as it might be, are considerably skewed.

³² Kahneman et al., 2006.

³³ Sen, 1985. This is a problem that is particularly acute in developing countries where the contentment-circumstance gap appears at its largest.

³⁴ In fact, it is impossible that we could—we can’t know in advance what will maximize utility over the long term because it depends on a perfect knowledge of the future which we can never have (we might know what correlates with SWB today—we do not know if it will be stable over thirty years—nor do we know in practice how to maximize

In addition, should we care about happiness inequality? Should we care about maximizing total or average happiness (is it better to have more slightly happy people or fewer absolutely ecstatic people)? What about maximizing years of happy life? What of maximizing stocks or maximizing flow of happiness? And whose happiness are we maximizing—ours, that of our country, that of our customs union, of all humans (and only those alive today, or of all possible humans going forward?), of all animals (try polling a possum), of all sentient life-forms in the universe?

And do we really care about nothing else? For society to maximize SWB, we could put everyone on an antidepressant-ecstasy cocktail and add in chemical sterilization for the naturally unhappy. Many might find this course difficult to swallow.³⁵ That answers to happiness polls appear to have a strong genetic component does not mean that the chance that a person leads a valuable and fulfilling life is determined from birth or easily amenable to chemical enhancement. The pseudoscientific thinking that supports such views has been repeatedly overturned.³⁶

The SWB literature itself suggests that people do not think purely using a prism of utility maximization. They are at most Millian utilitarians in that rights appear to matter to them, too. Stutzer and Frey note that “when it comes to making decisions, individuals tend to prefer institutions promising favorable outcomes *ex ante*. But *ex post* they state that they would have preferred an institution putting more emphasis on (just) procedures.”³⁷ In the abstract, we are utilitarians. In reality we prefer rights. More broadly, it is an under-researched question in the SWB literature as to whether poll respondents themselves are answering on the basis of a definition of happiness as something to be maximized. Do people wake up in the morning and set as their overarching priority of the day to raise their answer to a happiness question one point on a ten point scale?

Can We Use SWB to Drive Policy

One should not overemphasize the gap between SWB/utilitarian and Aristotelian definitions of the good life; in practice, there is clearly considerable overlap. Mill argued that the secret to

current summed correlates). And if we are all (by definition) trying to maximize utility we will do it whether we think we are utilitarians or not.

³⁵ Analysis of the relationship between kids and life satisfaction suggests that people with kids are significantly less happy than those without kids. While actually *having* kids makes people marginally happier, it is miserable people who are more likely to have kids (Ferrer-i-Carbonell and Frijters, 2004). This does pose a problem for the SWB utilitarians. If we breed out the unhappy people, we’ve also got rid of the ones who want to have kids. Two potential answers: (1) accept the end of the human race (although that does suggest a very high discount rate on future utility) or (2) ban contraceptives. A second ethical conundrum suggested by the polls: unemployment seems to have a longer effect on the psyche than losing an arm. Does that mean we should chop arms off people if it would create jobs in the prosthesis industry?

³⁶ See, for example, Gould, 1981.

³⁷ Stutzer and Frey, 2010.

happiness was for people to focus “on some object other than their own happiness; on the happiness of others, on the improvement of mankind, even on some art or pursuit, followed not as a means but itself as an ideal end. Aiming thus at something else they find happiness by the way.”³⁸ The results of SWB polls reflect this conclusion. A life well lived is by and large a life considered happy by the person living it (which is to say nothing about the direction of causality).

And the subjective well-being literature suggests what a traditional lot humans are. People are extremely risk averse, they want to fit in and (preferably) look smarter and richer than average, and they value family, friends, and a community of faith. This isn’t the kind of thing that demands a revolution. Perhaps unsurprisingly, we have long ago created social models that allow for widespread subjective well-being.

As a result, even where there are lessons from the SWB literature, the policy conclusions are often less straightforward. With many correlates, one wonders about the appropriate (or even just the effective) role of government—religion, family, and friends central amongst these. But even where we might be more comfortable with a role for government—when it comes to economic risk reduction, for example—what we gain from the SWB literature is not always obvious.

Fear of uncertainty—the risk of unemployment as reflected in a higher unemployment rate even if you as an individual remain employed—and loss-aversion—suffering a \$10 loss of income far more than gaining pleasure from a \$10 windfall—are both strongly confirmed by the literature.³⁹ But the extent of insurance markets would suggest that the importance of loss aversion was well understood. Again, in Britain, unemployment lowers SWB scores more than divorce.⁴⁰ But the idea that governments should focus on unemployment is hardly new. The larger challenge is that the arguments about how to maximize employment are unresolved.

Once more, that inequality is (in some places) associated with lower subjective well-being does not necessarily translate into a straightforward policy prescription, because shrinking income inequality will not necessarily shrink inequality-related unhappiness. To demonstrate why, think of people in medieval England, who managed to have multiple layers of social distinction related to income even though all of them were desperately poor by any modern standard. Redistribution might merely make smaller differences in income more apparent to socially attuned individuals.

And the impact of inequality, like the impact of everything else, is considerably socially mediated. Alberto Alesina, Rafael Di Tella, and Robert MacCulloch have found that inequality in the United States has no effect on the self-reported happiness of the poor, for example.⁴¹ So it is

³⁸ Mill, 1969.

³⁹ Graham, 2010b.

⁴⁰ Stutzer and Frey, 2010.

⁴¹ Alesina, Di Tella, and MacCulloch, 2004.

perhaps unsurprising that critics of happiness studies from the right like Will Wilkinson of the Cato Institute can conclude that “if the redistributive openhandedness of the state has any effect on happiness at all, it is a surpassingly small one.”⁴² Given the apparent link between measures of liberty and measures of happiness, Wilkinson can conclude that happiness studies suggest role for smaller, not bigger, government.

There do remain policy conclusions that could follow from the importance of relative concerns and (unexpected) adaptation to our motivations that are suggested by the results of the SWB literature. There might be returns in terms of SWB in taxing or discouraging the pursuit of positional goods (diamonds, fast cars) while subsidizing or otherwise encouraging the pursuit of goods valued in an absolute rather than relative sense (health insurance and holidays). Indeed, given that happiness appears largely a character trait, and given that happy people are on average made wealthier by that character trait, it would be socially optimal under traditional (revealed preference utility-maximizing) economic logic to tax the happy alongside the tall (a la Mankiw).⁴³

But because of the findings that man is a social animal, status matters and preferences change, we can't just worry about maximizing individual happiness under current preferences, we have to worry about what causes preferences, which further complicates development of policy conclusions. Obese people in Russia report greater happiness; in the United States they report lower levels of happiness than the non-obese. Two potential policy responses in Russia: subsidize fat or change the status of weight.⁴⁴ Again, Carol Graham notes that the impact of unemployment on happiness is lower in areas where many are unemployed.⁴⁵ A considerable part of the employment impact on SWB appears to be status driven, then. This leads to at least three possible policy responses: attempt to reduce unemployment, attempt to reduce the stigma associated with unemployment, and corral the unemployed together.

And should we ban TV broadcasts of soap operas displaying the lifestyles of the better off, for fear they will make poor viewers unhappy with their lot, even though watching those same

⁴² Wilkinson, 2007.

⁴³ Sometimes SWB researchers suggest you could use coefficients from happiness regressions to value different policies. So, for example, a one-point growth in unemployment is “worth” the same as a four-point rise in inflation. However, I don't think the statistical techniques are strong enough—the coefficients aren't *that* stable across techniques, samples, let alone definitions of happiness—and, regardless, you shouldn't be maximizing SWB poll answers as the ultimate aim of policy. Using happiness polls for cost-benefit analysis poses its own set of challenges. We know that getting a lot richer makes you a little happier largely because of the relative effect of being richer than others. That people get less happy because a road has been bulldozed through the middle of their village may be an “absolute” effect, not due to the fact that a road *wasn't* driven through the neighboring village. And the costs of the road are likely to be absolute, too. So if you use SWB poll answers to calculate the cost of a road in terms of villager well-being as part of a cost-benefit analysis, you are going to end up comparing relative dollars to absolute dollars.

⁴⁴ Perhaps one way to do that is in fact to subsidize fat so that it is no longer a status symbol.

⁴⁵ Graham, 2010a.

shows might provoke helpful behavior change like lower fertility or more girls' education?⁴⁶ I would argue against, but if you are maximizing static SWB you would probably answer no, and if you wanted to maximize dynamic well-being you would probably have to answer "I don't know." Much like Pareto optimization under traditional microeconomics, policies that emerge from happiness studies are only going to make sense to the extent that we like the current social and economic set-up, then. In and of themselves they provide little guide.

Of course, once you have given up on people being rational utility maximizers, or start to believe that by changing people's preferences they could rationally maximize a greater level of utility, it is *carte blanche* for intervention. This means that despite the fact that on one level happiness studies produce conservative and antirevolutionary conclusions (stability and religion are good, the role for government intervention is limited), they could be used as a justification for considerable social engineering.⁴⁷ As one example, Bhutan's dedication to maximizing gross national happiness is apparently enhanced by ethnic homogeneity—sufficiently so that between 1990 and 1993 alone, 90,000 ethnic Nepalese living in Bhutan were forced into refugee status in Nepal.⁴⁸

Finally, one finding of the literature is that public policy as a whole is relatively unimportant to individual SWB levels. This in and of itself is an important result. At the same time, given that public policy has a really large impact on things like GDP growth per capita, income distribution, health outcomes, security, and education levels—especially in developing countries—it would be a mistake to conclude from a reading of the SWB literature that public policy is unimportant in general.

Conclusion

SWB may be a good proxy measure for some things we want. We want people who smile more, we want fewer suicides, and so on. SWB polls also help to illustrate some of the absurdities of taking income per capita as our measure of the ultimate good. But it is, at the same time, extremely unlikely that they capture a be-all, end-all measure of the good. SWB is one out of many goals that we should strive for. Both because of the difficulty of interpreting the evidence with regard to SWB-maximizing policy and because it appears clear that SWB (on whichever measure) is probably not what we want to maximize, the link from polls to policy is weak indeed.

⁴⁶ An added issue: miserable people spend more time watching TV. The trouble is untangling the causality. Happiness really is a state of mind in these studies, so it is very hard to untangle if the intent to watch TV is driven by unhappiness or TV watching induces misery.

⁴⁷ This echoes Rousseau who claimed he was in favor of taking men as they are and laws as they might be, but meant taking man as a social animal who seeks status (and so on). He proposed revolutionary changes in the way that society operated—including in the preferences that society instilled in men—while still supposedly taking men as they are.

⁴⁸ See U.S. State Department discussion here: <http://www.state.gov/g/drl/rls/hrrpt/2006/78870.htm>.

Humanity shares a broad and common understanding of both what it is to be happy and what we should strive for as individuals and in communities. But that shared understanding is nonetheless a rich and complex one. Trying to reduce it all to a simple number, be it GDP per capita or average points on a ladder of life scale, does us as all an immense disservice. To bastardize a formulation from Bentham, if utilitarianism is nonsense, then subjective-well-being maximization may be nonsense on stilts. Happiness researchers Stutzer and Frey conclude that “the sovereignty of individuals should not be reduced to their self reports of wellbeing.” It is hard to argue with that.⁴⁹

⁴⁹ Stutzer and Frey, 2010.

Bibliography

- Ahuvia, A. (2002) Individualism/Collectivism and Cultures of Happiness *Journal of Happiness Studies* 3: 23-36.
- Ahuvia A. and D. Friedman (1998) Income, Consumption and Subjective Wellbeing *Journal of Macromarketing*, Fall, 1998.
- Alesina, A., R. Di Tella and R. MacCulloch (2004). Inequality And Happiness: Are Europeans And Americans Different?, *Journal of Public Economics*, v88(9-10, Aug).
- Bjornskov, C., A. Dreher and J. Fischer (2008) Formal Institutions and Subjective Well-Being: Revisiting the Cross-Country Evidence, SSE/EFI Working Paper Series in Economics and Finance 699.
- Carbonell, A. and P. Frijters (2004) How Important is Methodology for the Estimates of the Determinants of Happiness *The Economic Journal* 114, 641-659.
- Coniff, R. (2002) *A Natural History of the Rich*, New York; Norton.
- Cummins, R. (2002) The Validity and Utility of Subjective Quality of Life: A Reply to Hatton and Ager *Journal of Applied Research in Intellectual Disabilities* 15 261-268
- Cummins, R., E. Guillone and A. Lau (2002) A Model of Subjective Well-Being Homeostasis: The Role of Personality in E. Guillone and R. Cummins *The Universality of Subjective Wellbeing Indicators: A Multi-Disciplinary and Multi-National Perspective* London: Kluwer.
- Deaton, A., J. Fortson, and R. Tortora. (2009) Life (Evaluation) HIV/AIDS, and Death in Africa NBER Working Paper 14637.
- Diener, E., & Diener, M. (1995). The Wealth of Nations Revisited: Income and Quality of Life *Social Indicators Research*, 36, 275-286
- De Neve, J., J. Fowler and B. Frey (2010) Genes, Economics and Happiness IERE Zurich Working Paper 475.
- Di Tella, R., J. Hasken-De New and R. MacCulloch (2007) Happiness Adaptation to Income and to Status in an Individual Panel, NBER Working Paper 13159.
- Dorn, D., J. Fischer, G. Kirchgassner, A. Sousa-Poza (2005) Is It Culture or Democracy? The Impact of Democracy, Income and Culture on Happiness University of St Gallen Discussion Paper 2005-12.
- Dowling, M. (2005) Decision Making, Neuroeconomics and Happiness [need more source].
- Easterlin, R. (2005) Explaining Happiness, mimeo, USC, California [update ref].
- Fafchamps, M. and F. Shilpi (2006) Subjective Welfare, Isolation, and Relative Consumption, Global Poverty Research Group Working Paper 56.
- Ferrer-i-Carbonell and Frijters (2004) How important is Methodology for the Estimates of the Determinants of Happiness *Economic Journal* 114
- Fleurbaey, M. (2009) Beyond GDP: The Quest for a Measure of Social Welfare, *Journal of Economic Literature*, 47: 4.
- Frank, R. (1997) The Frame of Reference as a Public Good *The Economic Journal* 107, 445.
- Frey, B. and A. Stutzer 2002 *Happiness and Economics*, Princeton, Princeton University Press
- Gould, S (1981) *The Mismeasure of Man* New York: W. Norton.

- Graham, C. (2009) Why societies Stay Stuck in Bad Equilibrium: Insights from Happiness Studies Amidst Prosperity and Adversity, mimeo, Brookings Institution.
- Graham, C. (2010a) *Happiness Around The World: The Paradox of Happy Peasants and Miserable Millionaires* New York: OUP
- Graham, C. (2010b) Happiness Measures as a Guide to Development Policy? Promise and Potential Pitfalls ABCDE Stockholm, 2010
- Güven, C. (2009) Are Happier People Better Citizens? Mimeo, Deakin University.
- Hagerty, M. (2003) Was Life Better in the Good Old Days? Intertemporal Judgements of Life Satisfaction, *Journal of Happiness Studies*, 4, 2.
- Kahneman, D. (2000) Experienced Utility and Objective Happiness: A Moment-Based Approach in: D. Kahneman and A. Tversky (Eds.) *Choices, Values and Frames* New York: Cambridge University Press and the Russell Sage Foundation
- Kahneman, D. and A. Krueger (2006) Developments in the Measurement of Subjective Wellbeing *Journal of Economic Perspectives* 20, 1 3-24.
- Kahneman, D., A. Krueger, D. Schkade, N. Schwarz and A. Stone (2006) Would You Be Happier if You Were Richer? A Focusing Illusion CEPS Working Paper No. 125.
- Kenny, C. (1999), Does Growth Cause Happiness, or Does Happiness Cause Growth? *Kyklos*, 52: 3–25.
- Knight, J., L. Song and R. Gunatilaka (2007) Subjective Wellbeing and Its Determinants in Rural China, Oxford University Department of Economics Discussion Paper 334.
- Kreuger, A. and D. Schkade (2007) The Reliability of Subjective Well-being Measures, NBER Working Paper 13027.
- Helliwell, J. (2004) Well-being and Social Capital: Does Suicide Pose a Puzzle? NBER Working Paper 10896.
- Lykken, D. and A Tellegen (1996) Happiness is a Stochastic Phenomenon *Psychological Science* 7, 3.
- McGill, V (1967) *The Idea of Happiness* New York: Praeger
- Mill, J. S. (1969) *Autobiography*. Oxford: Oxford University Press
- Myers and Diener 1996 The Pursuit of Happiness *Scientific American* 272, 5 70-2.
- Namazie, C. and Sanfey, P. (2001), Happiness and Transition: the Case of Kyrgyzstan *Review of Development Economics*, 5: 392–405.
- Oswald, A. (2010) Emotional Prosperity and the Stiglitz Commission IZA Discussion Paper 5390.
- Ravallion, M. and M. Lokshin (2005) Who Cares About Relative Deprivation? Policy Research Working Paper, World Bank, No. 3782
- Sen, A. (1985). *The Standard of Living*. Cambridge: Cambridge University Press.
- Stevenson, B. and J. Wolfers (2008) Economic Growth and Subjective Wellbeing: Reassessing the Easterlin Paradox *Brookings Papers on Economic Activity*, Spring.
- Strack, Martin and Schwartz 1998 priming and communication *euro journal social psychology*
- Stutzer, A. and B. Frey (2010) recent Advances in the Economics of Individual Subjective Wellbeing, University of Zurich
- Uchida, Y., V. Norasakkunkit, V. and S. Kitayama (2004) Cultural Constructions of Happiness: Theory and Empirical Evidence *Journal of Happiness Studies* 5: 223-239.

- Vitterso, J. E. Roysamb and E. Diener (2002) The Concept of Life Satisfaction Across Cultures: Explaining its Diverse Meaning and Relation to Economic Growth in E. Guillone and R. Cummins *The Universality of Subjective Wellbeing Indicators: A Multi-Disciplinary and Multi-National Perspective* London: Kluwer.
- Wilkinson, W. (2007) In Pursuit of Happiness Research: Is It Reliable? What Does It Imply for Policy? April 11, 2007. http://www.cato.org/pub_display.php?pub_id=8179 (accessed November 23, 2010).