

Richard A. Easterlin

# An Economist's Lessons on Happiness

Farewell Dismal Science!



Springer

# An Economist's Lessons on Happiness

Richard A. Easterlin

# An Economist's Lessons on Happiness

Farewell Dismal Science!

Consulting editor Nancy L. Easterlin



Springer

Richard A. Easterlin  
Pasadena, CA, USA

ISBN 978-3-030-61961-9      ISBN 978-3-030-61962-6 (eBook)  
<https://doi.org/10.1007/978-3-030-61962-6>

© The Editor(s) (if applicable) and The Author(s), under exclusive license to Springer Nature Switzerland AG 2021  
This work is subject to copyright. All rights are solely and exclusively licensed by the Publisher, whether the whole or part of the material is concerned, specifically the rights of translation, reprinting, reuse of illustrations, recitation, broadcasting, reproduction on microfilms or in any other physical way, and transmission or information storage and retrieval, electronic adaptation, computer software, or by similar or dissimilar methodology now known or hereafter developed.

The use of general descriptive names, registered names, trademarks, service marks, etc. in this publication does not imply, even in the absence of a specific statement, that such names are exempt from the relevant protective laws and regulations and therefore free for general use.

The publisher, the authors, and the editors are safe to assume that the advice and information in this book are believed to be true and accurate at the date of publication. Neither the publisher nor the authors or the editors give a warranty, expressed or implied, with respect to the material contained herein or for any errors or omissions that may have been made. The publisher remains neutral with regard to jurisdictional claims in published maps and institutional affiliations.

This Springer imprint is published by the registered company Springer Nature Switzerland AG  
The registered company address is: Gewerbestrasse 11, 6330 Cham, Switzerland

*For my wife, my children, and my grandchildren  
Who make me very happy*

# Preface

I sit here, stunned. The government of Australia is proposing to restructure college tuition charges so as to encourage enrollment in STEM subjects (science, technology, engineering, and mathematics) at the expense of the humanities and social sciences. Apparently, the ongoing professionalization of higher education is not enough. It seems that we need less of what this book is about and even bigger container ships.

I write as one who has had a foot in both camps. My undergraduate education and initial work experience were as a mechanical engineer. My graduate education was in economics and, as an economist, I have specialized in economic history, demography, and now, happiness, often straying beyond the confines of economics. In my view, our lives and dealing with the world around us depend on the humanities and social sciences as much as or more than the Stem disciplines, necessary as they are. In case you think this judgment is just “sour grapes,” the whining of someone who barely stumbled through engineering, I humbly note that I was the valedictorian of my undergraduate class.

Personal happiness is a near-universal aspiration, and governments everywhere proclaim their intent to advance the well-being of the population. But what to do? This book is the answer of a social scientist. It does not pretend to be the last word on the subject. I leave it to the reader to decide whether I should have stayed in engineering.

In writing the book, I have had the benefit as consulting editor of my daughter, Nancy Easterlin, University Research Professor of English Literature at the University of New Orleans, whose help went well beyond correcting my text. Nancy pointed out many passages needing clarification and illustration and did much to enliven and expand the classroom interactions. My thanks

too to her husband, Peter McNamara, for his suggestions, based on a careful reading of an initial draft.

Kelsey J. O'Connor was typically helpful in drawing the graphs and configuring the illustrations, as well as providing comments. I am grateful to the Gallup World Poll for data access, and to John F. Helliwell who provided several helpful tabulations from the Poll. My daughter, Molly, helped with my multiple computer problems and Susan Lennon at Alamy with my struggles with stock photos. Johannes Glaeser and Judith Kripp of Springer Nature patiently fielded numerous queries. Finally, my thanks to those whose pictures brighten the volume.

Pasadena, California  
August 2020

Richard A. Easterlin

# Contents

<b>1</b>	<b>Introduction</b>	<b>1</b>
1.1	The Path Via Paradox	1
	References	4
 <b>Part I First Lessons</b>		
<b>2</b>	<b>Measuring Happiness</b>	<b>7</b>
2.1	Happiness Yardsticks	7
2.2	Short-Lived Ups and Downs?	9
2.3	Telling It Like It Is?	10
2.4	Different Things to Different People?	11
2.5	Subjective Vs. Objective Measures of Well-Being	14
2.6	The Best Measure?	16
	References and Further Reading	17
<b>3</b>	<b>Does Money Make People Happy?</b>	<b>19</b>
3.1	The Happiness-Income Paradox	19
3.2	Solving the Paradox	23
3.3	The Good Life: Wanting and Having	27
3.4	Social Comparison Revisited	29
3.5	The Upshot	30
	References and Further Reading	31



<b>4</b>	<b>How Does Health Affect Happiness?</b>	<b>33</b>
4.1	Tracking Health and Happiness	33
4.2	Explaining Health and Happiness	35
4.3	Diagnosis	38
	References and Further Reading	38
<b>5</b>	<b>Family Life and Happiness</b>	<b>41</b>
5.1	Making Matches	41
5.2	Breaking Up: Hard to Do?	45
5.3	The Patter of Little Feet	46
5.4	Assessing Family Life	47
5.5	The Bottom Line	49
	References and Further Reading	49
<b>6</b>	<b>How Can I Increase My Happiness?</b>	<b>51</b>
6.1	Having Vs. Wanting	51
6.2	What Can I Do to Increase My Happiness?	52
	References and Further Reading	56

## **Part II Next Lessons**

<b>7</b>	<b>Can Government Increase My Happiness: Transition Countries</b>	<b>59</b>
7.1	East Germany: The Eye-Opener	59
7.2	The Former Soviet Union: More of the Same?	64
7.3	China Clinches It	65
	References and Further Reading	69
<b>8</b>	<b>Can Government Increase My Happiness: Nordic Countries</b>	<b>71</b>
8.1	Happy Welfare States?	71
8.2	Some Welfare State FAQs	74
8.3	Are Welfare State Policies a Luxury of the Rich?	76
8.4	The Upshot	76
8.5	Consumer Sovereignty and the Welfare State	77
	References and Further Reading	79

<b>9</b>	<b>Happiness or GDP?</b>	<b>81</b>
9.1	Happiness Vs. GDP	81
9.2	The Dashboard Approach	85
	References and Further Reading	87

### Part III Q & A

<b>10</b>	<b>Who Is Happier: Young or Old? Women or Men?</b>	<b>91</b>
10.1	What's Age Got to Do with It?	91
10.2	Who Are Happier? Women or Men?	95
10.3	Crossing the Finish Line	98
	References and Further Reading	98
<b>11</b>	<b>More on Money and Happiness</b>	<b>99</b>
11.1	Winning the Lottery	99
11.2	Why Do Happiness and Income Fluctuate in Step?	100
11.3	Greener Grass? Misremembering Past Happiness	103
11.4	Greener and Greener? Mispredicting Future Happiness	104
11.5	Is All Utility Created Equal?	104
11.6	Concluding Thoughts	105
	References and Further Reading	106
<b>12</b>	<b>What About Democracy, Religion, Charity, Volunteering, Etc.?</b>	<b>107</b>
12.1	What's Most Important?	107
12.2	Self-Evident Truths: The Matter of Democracy	109
12.3	Do Cultural Differences Undermine Happiness Comparisons?	111
12.4	Fair and Square: Environment, Income Inequality, Social Capital	112
12.5	Inspiration and Afterglow: Religion, Volunteerism, Giving	113
12.6	Exceptional Events	114
12.7	The Thumbnail Happiness Test	115
	References and Further Reading	116

<b>13 Who to Believe? Psychology or Economics?</b>	<b>117</b>
13.1 Explaining Happiness	117
13.2 What People Say...	120
13.3 Vetting Happiness, Gauging Happiness	120
13.4 Methods: More or Less	124
13.5 Do We Have a Winner?	127
References and Further Reading	127
 <b>14 Critiquing the Paradox</b>	 <b>129</b>
14.1 How About Really Poor Countries?	129
14.2 Why Are Richer Countries Happier?	133
14.3 How Much Time Is in a Time Series?	135
14.4 Time's Up	139
References and Further Reading	139
 <b>Part IV History Lessons</b>	
 <b>15 Dawn of the Happiness Revolution</b>	 <b>143</b>
15.1 Labor Pains and Birthday Greetings	143
15.2 Formative Years	147
15.3 Happiness in Bloom	150
15.4 Lionel Robbins Lives On!	151
15.5 Ever Onward!	152
References and Further Reading	153
 <b>16 Dream on, Professor!</b>	 <b>155</b>
16.1 Back to the Future: 50 Years On	155
16.2 Industrialization: A Revolution in Living Conditions	156
16.3 Next Up: The Demographic Revolution	160
16.4 Timing and Geographic Diffusion	165
16.5 Tracing the Source: The Scientific Revolution	166
16.6 The Happiness Revolution	168
16.7 Back to the Future, Again	171
References and Further Reading	171
 <b>Glossary</b>	 <b>173</b>
 <b>Index</b>	 <b>175</b>

## Brief Biographies



**Richard A. Easterlin** is University Professor Emeritus of Economics, University of Southern California. He is a member of the National Academy of Sciences and a Distinguished Fellow of the American Economic Association. He is also a Fellow of the American Academy of Arts and Sciences, the Econometric Society, and the Institute for the Study of Labor (IZA) and is a former president of the Population Association of America, Economic History Association, and Western Economic Association International. He is the author, among other things, of *Happiness, Growth and the Life Cycle* (2010), *The Reluctant Economist* (2004), *Growth Triumphant: The 21<sup>st</sup> Century in Historical Perspective* (1996), and *Birth and Fortune: The Impact of Numbers on Personal Welfare* (1980; 2<sup>nd</sup> ed. 1987), and editor of *Happiness in Economics* (2002).

**Nancy L. Easterlin** is University Research Professor of English and Professor of Women's and Gender Studies at the University of New Orleans, where she has taught since 1991. A pioneer of cognitive-evolutionary approaches to literature, Nancy is author of *A Biocultural Approach to Literary Theory and Interpretation* (Johns Hopkins, 2012) and *Wordsworth and the Question of "Romantic Religion"* (1996) as well as numerous essays on cognitive-evolutionary theory and literary interpretation. She is guest editor of several journal issues, including, most recently, "Knowledge, Understanding, Well-

Being: Cognitive Literary Studies” (*Poetics Today*, 2019). Her current research applies the interdisciplinary area of *place studies* to literary interpretation.

**Richard and Nancy L. Easterlin** were the first father and daughter to have been selected for Guggenheim Fellowships in the history of the foundation (1988–89 and 2008, respectively).

# List of Figures

Fig. 1.1	The principle of utility and sketch of Jeremy Bentham's mummified corpse (Courtesy of Robert Cavalier, Carnegie Mellon University)	2
Fig. 2.1	Economist having close encounter with subjective measures (Credit: Deagreetz/iStock photos)	15
Fig. 3.1	Short-term fluctuations and long-term trends in happiness and income: An illustration (Handout #2)	22
Fig. 3.2	Psychologists at ease: Amos Tversky and Daniel Kahneman (Courtesy of Barbara Tversky)	25
Fig. 5.1	Anke with Timo and Delphine (Courtesy of Anke C. Plagnol)	43
Fig. 5.2	Happiness before and after marriage (Handout #4)	44
Fig. 5.3	Maggie (Courtesy of Maggie Switek)	46
Fig. 6.1	Molly at soccer (Courtesy of Molly C. Easterlin)	54
Fig. 7.1	East Germany's air pollution (Credit: Peter Jordan/Alamy Stock Photos)	61
Fig. 7.2	US shantytown, 1930s (Credit: World History Archive/Alamy Stock Photos)	66
Fig. 10.1	Life cycle of happiness (Handout # 7)	92
Fig. 10.2	Economists at ease: Robson ( <i>left</i> ) and Kelsey (Courtesy of Robson Morgan and Kelsey J. O'Connor)	93
Fig. 10.3	Jackie with an armful (at soccer!) (Courtesy of Jacqueline Zweig)	97
Fig. 14.1	Regression line fitted to international cross section of happiness and real GDP per capita (Handout #9)	130
Fig. 14.2	Happiness in three formerly poor countries during subsequent periods of very rapid economic growth (Handout # 10)	131
Fig. 14.3	Short-term fluctuations and long-term trends in happiness and income: An illustration	136
Fig. 14.4	A happy sociologist: Ruut Veenhoven (Courtesy of Ruut Veenhoven)	138

Fig. 15.1	Happy economists: Oswald and Author ( <i>left</i> ) (Courtesy of Andrew Oswald)	147
Fig. 16.1	Eighteenth-century spinning wheel (Credit Radharc images/Alamy Stock Photos)	158
Fig. 16.2	Spinning shed, nineteenth-century textile factory (Credit: World History Archive/Alamy Stock Photos)	159
Fig. 16.3	Alexander Fleming (Credit: GL Archive/Alamy Stock Photos)	164

# List of Tables

Table 2.1	Ladder-of-life questions compared: Gallup World Poll and Hadley Cantril survey (Course handout #1)	12
Table 3.1	“Good Life” questions from Roper Surveys (Handout #3)	28
Table 9.1	Some dashboard indexes of well-being (Handout #5)	86
Table 9.2	Principal categories of two dashboard measures (Handout #6)	86
Table 13.1	Diener satisfaction with life scale (Handout #8)	123
Table 16.1	American consumer goods of the 1990s nonexistent or rare two centuries ago (Handout #11)	157





# 1

## Introduction

### 1.1 The Path Via Paradox

Although economics has come a long way since T. R. Malthus' prophecies of doom, it still retains the taint of the "dismal science." But the emergence in the last half century of happiness as a legitimate subject of economic inquiry may put to rest this characterization, because the economics of happiness demonstrates that people's everyday lives can be significantly improved.

I was there at the start, the first economist to study happiness statistics—the "father of happiness economics." I was trying to figure out whether the data indicated that more money increases happiness. The result was the discovery of the paradox of happiness and income—what has come to be called the "Easterlin Paradox" (more on that in Chap. 3). But the Paradox is only one of a growing number of discoveries about happiness made by me and an increasing number of scholars attracted to this new field of study. The aim of this book is to share with you some of the lessons I have learned about happiness, in the hope that it will benefit you as it has me. It's my personal interpretation, one that draws especially on the work of my research collaborators and me; you can bet that not all happiness scholars will agree with everything I say.

It is only since World War II that happiness has moved into the social sciences. Nearly all of the earlier literature is in the humanities, going all the way back to Aristotle. This work typically takes off from preconceived ideas about what *should* make people happy—what makes for the Good Life. On this, there are almost as many judgments as judges. Although there is much thought-provoking wisdom in this literature, it doesn't offer solid evidence about how happy people really are and what *does* make them happy, which is

what the social scientist seeks to know. Now, for the first time, thanks to public opinion surveys, we have well-tested data and credible real-world evidence that tell us what the principal sources of people's happiness are and how happiness can be increased.

To me, economics is about people and their well-being. Yet not all economists share this view, and whether happiness has a place in the discipline remains even today a moot question. Back in the early nineteenth century, however, when economics was founded, the relevance of happiness was not an issue: Happiness was a centerpiece of the new discipline, and the public's well-being was its ultimate concern. Economists of the Classical School, such as David Ricardo, James Mill, and his son, John Stuart Mill, held to Jeremy Bentham's "Greatest Happiness Principle": "Utility, or the Greatest Happiness Principle, holds that actions are right ... as they tend to promote happiness, wrong as they tend to produce the reverse of happiness" (John Stuart Mill (1957) [1861] p. 77. See also Fig. 1.1, especially Item 4).

Throughout the nineteenth century, economists continued to think and talk in quantitative terms about utility and happiness; however, no measure for these conjoined factors was identified. Perhaps Anglo-Irish economist Francis Edgeworth came the closest. In his 1881 volume, *Mathematical Psychics*, he advanced the notion of a "hedonimeter," a device to measure utility. But there was no practical result.

The discipline's attitude toward happiness took a sharp turn for the worse around the start of the twentieth century. Italian economist Vilfredo Pareto played a pivotal part, *asserting that economics is not about well-being; rather, the proper focus of economics is decision-making*. In his view, economics is a science of choice, not one of outcomes. Pareto was one of the pioneers in formalizing

1. Recognizes the fundamental role of Pain and Pleasure in human life.
2. Approves or disapproves of an action on the basis of the amount of pain or pleasure brought about ("consequences")
3. Equates the good with the pleasurable and evil with pain.
4. Asserts that pleasure and pain are capable of "quantification" – and hence of measure.



**Fig. 1.1** The principle of utility and sketch of Jeremy Bentham's mummified corpse (Courtesy of Robert Cavalier, Carnegie Mellon University)

economic analysis. Singing his praises at mid-century, Benoit Mandelbrot and Richard L. Hudson write:

His legacy as an economist was profound. Partly because of him, the field evolved from a branch of moral philosophy as practiced by Adam Smith into a data intensive field of scientific research and mathematical equations. His books look more like modern economics than most other texts of that day: tables of statistics from across the world and ages, rows of integral signs and equations, intricate charts and graphs. (Mandelbrot and Hudson 2004, 153)

Pareto's view of the purpose of the discipline—economics as a science of choice—came to rule twentieth-century economics. Happiness was summarily dismissed and, with it, human beings. The primary focus of economic analysis became the production, distribution, and consumption of goods. People were reduced to “factors of production.” Well-being, if mentioned at all, was simply assumed to vary directly with the per person supply of goods. As Mariano Rojas puts it, “Economists who were trained in the first half of the twentieth century learned almost nothing about people's happiness; instead they mastered a highly sophisticated framework to study people's decisions and to explain market-equilibrium quantities and prices.” (Rojas 2019, 9).

Speaking personally, I can attest to the truth of this: “Been there; done that.”

Enter, toward the start of this century, the economics of happiness—a return to studying real people and their well-being, but for the first time with actual measures of happiness. Not for all economists, of course—not even for a majority. Nonetheless, the proportion of happiness scholars is increasing steadily. Economics is getting back to the good old days, when people were human beings with real, recognized feelings, not mere agents or factors of production. Now we can measure happiness and learn, in Jeremy Bentham's words, about their pleasure and pain.

So, let's get to it. I focus first, in Part I, on the question in the forefront of every reader's mind: How can I increase my happiness? My answer is simpler than most—some would say, too simple—but I try to make my reasoning clear. Part II takes up a parallel question: Can the government increase people's happiness? And, if so, *should* the government try to increase happiness? Part III addresses a wide-ranging set of concerns that people have about happiness: “What happens as we get older?”, “Who are happier, women or men?”, “Why are some countries happier than others?”, “Does democracy matter?”, and many, many more. Part IV draws on my earlier life as an economic