The Journal of Private Enterprise 32(1), 2017, 77–88

Happiness Economics and Its Discontents

Nimish Adhia
Manhattanville College

Abstract
Several researchers have statistically analyzed responses to certain survey questions and claimed to have found what makes people happy. The researchers go on to make policy recommendations such as reducing the emphasis on economic growth and expanding social welfare programs. They have, however, left unanswered major criticisms about their conceptual, methodological, and normative thinking. This paper provides an account of such criticisms organized around three major themes. First, happiness researchers often conflate distinct concepts, such as pleasure, happiness, and well-being. Second, their measures of happiness are not quantitatively meaningful. Third, their policy recommendations are based on insufficiently rigorous normative thinking.

JEL Codes: A13, B40, Z18
Keywords: happiness, subjective well-being, welfare analysis, normative economics

I. Introduction

In the nineteenth century, Jeremy Bentham expressed the hope that, in reforming society, political economists might aim for the "greatest happiness for the greatest number." But that concept faded in twentieth-century economic thought because of the great difficulty of measuring happiness across people in a way that is quantifiable and comparable. More recently, a group of economists, psychologists, political scientists, and other researchers claim to have found a functional method of measuring happiness. "We possess what prior generations conspicuously lacked," declares the political scientist Benjamin Radcliff (2013). "With the advent of sophisticated modern research methods, we have learned to measure and study happiness" (p. 3). The opening paragraph of a recent paper (2005) by the economist Richard Easterlin, a leader in the use of such methods, lays them out very succinctly.

> I take the terms "well-being," "utility," "happiness," "life-satisfaction," and "welfare" to be interchangeable and measured by the answer to a question such as that asked in

> the United States General Social Survey (GSS): "Taken all together, how would you say things are these days—would you say you are very happy, pretty happy, or not too happy?" A substantial methodological literature has developed on the reliability, validity, and comparability of the answers to such questions . . . For the present purpose, I take the responses to be meaningful and reasonably comparable among groups of individuals, and focus on the determinants of happiness, so measured." (p. 29)

By aggregating the responses to the happiness survey question and subjecting them to econometric analysis, these researchers claim that "we are now in a position to discover the empirical answer to the question of how to structure society so as to best serve the goal of human happiness" (Radcliff 2013). They claim that happiness research provides policymakers with a much-needed corrective. "The United States and many other capitalist nations suffer from a fetish about economic growth," writes the psychologist Tim Kasser (2004), "believing that the best measures of national progress derive from the gross national product (GNP) and the stock market. The nation is considered healthy if the economy is growing, and great faith is placed in the belief that economic growth will spur all sorts of wonderful outcomes and that the failure of growth will bring about calamities." Jonathan Adler and Martin Seligman (2016) echo such bemoaning. Easterlin, famous for his 1974 finding that increased prosperity in the preceding thirty years was not accompanied by rising happiness levels, counsels that "the pursuit of economic growth as a policy objective is questionable" (2005, p. 54).

Happiness research is therefore expected to offer the economic growth-obsessed policymakers with a broader set of goals, vetted by happiness research, to focus on. There is "compelling evidence in support of the contention that 'big government' promotes human happiness," writes Radcliff (2013, p. 133). The political scientist Derek Bok, a former president of Harvard University, in his book *The Politics of Happiness: What the Government Can Learn from the New Research on Well-Being,* summarizes his recommendations:

> Happiness research reinforces the importance of programs to strengthen marriage and family; encourage active forms of leisure; cushion the shock of unemployment; guarantee universal health-care and a more secure retirement; improve child-care and pre-school education; treat mental illness, sleep disorders, and chronic pain more effectively; and

focus education policy on a broader set of goals. (2010, p. 208)

Nonstate actors are also enlisted in happiness-promoting efforts. Because research has shown that trust in public institutions is correlated with happiness, Bok writes that "the media, along with schools and colleges, will need to educate the public to counteract the widespread tendency to expect too much of government, exaggerate its faults, and overlook its accomplishments" (2010, pp. 209–10).

Other researchers are skeptical about whether the findings of happiness research can tell us anything useful for policymaking. The philosopher Will Wilkinson (2007) writes that "happiness research is seriously hampered by confusion and disagreement about the definition of its subject as well as the limitations inherent in current measurement techniques." A group of German economists, in their recent book on the subject, conclude that "using happiness research as a normative concept to deduce how things should be is highly questionable" (Weimann, Knabe, and Schob 2015). The philosopher Martha Nussbaum (2012) writes that "the appeal to subjective well-being, as currently used . . . is so riddled with conceptual confusion and normative naiveté that we better pause and sort things out before going any further." The multidisciplinary scholar Deirdre McCloskey (2012) describes the whole endeavor of drawing policy implications from happiness studies as an "inch towards madness." This paper provides a thematic account of some such criticisms.

II. Criticism 1: The Conflation of Concepts

Many happiness researchers consider various distinct but sometimes related concepts such as happiness, well-being, enjoyment, and so on as identical. But would a person reflecting on her life likely arrive at identical answers to each of the following questions?

1. What would increase my pleasure?
2. What would increase my happiness?
3. What would increase my life satisfaction?
4. What would increase my well-being?
5. What should I engage in?

Consider, as one example, that eating a double chocolate fudge sundae right now would give me pleasure, but it would not make me happy if I am supposed to be eating fewer desserts. Eating ice cream may increase my welfare if it moves me to go to the gym tomorrow, but in any case, it would be too minor an event to affect my life satisfaction, which is mainly a function of the shape of my work and personal relationships. Even knowing all this, I might not know what to do if the sundae were offered by a friend—it is your late mother's favorite recipe, you say? Is it organic?

It may be that my relationship with ice cream is unusually fraught, but my response is not incoherent. Philosophers such as Vitrano (2014) and Fletcher (2016), who have analyzed how we use "happiness" and "well-being" in everyday language as well as in philosophy, have found that the terms refer to distinct—though sometimes overlapping—phenomena.

- A person experiences **pleasure** or enjoyment when "at the time, he likes the activity for itself, in the sense that, aside from moral considerations or considerations of consequences or of the possibility that something he likes even more could be substituted, he does not wish to change it." (*The Encyclopedia of Philosophy*, as quoted in Vitrano 2014)
- **Happiness** involves "a more global attitude one has toward her life, an attitude that takes into consideration how one's immediate experiences fit into her life as a whole. Although this attitude may be (and often is) influenced by pleasant or unpleasant experiences, it cannot be identified with such immediate experiences" (Vitrano 2014, p. 25). So, for example, one can get happiness from climbing a mountain or attending a young daughter's recital even though such experiences may not be pleasurable.
- **Well-being,** according to some accounts, encompasses things considered valuable even if a person does not draw pleasure or happiness from them (Fletcher 2016). For example, an improvement in the city's air quality can increase my well-being, even though it may not move the meter on my happiness scale (because, for instance, I might be too preoccupied, ignorant, or emotionally not invested in my health).

If such distinctions are commonly made—no happiness researcher that I am aware of has so far provided a rebuttal—then it would not make sense to "take the terms 'well-being,' 'utility,' 'happiness,' 'life satisfaction,' and 'welfare' to be interchangeable," *a la* Easterlin. The correlates of pleasure are likely to be different from the correlates of the well-being. The imperative to foster pleasure versus well-being through public policy is likely to differ, too. Failing to make important distinctions, therefore, would be unhelpful in understanding people's behavior and in making policy recommendations. It would be akin to someone studying the economy and making policy recommendations while failing to distinguish between "real income" and "nominal income," or "absolute advantage" and "comparative advantage."

A. Happiness As Pleasure

A common approach is to identify happiness with experiences of pleasure. "What we hope to measure and eventually to explain—is nothing more—and nothing less—than the degree to which people enjoy their lives," writes Radcliff (2013, p. 79), mirroring an approach also taken by Ywe-Kwan Ng (1997). Kahneman and Krueger (2006) report on a study in which subjects were asked at the end of each day to recall what activities they performed (selected from a predetermined list) and how they were feeling when performing those activities along several dimensions (happy, bored, anxious, etc.) Such questions, it seems to me, would invoke a focus on the quality of the immediate felt experience. It is no surprise, then, that people report greatest happiness when engaging in "intimate relations," followed by socializing (outside of work), relaxing, and eating. People report the least happiness in the day while working and commuting. Kahneman and Krueger believe that their findings can complement traditional welfare economics that allegedly focus on levels of consumption alone, and they suggest shifting public policy priorities toward increasing social interaction.

McCloskey (2012) and Nussbaum (2012), among others, criticize those who make policy recommendations based on Kahneman and Krueger's study for failing to recognize that happiness-as-pleasure is only one aspect of people's lives, among many, that they may care about. For example, a meal can be pleasurable, but many may also be concerned with how the meal fits into their plan to live a healthy or a virtuous life. Even Kahneman and Krueger at some level must have recognized that happiness-as-pleasure is not all that people care about, since they do not suggest the government should promote the strongest source of happiness-as-pleasure: sex.

B. Happiness As Life Satisfaction

In response to such criticism, some researchers have broadened their subject of study to "life satisfaction" or "subjective well-being" or simply "well-being" (Diener et al. 2009; Adler and Seligman 2016), which is defined as one's evaluation of one's overall life according to the criteria of one's choice. Life satisfaction is commonly measured using questions similar to the Cantril's Ladder of Life Question (as quoted in Weimann, Knabe, and Schob 2015):

> Please imagine a ladder with steps numbered from zero at the bottom to ten at the top. Suppose we say that the top of the ladder represents the best possible life for you and the bottom of the ladder represents the worst possible life for you. If the top step is 10 and the bottom step is 0, on which step of the ladder do you feel you personally stand at this time?

But life satisfaction, so conceived as a single measure, is problematic because we tend to experience different levels of satisfaction along the different dimensions of life, such as work, love, money, health, and so on. "We may not know how much weight to put on different dimensions of feeling for the purposes of generating a single summed-up judgement about our subjective well-being," writes Wilkinson (2007). Nussbaum (2012) complains that "people are simply told that they are to aggregate experiences of many different kinds into a single whole, and the authority of the questioner is put behind that aggregation." She likens such an injunction to an act of bullying, since she believes people do not evaluate their life satisfaction this way—as a mere aggregation of satisfaction along various dimensions. Because there is no common scheme for weighting the different dimensions of satisfaction, the differences in people's life satisfaction ratings might reflect differences in weighting schemes, rather than the policy-relevant variables that researchers tend to attribute such differences in life satisfaction to, such as income and labor protection. To use a hypothetical example, if Europeans are found to be happier than Americans, it may be because the welfare states in Europe are more generous, or it may be because Europeans derive more satisfaction than Americans do from the absence of a world war. We cannot know unless we hold people's weighting schemes to be constant, which happiness researchers do not. As the political scientist A. Michalos (2008) remarks: "moving the Pandora's box of aggregation problems from the visible world to the invisible black box inside people's heads does not strike me as a progressive research program."

C. Is Life Satisfaction All That We Care About?

Though the question asking respondents to imagine "the best possible life for yourself" invokes the consideration of more than just momentary pleasures, it may still not capture all aspects of our lives that we care about. The philosopher Susan Wolf (2007, p. 75) draws out the distinctive nature of certain motives that have to do with meaning—a "good" distinct from happiness in the sense of either momentary pleasure or the proximity to the best possible life for oneself. According to Wolf, meaning arises from "engaging in a positive way" with something that has a "value source outside of oneself" (pp. 79–85). For something to have a source of value outside of oneself means that something is valued not merely as an instrument for one's own happiness (p. 85). Acting to further social justice, pursuing knowledge or excellence in the arts, raising children—these pursuits often give meaning to people's lives. In pursuing them, one's own happiness or progress toward "the best possible life" is often beside the point.

A person who views all behavior as happiness-seeking might point to the "warm glow"—a happy feeling—that people engaged in parenting or the fight for social justice might experience. But as Sen (2002) has pointed out, there is a difference between the claims that (1) a person gets a "warm glow" when she performs an action, and (2) the action is performed solely to obtain the happiness of the "warm glow" rather than for the noninstrumental value attached to the action. Claim (2) is an empirical claim, the truth of which needs to be investigated on a case-by-case basis. In fact, the ability to form goals and make choices for reasons other than our own happiness is central to Sen's concept of commitment.

People's commitments are often not conditional upon or proportional to how much of a "warm glow" the activities bring them (Sen 2002, p. 35). It is a paradox well known among philosophers, going back at least to Aristotle, that in order to realize the happiness that accompanies many activities—if at all—one *must* pursue them without regard to one's own happiness. A parent who attends to his children only in proportion to how much happiness he experiences is not going to be a good parent and is not going to get much of a "warm glow." As a matter of fact, it does not seem that the "warm glow" is much of a compensation for a parent's troubles. Sommers (1993) has found that parents report less life satisfaction than nonparents. Kahneman and Kruger (2006) found that childcare was one of the tasks during which people reported the least in-the-moment happiness, ranking just above the evening commute. That people continue to bear and raise children is inexplicable under the assumption that happiness or progress toward the "best possible life for you" is all that people care about.

Similarly, such an assumption does not hold up when so many people derive inspiration and find worth emulating the lives of figures like Mohandas Gandhi, Martin Luther King, Jr., and Abraham Lincoln. It is hard to imagine that such figures would have given themselves high rating on the question of how close they were to living "best possible life" for themselves. They spent their lives in the grueling pursuit of distant goals that remained mostly unrealized during their lifetimes, caused them much unhappiness, and led to their assassination. The explanation that that they were merely pursuing an eccentric version of happiness-as-life-satisfaction for themselves stretches the imagination. A better explanation is that they were pursuing what gave their lives meaning, and as Wolf (2007) puts it, "Our interest in a meaningful life is not that life *feel* a certain way, but that our life *be* a certain way" (p. 94). My point is not that every unhappy person is a Gandhi or a Lincoln. It is merely that not all behavior that deviates from happiness maximization is paradoxical and ripe for intervention by policy makers.

III. Criticism 2: The Problems of Measurement

Even if we were to assume for the sake of argument that happiness-as-life-satisfaction exists as a single, unitary, and easily perceptible phenomenon, the use of self-ratings—on a scale of 1 to 10—presents further problems, as the self-ratings are not quantitatively meaningful. This problem bedeviled the nineteenth-century utilitarian philosophers, yet modern researchers do not reflect on it at all (McCloskey 2012). The researchers who have defended the use of self-ratings in research have focused on whether they are valid and reliable (see, e.g., Bok 2010; Diener et al. 2009). The question of validity considers whether self-ratings really measure the phenomenon that they are intended to measure: well-being (Diener et al. 2009). Reliability considers whether self-ratings elicited at closely spaced points in time and using different methods are highly correlated. These are important characteristics for creating comparable metrics. But in order for the aggregation and comparison of self-ratings across time and people to make sense, the self-ratings need also to be *quantitatively* meaningful and comparable across people, which they are not.

Self-ratings are an ordinal measure; they merely rank possible alternatives without telling us anything about the magnitudes of the differences between them (McCloskey 2012; White 2015). Although we can be confident that the life satisfaction represented by a self-rating of 6 is greater than the life satisfaction represented by a self-rating of 3 by the same person, we cannot conclude that it is greater by a factor of two (or any other particular factor). It is hard for people to identify the precise magnitudes of their life satisfaction. In everyday conversations, though we hear people say that they are "more happy" or "less happy," we rarely hear people say they are "twice as happy." Despite self-ratings' lack of quantitative meaning, some researchers, such as Radcliff (2013), use them in quantifiable manners:

> The effect of moving from the most to the least decommodifying welfare state would produce three times the improvement in one's quality of life than that achieved by escaping from unemployment. . . . This same difference in the welfare state would provide one with twice the increase in life satisfaction that finding a life-partner would. (p. 129)

McCloskey (2012) compares the use of self-ratings in such a quantified manner as "basing a physics on asking people whether today was 'hot, nice, or cold' and expect[ing] to get anything quantitative out of it."

A second problem, also highlighted by Boettke and Coyne (2006) and by Weimann, Knabe, and Schob (2015), is that self-rating responses are not comparable across people and across time. People are told to rate themselves on a 0 to 10 scale, where 0 represents what they can imagine to be the "worst possible life for you" and 10 and "the best possible life for you." But is likely that the best and worst possible lives imagined and used to anchor the endpoints of the scale vary widely across people and time. The measures of life satisfaction obtained using different scales cannot be aggregated the way happiness researchers have done.

IV. Criticism 3: The Normative Analysis behind the Policy Recommendations Is Ad Hoc

Happiness researchers do not sufficiently scrutinize the normative assumptions they use in making policy recommendations. Considering that people act in ways that show that happiness is not the ultimate goal, how much should policymakers concern themselves with it? How should the considerations of justice come into play? Some researchers (such as Diener et al. 2009) acknowledge such considerations implicitly when, given the finding that the ethnic and linguistic homogeneity of a population is correlated with happiness (through the intermediating role of social capital), they do not conclude that we should have less ethnic and linguistic diversity. Such considerations of justice are also implicit when Easterlin does not conclude that the expansion of civil rights or the increase in life expectancy in the postwar era were of questionable value merely on the basis that these were not accompanied by rising happiness levels. But such considerations are absent when he questions on that basis the value of economic growth. Similarly, in urging a deemphasis on economic growth in policymaking, many happiness researchers like him do not consider, for example, the consequences for the world's poorest, whose prospects for improvement in well-being are closely linked to rising global prosperity.

Happiness researchers seem to believe that policymaking is geared toward a singular pursuit, and they seek to supplant the current pursuit of economic growth with the maximization of aggregate happiness. But the alleged single-minded focus of policymakers on economic growth is a straw man (Ormerod 2012). The plethora of existing government interventions in the form of environmental protection, labor regulation, trade restrictions, and public support for everything from agriculture to the arts are hard to justify in terms of a singular focus on economic growth. It is more plausible that policymakers are motivated variously by justice, national glory, environmental sustainability, peace, personal gain, electoral success, and even aggregate happiness. The country's economic growth often takes a backseat to these goals, and in many cases rightly so. There is no singular pursuit of policymakers that is ripe for happiness researchers to supplant, but only a panoply of pursuits, subject to trade-offs with each other, within which the maximization of aggregate happiness must find a place. In casting the choice of the ultimate policy pursuit as one between happiness and economic growth, the happiness researchers have so far been able to evade the need for more complex normative thinking.

V. Conclusion

The desire to study happiness with the goal of informing policymaking is understandable. Happiness, after all, is what many people claim to be their ultimate objective. And the much-publicized finding that people do not get happier as they get richer resonates with a lot of people. But without further conceptual analysis and a more explicit and rigorous normative reasoning, happiness economics is going to be subject to the criticisms described here. One good response for happiness researchers would be to explicitly address the criticisms rather than ignoring them. Another response would be to refrain from making radical policy recommendations, such as urging a deemphasis on economic growth, until the conceptual and normative issues described here have been sorted out.

References

Adler, A., and M. E. P. Seligman. 2016. "Using Well-Being for Public Policy: Theory, Measurement, and Recommendations." *International Journal of Well-Being*, 6 (1): 1–35.

Bok, Derek. 2010. *The Politics of Happiness: What Governments Can Learn From the New Research on Well-Being*. Princeton, NJ: Princeton University Press.

Coyne, Christopher, and Peter Boettke. 2006. "Economics and Happiness Research: Insights from Austrian and Public Choice Economics." In *Happiness and Public Policy*, ed. Ywe-Kwan Ng and Lok Sang Ho. New York: Palgrave Macmillan.

Diener, Ed, Richard Lucas, Uli Schimmack, and John Helliwell. *Well-Being for Public Policy*. New York: Oxford University Press, 2009.

Easterlin, Richard. 1974. "Does Economic Growth Improve the Human Lot?" In *Nations and Households in Economic Growth: Essays in Honor of Moses Abramovitz*, ed. Paul A. David and Melvin W. Reder. New York: Academic Press.

Easterlin, Richard. 2005. "Building a Better Theory of Well-Being." In *Economics and Happiness: Framing the Analysis*, ed. Juigino Bruni and Pier Luigi Porta. Oxford, UK: Oxford University Press.

Fletcher, Guy. 2016. *The Philosophy of Well-Being: An Introduction*. New York: Routledge.

Kahneman, Daniel, and Alan Krueger. 2006. "Developments in the Measurement of Subjective Well-Being." *Journal of Economic Perspectives*, 20(1): 3–24.

Kasser, Tim. 2004. "The Good Life or the Goods Life? Positive Psychology and Personal Well-Being in the Culture of Consumption." In *Positive Psychology in Practice*, ed. P. Alex Linley and Stephen Joseph. New York and London: Wiley Press.

McCloskey, Deirdre. 2012. "Happyism." *New Republic*, June 8, 2012.

Michalos, A. 2008. "Education, Happiness, and Well-Being." *Social Indicators Research*, 87 (3): 347–66.

Ng, Yew-Kwang. 1997. "A Case for Happiness, Cardinalism, and Interpersonal Comparison." *Economic Journal*, 107(445): 1848–58.

Nussbaum, Martha. 2012. "Who Is the Happy Warrior? Philosophy, Happiness Research, and Public Policy." *International Review of Economics*, 59(4): 335–61.

Oremrod, Paul. 2012. "The Folly of Wellbeing in Public Policy." In . . . *and the Pursuit of Happiness—Wellbeing and the Role of Government*, ed. Philip Booth. London: Institute of Economic Affairs Monographs.

Radcliff, Benjamin. 2013. *The Political Economy of Human Happiness: How Voters' Choices Determine the Quality of Life*. New York: Cambridge University Press.

Sen, Amartya. 2002. *Rationality and Freedom*. Cambridge, MA: Belknap Press.

Somers, Marsha. 1993. “A Comparison of Voluntarily Child-Free Adults and Parents.” *Journal of Marriage and Family*, 55(3): 643–50.

Vitrano, Christine. 2014. *The Nature and Value of Happiness*. Boulder, CO: Westview Press.

White, Mark D. “The Problems with Measuring and Using Happiness for Policy Purposes.” Mercatus Research. Arlington, VA: Mercatus Center at George Mason University, July 2015.

Weimann, Joachim, Andreas Knabe, and Ronnie Schob. 2015. *Measuring Happiness: The Economics of Well-Being*. Cambridge, MA: MIT Press.

Wilkinson, Will. 2007. “In Pursuit of Happiness Research: Is It Reliable? What Does It Imply for Policy?” Cato Institute, Policy Analysis No. 590, April 11, 2007, p. 27.

Wolf, Susan. 2007. “Meaning in Life and Why It Matters: Lectures I and II.” The Tanner Lectures on Human Values, Princeton, NJ, Princeton University.