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## **What is the Happiness Lobby?**

Growing Body of Questionable Research Lends Support to Paternalistic Policies

By Iain Murray and Blake Taylor\*

In recent years, there has been an explosion in published research into the causes and implications of happiness. The field of happiness research has grown enormously since the 1974 publication of a study by University of Southern California economist Richard Easterlin that found that higher income in the United States between 1946 and 1970 was not accompanied by greater happiness among the population. For years, happiness research remained an academic field. But recently, a growing movement has sought to use the results of this research to influence public policy, by both government and intergovernmental organizations. Examples of such efforts include United Nations Resolution 65/2011, the Sarkozy Commission in France, the OECD Better Life Index, the Happy Planet Index, and various British government initiatives.

An example of the rationale behind the use of happiness research in policy comes from the Office of National Statistics in the United Kingdom, which states: “The aim is that these new measures will cover the quality of life of people in the UK, environmental and sustainability issues, as well as the economic performance of the country.” It further adds: “Measuring national well-being will provide a more coherent measure of ‘how the country is doing’ than standalone measures such as GDP.”<sup>1</sup>

The idea is that if governments attach significant value to this happiness research and data, they could formulate policies that would attempt to maximize aggregate happiness. The first step toward this central planning approach to happiness would be to supplement or replace traditional economic performance measures, such as Gross Domestic Product (GDP) with one that focuses on subjective well being. Some states in the U.S. have already gone down this path by measuring a Genuine Progress Indicator as a means of attempting to gauge the population’s success.

However, there are several reasons why such metrics are unlikely to provide a coherent measure of “how the country is doing.” This approach would introduce significant greater subjectivity into an area that needs to be as objective as possible for it to be of any use.

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This paper outlines the methodological and political problems with use of happiness measures for political purposes.

**Methodological and Fundamental Shortcomings.** Unfortunately, the rapid development of happiness research as an academic field has led to the proliferation of work of varying quality, some of which provides the intellectual underpinning for what could be called the happiness lobby—an odd assortment of academics, advocacy groups, and politicians that are pushing to elevate hard-to-define concepts of well being to a comparable status as hard economic figures like GDP in the policy making process.

Happiness lobby advocates argue that the academic findings on which they base their policy prescriptions are firmly grounded in the scientific method. As Jeffrey Sachs, director of the Earth Institute at Columbia University, states, happiness, “though indeed a subjective experience, can be objectively measured” through careful study of individuals and society and through neurological patterns.<sup>2</sup> However, much of the data on which the “scientific study of happiness” relies is collected via surveys in a manner that hardly fits with scientific norms.<sup>3</sup> The data collection is plagued by several methodological problems, which are outlined below.

***Rudimentary surveys and bias of subjectivity.*** The survey questions used for data collection are crude and unsophisticated. Bearing in mind the mathematical and scientific accuracy with which the happiness lobby claims to support its conclusions, the survey questions from which researchers acquire their data are actually simple, blunt instruments.<sup>4</sup> Below are a few examples, of the common use of vague and unscientific survey questions:

- Taken altogether, how would you say that things are these days?
- Do you think of yourself as very happy, pretty happy, or not too happy?
- Have you felt you are playing a useful part in things?<sup>5</sup>

The weaknesses of this methodology have striking similarities to that of contingent valuation (CV). In CV surveys, respondents are asked how much they would be willing to sacrifice in order to bring about a hypothetical outcome, such as, for example, paying a sum of money to prevent a particular environmental tragedy. A problem with CV is that it does not account for a major difference between people’s responses to hypothetical surveys and their real, observable behavior.<sup>6</sup> If a respondent is asked if he would be willing to pay \$100 to avoid the destruction of a particular forest, what is the guarantee that his response to the hypothetical question would match his actual behavior in the market? Would he actually pay the \$100 if a collector showed up at his door, or pay that much more for goods supposedly produced in a “sustainable” fashion? In the same way, the self-reported data cannot be reliably empirically verified because of the crudeness of happiness measures. There is an inherent difference between reporting a subjective state of mind and measuring levels of mercury in a thermometer.

*Ceilings for response surveys.* These self-reported measures are capped with a maximum possible value, which presents problems for collecting and interpreting data. On the other hand, there is no point at which income is capped and can no longer increase or improve. With self-reported happiness surveys, however, respondents are limited to reporting some variation of “very happy,” depending on the design of the survey. Once they have reported the highest value on a given scale, it is methodologically impossible for them to increase their score. It does not follow that people are not getting happier because they are not reporting higher levels of happiness when respondents’ ability to do so is inhibited by the design of the surveys.

*Conclusions from arbitrary, incomplete data sets.* Among the happiness lobby’s favorite tools are arbitrary indices to devise international happiness rankings. Examples are the New Economics Foundation’s Happy Planet Index (HPI) and the Organization for Economic Cooperation and Development’s (OECD) Better Life Index. These indices use selected variables, with selectively determined measurement techniques, to make conclusions about which nations perform better according to their standards of well being. The OECD claims that it has identified 11 “dimensions as being essential to well-being,” each of which is comprised of one to four criteria, for a total of 24 different metrics.<sup>7</sup>

Some of the criteria are clearly subjective. This list of categories itself seems arbitrary and not internally consistent. “Community” has a single subcategory, while “Life Satisfaction” has none. Moreover, some categories rely on self-reporting, an unreliable method for data gathering. For example, the subcategory “Quality of Support Network” (under the “Community” category) “shows the proportion of the population *reporting* they have relatives, friends, or neighbors they can count on to help if they were in trouble.” [Emphasis added] Data gathered through such self-reporting is bound to be inconsistent, and therefore of no use for any sensible comparisons. In fact, the responses can be overly broad and therefore not provide any useful point of comparison. For example, under “Community,” the OECD Index states, “Across the OECD, 91% of people believe that they know someone they could rely on in time of need.”<sup>8</sup>

## OECD Better Life Index Categories

- **Housing**
  - Rooms per person
  - Housing expenditure
  - Dwelling with basic facilities
- **Income**
  - Household disposable income
  - Household financial wealth
- **Jobs**
  - Employment rate
  - Long-term unemployment rate
  - Personal earnings
  - Job security
- **Community**
  - Quality of support network
- **Education**
  - Educational attainment
  - Years in education
  - Student skills in math, reading, and science
- **Environment**
  - Air pollution
  - Water quality
- **Civic engagement**
  - Voter turnout
  - Consultation on rule-making
- **Health**
  - Life expectancy
  - Self-reported health
- **Life Satisfaction**
- **Safety**
  - Homicide rate
  - Assault rate
- **Work-life Balance**
  - Employees working very long hours
  - Time devoted to leisure and personal care

*Data from Organization for Economic Cooperation and Development, Better Life Index website, <http://www.oecdbetterlifeindex.org/>*

Even the seemingly objective criteria have subjective elements in the way in which they were chosen to interact, or in the omission of other variables. For example, consider the variables included in the safety category. The index accounts for homicide and assault rates, but excludes property crime. There is no good reason to exclude property crime in calculating the “better life.”

Another example would be voter turnout, the measurement of which is restricted to national elections. Australia, the highest ranked country overall and in the civic engagement category, has compulsory voting laws. Therefore, in the case of Australia, voter turnout is meaningless as a proxy for civic engagement; the same can be said for jury duty in the United States. Other countries have a devolved or federal structure where voting in national elections might be viewed by an otherwise civically engaged person as less important than voting in state and local elections, where their votes can have more sway.

The happiness lobby concedes that there is no definitive set of measures that should be employed to measure well being, but at the same time it clearly demands the measurement of such criteria. For example, the authors of the report for the British Office for National Statistics on using happiness measures in public policy state that there is very little clarity regarding “precisely what measures of [subjective wellbeing] should be used.”<sup>9</sup> There are certain realities that any index will overlook when determining measurement criteria.<sup>10</sup>

**Happiness Economics Cannot Overcome the Knowledge Problem.** One of the main challenges in measuring happiness is that there is no agreement on a definition of happiness. There are many different explanations for what researchers mean, and what respondents consider, when trying to define “happiness.”<sup>11</sup> One definition could be based on individuals’ life satisfaction, considering present situations relative to overall expectations. Another could be a measure of quality of experience, considering the quantity of net pleasure over pain. Yet another could measure objective factors such as living situation and employment.<sup>12</sup> The OECD’s index structure is an example of mixing these criteria in what is ultimately a subjective fashion.

*The problems of public choice.* Happiness researchers seek to understand what makes people happy and what makes them miserable. The happiness lobby seeks to use this information to formulate public policy which they believe will improve society by maximizing the former—through subsidies and other general public support—and minimizing the latter—through increased taxation, regulation, or outright prohibition. Can public officials make these decisions fairly?

Public officials face incentives in decision making similar to those private individuals do. Even when driven by pure and benevolent incentives, they have incentives to seek to stay in office and advance their preferred policies.<sup>13</sup> One major difference is that public officials’ decisions affect not just themselves but the general population. Therefore, the damage of bad decisions becomes more widespread.

Another difference is that while private decision makers are highly incentivized to correct errors quickly and efficiently because they themselves feel the impact of those errors, public officials are faced with weak incentives to correct errors because they have a minimal direct impact on

themselves.<sup>14</sup> Individuals know how to augment their own happiness better than any public officials acting on their behalf.

**Why the attack on GDP?** The happiness lobby criticizes the metric of gross domestic product (GDP) as an ineffective measure of national welfare.<sup>15</sup> Indeed, there are several criteria that GDP fails to measure. Happiness research advocates often cite a 1968 speech by Robert Kennedy to outline many of these missing criteria for which GDP doesn't account: "the health of our children, the quality of their education," "compassion," and "devotion to our country."<sup>16</sup>

Claims that policy makers use GDP as a "proxy for national happiness"<sup>17</sup> are simply incorrect. GDP was never intended to measure happiness in the first place.<sup>18</sup> Rather, GDP is a perfectly sound method for measuring national accounts. It is a metric that was first employed out of an urgent need to measure output in the 1930s and monitor fluctuations in unemployment. In 1934, economist Simon Kuznets—who would go on to win the Nobel Prize—published the findings of his research, which sought to assess "how extensive was the contraction in the volume of economic activity, year by year," in addition to "the impact of the current depression," alongside other questions of economic activity.<sup>19</sup> To this day, that is precisely what it has done, nothing more, nothing less. Criticizing GDP for failing to measure happiness is like criticizing a refrigerator for its inability to roast a turkey.

**Attempts to Maximize Aggregate Happiness Lead to Paternalistic Policies.** All too often, politicians with access to data and statistics are strongly tempted to try to devise policies aimed at predicting and controlling outcomes.<sup>20</sup> Thus, a national happiness index poses a significant policy risk. As economist Paul Omerod of Durham University warns, "The real danger is the belief that by measuring happiness, it can then be predicted and controlled."<sup>21</sup>

Predicting and controlling happiness involves increasing the size and scope of government. The happiness lobby advocates such policies as increased regulations on advertising, smoking, and other supposedly addictive behaviors, and monitoring performance-related pay.<sup>22</sup> Yet even by the happiness lobby's own measure, increasing government involvement in individual lifestyle choices is a bad idea. Data from the World Values Survey—a popular data source among the happiness lobby—show excessive government spending is negatively correlated with higher levels of life satisfaction.<sup>23</sup>

One of the most audacious—and dangerous—claims of the happiness lobby is that planners know how to make individuals happy better than the individuals themselves. The happiness lobby outlines habits and trends deemed to be undesirable.<sup>24</sup> Their solution is to impose paternalistic policies that limit individuals' abilities to commit errors in judgment.

Instead, public policy should accommodate the fact that all individuals have unique preferences and goals and therefore ought to be able to pursue the ends that matter most to them, with minimal interference. However, the happiness lobby maintains that a lack of increase in measures of self-reported happiness indicates a societal flaw, which they intend to fix.<sup>25</sup> They claim that societies have a moral obligation to foster their citizens' happiness.<sup>26</sup> For example, Richard Layard, a professor at the London School of Economics and co-editor of the Earth Institute's World Happiness Report, claims that attempting to ensure "the greatest happiness" for

a society is “the right guide to public policy.”<sup>27</sup> Yet, someone needs to make that decision. How can any one person—or group of persons—determine the best way to ensure the greatest degree of happiness for the greatest number of people?

**Happiness Research Ignores Both Real Progress and Room to Improve.** One of the fundamental claims of the happiness lobby is that as wealthy countries have gotten richer, their citizens have not gotten any happier.<sup>28</sup> A more accurate, albeit technical, manner of stating this would be thus: In developed nations over the past few decades, there has not been a noticeable, sustained rise in aggregate measures of self-reported life satisfaction and emotional well being. Yet, a lack of change in measures of subjectively reported well being over time is not tantamount to a lack of change in the quality of a society. Quality of life can improve even as self-reported aggregate levels of happiness remain unchanged.

The happiness lobby bases its claims of zero growth in human happiness on Richard Easterlin’s 1974 paper, which, as noted, found no growth in aggregate self-reported happiness between 1946 and 1970—a trend which the lobby believes has continued to the present day.<sup>29</sup> Yet if self-reported happiness aggregates were an accurate measure of a society’s well being, that effectively means that no positive changes have occurred in American society in decades. We might as well be living in 1946!

The technological, cultural, and economic advances of the past half century that the happiness lobby writes off as meaningless have allowed an unprecedented amount of people the opportunity to pursue happiness on their own terms. Consider how different life is today compared to 50 years ago. Not only are we healthier and wealthier and more educated, but our society has in ways changed fundamentally for the better. American society has improved leaps and bounds in terms of extending rights and freedoms to previously disenfranchised citizens. By the happiness lobby’s measure, these changes have had negligible impact on overall happiness, or have been offset by negative consequences. That is simply not credible.

These positive changes have increased people’s ability to pursue happiness as each individual sees fit. Today, people in developed countries—and increasingly, in developing countries—face far fewer barriers and have far more opportunities to achieve meaningful happiness and increased well being than ever before, regardless of how they rank their “happiness” level on a gradient scale developed by some third party.<sup>30</sup>

Self-actualization lies at the heart of human happiness. Each individual can measure only his or her own happiness. And, as psychologist Abraham Maslow made clear when he famously outlined his hierarchy of needs, it can only be achieved once basic human needs have been met. For our purposes, Maslow’s second-lowest category, “safety” is most important. Many of the criteria within this category—including health and personal and financial security—have improved considerably in recent decades, allowing an ever greater number of people to move up the hierarchy, toward self-actualization.<sup>31</sup> The happiness lobby does not consider this trend.

Recall one of the major issues with data collection in happiness economics: surveys with a ceiling for response values. This is problematic because people who report being “very happy” then have nowhere to go were their condition to improve even further. While useless and nonsensical for measuring real-world progress in well being, this limit is roughly in accord with

the overall philosophy behind the happiness lobby—that there is a point where, as University of Warwick economics professor Andrew Oswald describes it, “a country has filled its larders, there is no point in that nation becoming richer.”<sup>32</sup> That view ignores a simple fact of living the real world: There is always room for improvement.

**Conclusion.** As our parents, teachers, and countless ancient proverbs have often reminded us, money is not something worth pursuing as a final end. The often unstated corollary to that truism is that money is an important means that allows people to achieve their goals and improve their overall well being. Therefore, economic growth generally runs parallel with increased opportunities for individuals to pursue the ends that matter most to them.

There is never a point where those opportunities are sufficiently available. There will always be barriers, both natural and man-made, that impede individuals’ ability to pursue goals. Removing those barriers should be a higher priority than micromanaging subjective responses to happiness surveys. If individuals and policy makers focus on eliminating those barriers, the coming decades may see an even more dramatic increase in individuals’ capability to pursue meaningful happiness on their own terms.

## Notes

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<sup>1</sup> Office of National Statistics, “National well-being: Measuring what matters,” <http://www.ons.gov.uk/ons/guide-method/user-guidance/well-being/index.html>.

<sup>2</sup> Jeffrey Sachs, “Chapter 1: Introduction,” in *World Happiness Report*, John Helliwell, Richard Layard, and Jeffrey Sachs, eds., Earth Institute: Columbia University, 2012, p. 6, <http://www.earth.columbia.edu/sitefiles/file/Sachs%20Writing/2012/World%20Happiness%20Report.pdf>.

<sup>3</sup> Ibid.

<sup>4</sup> Will Wilkinson, “In Pursuit of Happiness Research,” *Policy Analysis* No. 590, Cato Institute, April 11, 2007, p. 5.

<sup>5</sup> Surveys such as the General Social Survey, Eurobarometer, World Values Survey, and others gather data about happiness using questions like these. Marc de Vos. “7: The Unbearable Lightness of Happiness Policy,” ... *and the Pursuit of Happiness?: Wellbeing and the Role of Government*, Ed. Philip Booth, Institute for Economic Affairs, 2012, p.185.

<sup>6</sup> Roger Bate, “Pick a Number: A Critique of Contingent Valuation Methodology and its Application in Public Policy,” Competitive Enterprise Institute, January 1994.

<sup>7</sup> “Executive Summary,” *OECD Better Life Index*, Organization for Economic Co-operation and Development, May 2012.

<sup>8</sup> “Community,” *OECD Better Life Index*, Organization for Economic Co-operation and Development, May 2012.

<sup>9</sup> Paul Dolan, Richard Layard, and Robert Metcalfe, “Measuring Subjective Well-being for Public Policy,” *Office for National Statistics*, February 2011.

<sup>10</sup> Matthew Sinclair, “How Cuba Became a ‘Happy’ Country,” *The Wall Street Journal*, Opinion, June 27, 2012.

<sup>11</sup> Wilkinson, p. 12.

<sup>12</sup> Ibid.

<sup>13</sup> Peter J. Boettke and Christopher J Coyne, “9: Lessons from Austrian and Public Choice Economics for the Happiness Debate,” in ...*and the Pursuit of Happiness?: Wellbeing and the Role of Government*, Philip Booth, ed., Institute for Economic Affairs, 2012, p.205.

<sup>14</sup> Ibid.

<sup>15</sup> Richard Layard, *Happiness: Lessons From a New Science*, New York: Penguin Books, 2005, p. 133.

<sup>16</sup> Robert F. Kennedy, “Remarks of Robert F. Kennedy at the University of Kansas, March 18, 1968.” John F. Kennedy Library and Museum, 1968.

<sup>17</sup> Layard, p. 7.

<sup>18</sup> Paul Ormerod, “2: The Folly of Wellbeing in Public Policy,” in ...*and the Pursuit of Happiness?: Wellbeing and the Role of Government*, Ed. Philip Booth, The Institute for Economic Affairs, 2012, p. 43.

<sup>19</sup> Simon Kuznets, “National Income, 1929-1932,” *National Bureau of Economic Research*, Bulletin49, June 1934.

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- <sup>20</sup> Ormerod, “2: The Folly of Wellbeing in Public Policy,” p.52
- <sup>21</sup> Ormerod, “The opposition’s opening statement,” “Happiness,” Economist Debates, *The Economist*, May 17-27, 2011.
- <sup>22</sup> Richard Layard, “Happiness, Lessons from a New Science,” pp.149-165.
- <sup>23</sup> Christian Bjornskov and Axel Dreher and Justina A. V. Fischer, “The Bigger the Better? Evidence of the Effect of Government Size on Life Satisfaction around the World,” *Public Choice*, 130:3/4, March 2007, 267-292.
- <sup>24</sup> Layard, p. 143.
- <sup>25</sup> Paul Ormerod, “2: The Folly of Wellbeing in Public Policy,” p. 46.
- <sup>26</sup> Jeffrey Sachs, “Chapter 1: Introduction,” *World Happiness Report*. Ed. John Helliwell, Richard Layard, and Jeffrey Sachs, The Earth Institute: Columbia University, 2012, p. 6.
- <sup>27</sup> Layard, p. 115.
- <sup>28</sup> Richard Layard, *Happiness: Lessons from a New Science*, p. 3.
- <sup>29</sup> Richard Easterlin, “Does Economic Growth Improve the Human Lot? Some Empirical Evidence.” 1974, <http://graphics8.nytimes.com/images/2008/04/16/business/Easterlin1974.pdf>.
- <sup>30</sup> Deirdre McCloskey, “Happyism.”
- <sup>31</sup> Abraham Maslow, “A Theory of Human Motivation,” *Psychological Review*, Vol. 50 (1943), pp. 370-396, <http://psychclassics.yorku.ca/Maslow/motivation.htm>.
- <sup>32</sup> Andrew Oswald, “The Hippies Were Right All Along about Happiness,” *Financial Times*, January 18, 2006, <http://www.ft.com/cms/s/1/dd6853a4-8853-11da-a25e-0000779e2340.html#axzz2AKGZFiKI>.