

Foreword: Remembering Professor Richard Easterlin

Richard Easterlin was one of the world's most creative social scientists.

As I have argued elsewhere, to understand Professor Easterlin properly, if you never met him, the central thing to grasp is that he was an intellectual iconoclast. He was arguably even perhaps the iconoclast's iconoclast, because his ideas were conceptually rebellious within fields of study that in some cases were themselves, I suppose, analytically rebellious. Those fields included the economics of happiness and the statistical study of people's fertility decisions.

I would say that the main task of universities is to foster and debate revolutionary ideas. That is why they seek to employ the rare men and women who are extreme iconoclasts.

Richard Easterlin's most remarkable idea turns much of standard economics upside down (and remains disputed by large numbers of conventional thinkers). It is the argument, now famously called the Easterlin Paradox (Easterlin, 1974), that as nations grow richer they do not grow happier. This is either wrong or one of the most profound notions ever put forward by a researcher in any field of academia. In either case, that disconcerting proposition and its associated evidence has in principle to be faced by each prime minister, finance minister, and president on our planet. My view is that over the next hundred years they will eventually have to, so we will see such a conceptual confrontation. Climate change may hasten the uncomfortable reckoning.

There was nothing deliberately obdurate or willful about the Easterlinian choice to say things that others had never said. He simply saw the world differently – more shrewdly, more humanly, more humanely. I do not know why he was like this. Perhaps the roots of such things lie in childhood and upbringing; perhaps they are provoked by innate personality. A glance at his CV shows that this precious ability began decades before I first met him, which was at the conference “Economics and The Pursuit of Happiness”, Nuffield College Oxford, 11 – 12 February 2000.

Dick [as he was called by friends] Easterlin went so strongly against the intellectual herd that it required decades for his most fundamental ideas to take hold. The famous 1974 paper (Easterlin, 1974), which he told me he found impossible to publish in a regular refereed economics journal, ends with the following sentences: “If the view suggested here has merit, economic growth does not raise a society to some ultimate state of plenty. Rather, the growth process itself engenders ever-growing wants that lead it ever onward.” In my view, this has the ring of truth. Since those words were written, I think it might

be fair to say that such judgments, expressed in a variety of ways, and often without formal statistical evidence, have become relatively common.

Since early 1974, material riches have been spread, especially throughout a fortunate elite minority, but also in part across the majority of citizens too, at least within the modern industrialized nations. However, do we see rejoicing and widespread contentment in a consistent way? Concerns about mental health and work overload are now everywhere in the media and in informal discussions around dinner tables in prosperous countries. That was not a feature of life in 1974, nor even in the early 2000s. Formal study of mental-health scores through time are also not encouraging. Richard Easterlin would say, and I think correctly, that humans find it almost impossible to feel happier as they get richer if they see all those around them becoming richer. People, although they do not mean to do it, are intrinsically relativistic in how they feel and do their social comparisons.

Today – and here regression equations are not needed – we are living in a visible and continuing laboratory experiment. All readers will be familiar with it.

The BMWs get faster, larger (despite shrinking family sizes), more glamorous. Newspapers like the Financial Times and the Economist carry advertising photographs of intricate men's watches, ones that sell for prices that could buy an apartment in most of the world's cities, and are purchased by individuals who all carry mobile phones that tell the time anyway. Is the great tide of economic progress in the advantaged nations leading self-evidently to increasingly cheerful, carefree, smiling citizens?

The second main concept for which Dick Easterlin is known is a contribution to demography. It is often called the Easterlin Hypothesis or Easterlin Effect. Large cohort size, the argument goes, leads to worse circumstances for the citizens born in those cohorts. Low relative status – in terms of economic prosperity for the individuals, especially when psychologically compared to that of their parents – then alters how those individuals behave. They have fewer babies. They marry later. They display signs of alienation. The ups and downs of birth rates in this way have a foundational role, years later, in how well a society functions.

I miss Dick Easterlin for his gentleness and his intellectual brilliance. His ideas will live on.

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1 Introduction

In the modern era, there are three great breakthroughs in the human condition. The first, starting around 1800, is the Industrial Revolution, which continues even today to totally transform people's *objective* living conditions – their food, clothing, shelter, and the like. The second, the Demographic Revolution, began in the latter part of the nineteenth century, and is vastly improving people's observed health and length of life – many infectious diseases have been conquered and life expectancy at birth has doubled. The third is the newly emerging Happiness Revolution, which is advancing people's *subjective* satisfaction with their lives – with their *feelings* of well-being. Already, the governments of nine European countries use measures of well-being in their decision-making process (Mahoney, 2023).

These three revolutions are due, at bottom, to the emergence and evolution of modern science since the seventeenth century – the Industrial Revolution, primarily to the rise of the natural sciences; the Demographic Revolution, to the subsequent development of the life sciences; and the Happiness Revolution, to the more recent birth of the social sciences. Western and Northern Europe, the cradle of modern science, is the leader in all three revolutions. Each of the three revolutions has a distinctive marker of progress – real GDP per capita for the Industrial Revolution, life expectancy at birth for the Demographic Revolution, and subjective well-being (SWB) for the Happiness Revolution.

1.1 Measuring Subjective Well-Being

But what exactly is subjective well-being? We need to define it before we can delve into the details of the Happiness Revolution. Subjective well-being is the technical term for people's feelings of well-being or sense of happiness. Subjective well-being data are obtained in nationally representative surveys in which questions are asked like "Taking all things together, how would you say things are these days – would you say you are very happy, pretty happy, or not too happy?"¹ The question uses the clauses, "taking all things together" and "these days" to frame the question in such a way that respondents *evaluate* their life in a broader context, and do not simply report their current *feelings*. While the question is about happiness, it elicits more than an emotion; it elicits what we call *evaluative* subjective well-being.

Evaluative subjective well-being is one of three forms of subjective well-being. The two others are affective and eudemonic subjective well-being. Affective metrics typically include multiple measures of positive and negative

¹ One of the initial public poll inquiries regarding people's feelings of well-being, it was first asked around the middle of the twentieth century (Bradburn, 1969), has since been included in surveys all over the world, and is still an oft-used query.

feelings such as joy, cheerfulness, worry, sadness, and anger. Eudaimonia is the least clear conceptually and least commonly measured across the Organisation for Economic Co-operation and Development (OECD) (Mahoney, 2023). It comes from Aristotle, who described it as living a good, virtuous, life (Aristotle, 2012). These days we also associate it with purpose or meaning, or psychological functioning (Martela and Ryan, 2023). While each of the three forms is distinct, they are also closely related to each other. In this Element, we focus on evaluative measures because they have been better harmonized across countries (Mahoney, 2023), economists generally prefer them, and compared to affect measures, evaluative subjective well-being is more stable and better predicted by one's life circumstances (Helliwell and Wang, 2012).

Evaluative subjective well-being questions are now asked all around the world, with slight variations across surveys. In 1973, all European Union member states started asking about life satisfaction on a four-point scale. Soon after in 1981, the European Values Study (EVS) began, which asks: "All things considered, how satisfied are you with your life as a whole these days?" with integer response options from 1 (=Dissatisfied) to 10 (=Satisfied). The Gallup World Poll (GWP), initiated in 2005, uses a "Best–Worst" question (termed here "Best Possible Life") in which people rate their lives on a ladder with steps numbered from 0 to 10, where 0, at the bottom of the ladder, equals the worst possible life in their view, and 10, the top step, equals the best.² The Gallup World Poll covers more than 160 countries representing more than 99 percent of the world's population.

All of these questions about feelings of well-being, in which people are asked to evaluate their lives, yield quite similar results about long-term trends and differences in subjective well-being among countries and among subgroups of the population within a country. Hence, these measures are typically used interchangeably as indicators of evaluative subjective well-being. This Element principally uses the last two measures – EVS "Life Satisfaction" and GWP "Best Possible Life" – as the measures of subjective well-being. We refer to them both by the less cumbersome and more user-friendly term, "happiness."

1.2 Are Happiness Measures Meaningful?

In surveys of subjective well-being, clearly, each individual responds based on his or her own notion of happiness, and these notions could conceivably differ widely from one person to the next. If, then, one puts together the answers of the respondents in a nationally representative survey and computes an "average" value of happiness, as is commonly done and done here, is the result meaningful?

² The Best Possible Life scale is referred to technically as the Cantril Self-Anchoring Striving Scale Cantril, (1965).

There are three ways of answering this question, and each yields an affirmative result. The first is by appeal to authority. Here, for example, is the answer of the twenty-five-member *Commission on the Measurement of Economic Performance and Social Progress* appointed in 2008 by then-president Nicolas Sarkozy of France to suggest better measures of social progress than GDP.

Research has shown that it is possible to collect meaningful and reliable data on *subjective* as well as *objective* well-being . . . [T]he types of questions that have proved their value within small-scale and unofficial surveys should be included in larger scale surveys undertaken by official statistical offices. (Stiglitz et al., 2009, p. 16 emphasis added)

The Commission members were almost entirely leading economists and included five Nobel Prize winners (now six). They hailed from an era when economists were trained in the view that measures of one's observable external circumstances, especially income, are sufficient to assess well-being, and that self-reports of feelings such as happiness should be summarily dismissed. The more recent judgment quoted earlier that personal statements about one's feelings of well-being are meaningful represents a revolutionary change in the attitude of the economics discipline – a willingness to pay attention to what people say, not just observe what they do.

A second way to assess the meaningfulness of happiness responses is by considering what people report when asked what makes them happy. Given the open-ended nature of the happiness questions, one might suppose that responses on the sources of happiness might be widely different from one person to the next. But, in fact, the responses are amazingly alike. It turns out that the happiness of most people everywhere – in rich and poor countries, democratic and authoritarian – depends mainly on the same three broad personal concerns – first of all, their economic situation, and then, family life and health (Cantril, 1965).

When one thinks about it, this worldwide similarity in responses makes sense. Wherever they live, most people's lives are taken up chiefly with making a living and family and health issues. These are matters which people tend to think they can control themselves, at least to some degree, as opposed to broad structural concerns like type of government or socio-economic inequality. Detailed types of concern – say, the particular content of “economic situation” – sometimes differ among countries. Thus, in an agricultural society, it might be “owning a farm of one's own”; in an industrial country, “a job that offers good opportunity for advancement.” But everywhere a person's economic situation in general, whatever the specifics, tops the list of what people say is important for their happiness, with family and health concerns next.

The similarity in the sources of happiness is evidenced by the uniformity of happiness relations from country to country to a wide variety of circumstances, such as age, income, education, health, partnership status, and employment status. For example, surveys of happiness almost invariably find that, on average, greater happiness is associated with higher income and having a partner, and that happiness is adversely affected by unemployment and poor health. For references that cover the broad set of influences on happiness see Clark (2018), Helliwell et al. (2012), and Layard (2005).

It is this similarity among people in the underlying determinants of happiness that makes it meaningful to average the individual responses, and to compare the changes in happiness over time and the differences among and within countries. This is not to say that happiness can easily be compared on a person-to-person basis. But when we study groups of people, individual differences frequently average out, and the result is dominated by the very large proportion of persons for whom the sources of happiness are essentially the same.

There is some disagreement, however. Three studies argue that happiness scores are not always comparable across people (Bertrand and Mullainathan, 2001; Bond and Lang, 2019; Schröder and Yitzhaki, 2017). Additional studies discuss how individuals may change their responses over time (Fabian, 2022; Prati and Senik, 2022), or have different cultural priorities, especially when contrasting Europe with Asian countries (Hitokoto and Uchida, 2015; Hornsey et al., 2018; Kryś et al., 2019). However, it could be argued that these studies have led to an improvement in the measurement of happiness, showing the ideal conditions to measure and use happiness (Chen et al., 2022; Kaiser and Lepinteur, 2024; Kaiser and Vendrik, 2019). For instance, three papers use innovative survey instruments to adjust raw happiness responses to improve comparability across people (Angelini et al., 2014; Benjamin et al., 2023; Montgomery, 2022).

Although measurement can be improved, researchers and institutions have demonstrated that the existing happiness measures consistently reflect feelings of well-being, that is, they are *reliable* and *valid* in a psychometric sense. This property of happiness measures represents the third answer to whether they are meaningful. Reliability is displayed by showing respondents provide consistent answers across short periods of time. Demonstrating validity is accomplished by correlating happiness scores with metrics that we expect to be correlated with happiness according to theory. For instance, happiness scores are related to biometric data, such as from functional magnetic resonance imaging (commonly known as fMRI) scans. Greater happiness is associated with higher income and having a partner, as mentioned previously. Happiness scores also predict factors that we believe they should (Helliwell et al., 2012). For example, the response to a question related to life expectations in 1970 better predicted

how long the respondent was going to live than their income level (O'Connor and Graham, 2019). For a complete discussion of the reliability and validity of happiness measures, see the OECD guidelines for measuring subjective well-being (Mahoney, 2023; OECD, 2013).

Presently the OECD is engaged in incorporating all of these perspectives in their guidelines on how to measure subjective well-being (Mahoney, 2023; OECD, 2013), and has thus far not recommended changing the types of questions that we use to measure happiness. While these issues are being resolved, the Happiness Revolution advances. Today, happiness is collected across the European Union by the official statistical offices of each member state.

1.3 Foundations of the Happiness Revolution

The main contributors to the Happiness Revolution are readily sketched. The first achievement of the social sciences was in laying the foundation for the Happiness Revolution by establishing widespread recognition that social ills like unemployment, poor health, and poverty are due, not to personal defects – the typical view in the past – but to circumstances beyond an individual's control. They require collective action to help those suffering from them. Policies to achieve this goal have chiefly taken two forms, economic and social.

Highlighting early *economic policy*, several national and international institutions were established throughout the twentieth century to promote maximum employment, control inflation, and increase economic stability. Although the institutions' creators did not have happiness in mind, as measured today, there was at least an intuitive understanding of the causes of happiness and misery. For instance, in the 1970s, Arthur Okun created the Misery Index as the sum of the unemployment and inflation rates. Today, we know Okun was not entirely wrong: perhaps not surprisingly, happiness is indeed lower in countries with high unemployment and / or high inflation (more to come on this later).

Among the first such institutions is the United States Federal Reserve. Established in 1913, today it is known in part for the "Dual Mandate" under which it operates to promote maximum employment and stable prices. This mandate was based in part on goals set forth in the Employment Act of 1946 stating: it is the policy and responsibility of the federal government "[...] to foster and promote free competitive enterprise and the *general welfare*, conditions under which there will be afforded useful employment, for those able, willing, and seeking work, and to promote maximum employment, production, and purchasing power (Steelman, 2011, p. 1, emphasis added)." It is not surprising that production was a priority of economic policy following World War II, but

employment and purchasing power appear equally important here. (Controlling inflation is necessary to ensure stable prices and purchasing power.)

Among the first European institutions was the International Labour Organization (ILO), which was established in 1919 following World War I. It was created to improve workers' conditions, which were then seen as a source of social injustice that threatened lasting peace in Europe (ILO, 2024).

Internationally, the Bretton Woods Agreement was signed in 1944 to create an efficient foreign exchange system, and thereby facilitate global finance, international trade, and ultimately the economic integration of countries around the world. As part of this agreement, the International Monetary Fund (IMF) and World Bank were established. Such integration is seen as a means to promote economic welfare and reduce military conflict.³

On the *social policy* side are programs comprising what is often called the “social safety net.” They include, but are not limited to, income support (unemployment insurance, social security, social assistance, and disability benefits), universal healthcare, infant and childcare, education (including early age schooling), maternity and paternity leave, elderly care, and old age pensions. These social policy initiatives, which are still evolving, are most fully realized in today's welfare state. According to the results of national surveys, the cradle-to-grave measures of the welfare state address the concerns most important for personal happiness of people throughout the world – employment and income security, a fulfilling family life, and good health (Cantril, 1965).

The evolution of social spending over the twentieth century illustrates how governments increased their emphasis on the social safety net over time. Social programs generally began in more developed countries and then spread throughout the world. Today, public social spending averages around 15 percent of GDP in Europe (excluding public education expenditures), but prior to 1900, only Spain and Great Britain reached spending levels of even one percent. Expenditures began to take off in the 1930s and 1940s, reaching five percent in several countries by 1950, and continuing to increase into today (OECD, 2021), reaching maximum levels of just over 30 percent of the economy – I know we are not supposed to make large changes, but I feel this is confusing to readers – seemingly contradictory to the previous statement.

Unfortunately, happiness data are not available to assess the early policy innovations. Limited happiness data exist prior to the 1980s, but we can point to numerous conditions that are believed to contribute to well-being: those that relate to the Industrial and Demographic Revolutions, including income and

³ For example, the predecessor of the European Union, the European Economic Community, was established with this motivation in mind.