

A New Dismal Science -- "Happiness Economics"

Watch out! Economists are trying to measure happiness in order to guide public policy.

9 Oct 2008 / [David Bollier](#)

In the mid-1990s, my colleague Jonathan Rowe co-authored a major piece in [The Atlantic](#) about the gross deficiencies of Gross Domestic Product (GDP) as a way to measure national well-being and progress. The essential point was that our nation's obsession with economic growth as an end in itself was (and is) trampling on all sorts of other forms of wealth that we must also nurture. We need stable families and communities as much as economic growth — and sometimes the two are in direct conflict. We need time and quiet and open spaces: things that the unfettered market cannot provide.

In a strange case of "be careful what you wish for," some sectors of the economics profession have spent the past decade exploring how to quantify such non-market wealth. This new school of inquiry is dedicated to measuring "happiness." By one reckoning, more than 10,000 articles have been published on "happiness" as a subjective experience, which often has economic implications.

But does this growing body of economics literature really tell us much? One leading book in the field, *Happiness: A Revolution in Economics*, by Bruno S. Frey (MIT Press, 2008), reviews the broad sweep of inquiry. He argues that happiness researchers can tell us a great deal about how income, unemployment and inflation policy ought to be adjusted, based on measured rates of happiness. Our subjective experiences of well-being — as measured by newly contrived analytic tools — can help policymakers calibrate the appropriate levels of democracy, federalism, self-employment, volunteer work, marriage and television viewing.

It all sounds so familiar....sort of like, oh yes! — those workhorses of modern economic theorizing, cost-benefit analysis, risk management and hedonics (the measurement of pleasure). Economists developed these sub-disciplines in the 1970s and 1980s to try to quantify the value of proposed levels of health and safety regulation, for example. By quantifying the intangible benefits (a disease-free lung or an intact limb), prices could be assigned to a healthy body or body part, or even to a person's life. Regulatory agencies would then calculate the dollar value of a human life and balance it against the cost of the regulation, in order to determine the most cost-efficient numbers of lives and body parts to save.

Et voila! Subjective politics is banished, and objective, scientific levels of human safety and environmental protection may prevail. Economics to the rescue.

Well, it didn't quite work out that way, but that's a longer story. (For more, see *Priceless*, by Ackerman & Heinzerling, or *Sophisticated Sabotage*, by McGarity, Shapiro and Bollier.) Suffice it to say, the skeptical layperson might reasonably wonder whether the new tools for measuring "happiness" are any more reliable or ethically insightful than cost-benefit analysis. I am not an economist (see how easily lay opinion can be marginalized!), but I think happiness economics is a new breed of junk science.

The whole enterprise relies upon a hyper-analytic priesthood once again telling us in convoluted abstractions that they know us and our own best interests better than we do ourselves. They used to say — "You think that pesticides are dangerous, but well, our cost-benefit analysis shows that the more serious dangers come from smoking and high-cholesterol food! More people are killed by lightning than by nuclear power plants." And so on. You get the idea. Economists have a long tradition of invoking mandarin expertise to trump democratic choice. Did I hear someone say Alan Greenspan?

Certainly happiness researchers seem to share the same ambition as their forebears — to use their expertise to influence public policy. Bruno Frey argues that happiness research can help us determine optimal levels of economic growth, for example. We can make more intelligent trade-offs between unemployment and growth, and between growth and equality.

Enter the renegade economics journal, [Real-World Economics Review](#). It takes a very dim view of "happiness research." In a recent article, "The Unhappy Thing About Happiness Economics": <http://www.paecon.net/PAEReview/issue46/JohnsOrmerod46.pdf> (pdf file), Helen Johns and Paul Ormerod take on the questionable methodologies of the field.

They wade into such paradoxes as how GDP can steadily increase in a nation even as levels of happiness remain totally flat year after year. If greater wealth "increases our utility function," as economists like to put it, then why do time-series data show that "nations do not get happier over time as they get richer"?

Johns and Ormerod not only question the scientific validity of happiness research, they question its use as the basis for public policy recommendations. They write:

There is no correlation in time series data between reported happiness levels and a whole series of factors which might reasonably be thought to affect well-being: income, public spending, longevity, gender equality, income inequality – even the incidence of depression in a population. Indeed, if we were to attach any import to this evidence, we would be forced to conclude that measured happiness shows that six years' economic and political labors of all descriptions since World War Two have made no difference to the welfare of the citizens of the Western world.

After reviewing commonly used methods for measuring statistical happiness – and showing their flaws – the authors bluntly conclude that “society-wide happiness time series should be abandoned as they don't tell the social scientist anything useful; in addition, the flatness of happiness time series most certainly cannot be pinned on the economic system, and neither do they point to some kind of social aberration in need of government correction.”

The editors of *Real-World Economics Review* note that Johns and Ormerod's paper has been downloaded more than 12,000 times – twice the average rate for its articles. This surprising reader interest in the topic spurred the editors to approach a dozen leading practitioners of happiness economics for a response to the article. The journal has received no takers yet.

I find it fascinating that so much intellectual energy can be channeled into studying an important phenomenon – happiness – with such inappropriate tools. It's as if happiness needs to be re-defined in order to comport with economic modes of thought and their political worldview. I have a better idea: let's change how economics thinks about human beings.