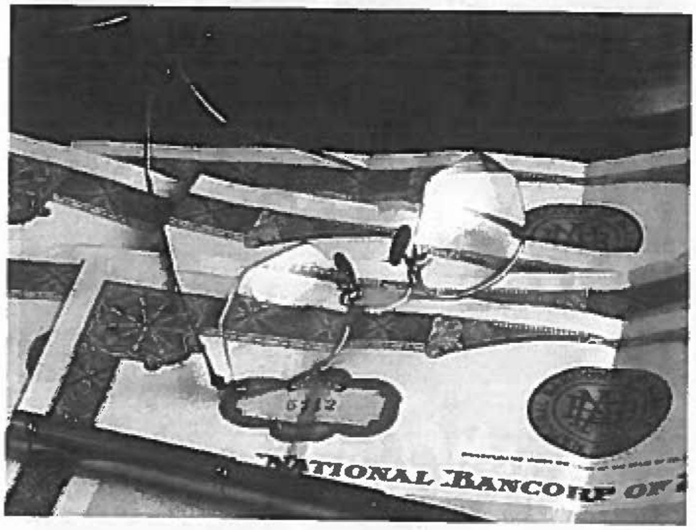
AND THE PURSUIT OF HAPPINESS

CAN MONEY REALLY BUY HAPPINESS—OR AT LEAST RENT IT?



Simon Kuznets, the 1971 economics Nobel laureate, was the godfather of national income accounting, or what we refer to in shorthand as GDP. Gross Domestic Product is the most frequently employed measure of economic activity, but it has also been credited with having a direct correlation with an individual's—or a country's—"well-being."

Although most authors of economics texts have long cautioned that GDP is an imperfect gauge even of economic activity—for not including the value of production within the home or of leisure time, ignoring illegal transactions like prostitution and drugs, and not considering environmental degradation and depletion—they have nevertheless assumed that it is better than other measures.

BY ALLEN R. SANDERSON

To be sure, there have been efforts to take different approaches. The United Nations' Human Development Index (HDI) and the Genuine Progress Indicator (GPI) offer alternatives. These metrics rely more heavily on ecological variables, infant mortality rates, life expectancy, crime, income inequality, and literacy. Some are more subjective and try to capture cultural and spiritual values. The Gross National Happiness (GNH) index, created in Bhutan, and the interest by French President Nicolas Sarkozy in producing a more touchy-feely index, are two such attempts (though one has to wonder if being 5' 5" and married to Carla Bruni could warp one's perspective).

A complementary quality-of-life research path has been to study the link between income (or material well-being) and happiness. In the 1970s the demographer Richard Easterlin discovered—now known as the Easterlin Paradox—that within countries there was a direct correlation between a person's income level and his or her self-reported well-being, but over time and across countries there was no such association. The explanation was that one's satisfaction is relative, not based on some absolute standard of living. So keeping up with the Joneses or suffering along with them are equivalent. Since then other researchers have found the expected positive relationship between income and well-being across countries.

(Apart from the matter of fairness, though, what constitutes fairness is a highly charged issue, the case for progressive taxation and taking from the rich to give to the poor hinges in large part on the assumption that such redistributions enhance overall societal welfare, a shakier case if income and happiness are not highly correlated.)

At the moment, the measure of subjective well-being is perhaps the hot topic among economists and psychologists (the intersection of the two fields is known as behavioral economics). The development of National Time Accounting (NTA), with a focus on time-use and individuals' emotional experiences across nations, is one such "happiness research" effort. The State of the USA project contributes many more scientific statistical indicators to help Americans evaluate how they—and we as a nation—are doing. Former Harvard president Derek Bok has also gotten into the fray with his book—*The Politics of Happiness*—on how governments can implement such findings to improve the lives of their citizens.

For a LOL romp through many of these same topics around the globe, I recommend highly *The Geography of Bliss* by Eric Weiner. For an intriguing, insightful look at well-being in the U.S., try *Gross National Happiness* by Arthur C. Brooks.

150 years ago life expectancy in the United States and Western Europe was 40 years; today it's 80. 100 years ago we were the richest country on earth, yet very few of our citizens had electricity or running water. And certainly no penicillin nor jet travel. The personal computer arrived only 25 years ago, and there was no Internet nor MP3 playstations, flat-screen TVs, GPS, 'smart phones' or iPads. (At the other end of the spectrum, thanks to the miracle of economic growth, in less-developed countries the poverty rate has fallen dramatically in the last 25 years.) Many other considerations—marital happiness, steady employment, and not being socially isolated—loom large, but if you could choose any time in the long sweep of human history to be born, the smart money is clearly on 2011.

In the end, GDP and average income may still be the best measures of well-being, in part because they correlate so strongly with other quality-of-life variables such as access to basic necessities, better health, and education. And despite their flaws, they are a pretty good 'North Star' to follow. Of course, some people watch Dr. Phil, try to keep up with the Kardashians, are avid fantasy sports league participants, or send 100 text messages a day, exhibiting that even in the midst of plenty you can still have no life. ❑