

Book Review

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An Economist's Lessons on Happiness: Farewell Dismal Science!

by: Richard A. Easterlin

Published 2021

by Springer Nature, Switzerland AG, p.179

ISBN: 978-3-030-61961-9; ISBN: 978-3-030-61962-6 (eBook)

Richard Easterlin gave birth to the (modern) study of the economics of happiness with his famous 1974 paper (Easterlin, 1974). Almost 50 years later, we can share in his perspectives of how the subject has developed through this delightful, quirky, book.

The book is written as a series of questions and answers with Professor Easterlin's undergraduate class on the economics of happiness. It can be read by people without any introductory knowledge of economics so is suitable for policymakers, the interested public and students studying wellbeing (in any discipline) at the undergraduate level. I recommend it as pre-course introductory reading for students in my graduate course on Wellbeing and the Economics of Public Policy.

The book comprises 16 short chapters grouped in four parts. Part 1 focuses on the question: "How can I increase my happiness?" Part 2 addresses the question: "Can the government increase people's happiness? And, if so, should the government try to increase happiness?" Part 3 addresses a range of ancillary questions related to happiness research while Part 4 places the topic in an historical context.

One can distil two core messages of the book. One covers the study of economics; the other concerns the main contributors to people's happiness.

The first core message is that economics is – or should be – about "people and their well-being", i.e., the focus of the subject at its birth during the enlightenment. As with Bentham, Mill, Edgeworth and other classical economists, Easterlin's economics is about people's 'utility', their pleasure and pain; when conducting analysis on this topic, it is legitimate to rely on a person's subjective measure of their own wellbeing. This person-centred approach contrasts with the turn that economics took through the 20th century which concentrated on people's decision-making with reliance on observed (revealed preference) choices.

The second core message of the book is that people's happiness is determined by three main contributors: "economic concerns, family circumstances, and health". Building on survey evidence, Easterlin shows that these three contributors to wellbeing are important across cultures in every country. This is an important insight when considering wellbeing in relation to public policy both across countries and within multi-cultural societies.

In interpreting these three contributors, Easterlin naturally pays considerable attention to the roles of inter-personal and intra-personal comparisons. After all, Easterlin founded the paradox that bears his name: “At a point in time, happiness varies positively with income, both within and among nations; over time, however, the trend in happiness is not positively related to the trend in income” (Easterlin, 2021, p.22). When it comes to income (or material wellbeing more generally), people compare their circumstances with those around them; thus (Easterlin concludes) a general increase in a country’s incomes does not raise happiness. By contrast, all people can seek to improve their family circumstances (and so improve their wellbeing), while improved health also improves personal wellbeing.

The book deals with criticisms of the Easterlin paradox, arguing that the paradox holds over long time periods, whereas critics use data covering short episodes. In instances such as this, it would have been useful to see a greater range of references on conflicting studies so that the interested reader could make their own assessments as to whether the paradox holds. For instance, the well-known analysis of Stevenson and Wolfers (2008) would be a useful reference.

In addition, the role of inter-country comparisons (Becchetti et al., 2013) could be discussed: Can it be the case that residents in a country that stagnates in material terms bear no ill-effects when they see residents in countries around them becoming richer with steadily improving public services funded by increased incomes? This question is important for Part 2 of the book, since governments may need to ensure that residents’ incomes increase if people make inter-country comparisons of living standards; i.e., governments may face a prisoner’s dilemma whereby each needs to ensure that their country’s income increases as incomes elsewhere increase (Grimes and Reinhardt, 2019).

Each reader will find highlights in this book that pique their interest. One highlight for me is Easterlin’s discussion of ‘dashboard approaches’ that have been used to summarise wellbeing in a country (e.g., the OECD’s Better Life Index). He notes two key limitations of such approaches:

- (i) “Who decides on the dashboard’s content” (i.e., the dashboard approach relies on an external observer stating what is important for wellbeing); and
- (ii) given the dashboard, “how to construct a summary measure”? He contrasts the dashboard approach with the use of people’s own subjective assessments of their wellbeing (e.g., evaluative life satisfaction) which both provides a summary wellbeing measure and allows each person to judge what is important for themselves.

A second highlight for me is the discussion of Hadley Cantril’s (1965) survey work. Today, all wellbeing scholars are aware of the Cantril ladder question of evaluative life satisfaction used, for instance, in the Gallup World Poll and reported in the *World Happiness Report*. However, like me, many may be unaware that Cantril prefaced his ladder question with questions asking the respondent to outline what matters (positively and negatively) for their life. It is this work, as much as the ladder answers themselves, which underpins the conclusion that the three key contributors to wellbeing – economic concerns, family circumstances, and health –are ubiquitous across cultures.

Each reader will find other highlights throughout this book. I was fortunate to read the book shortly after it was released and then again upon undertaking this review. I learned as much in my second reading as in my first, reflecting the breadth of its

insights. As the author states: “you can bet that not all happiness scholars will agree with everything I say”. I did not agree with everything that Easterlin says, but I came away much enriched in my interpretations of wellbeing economics.

References

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