

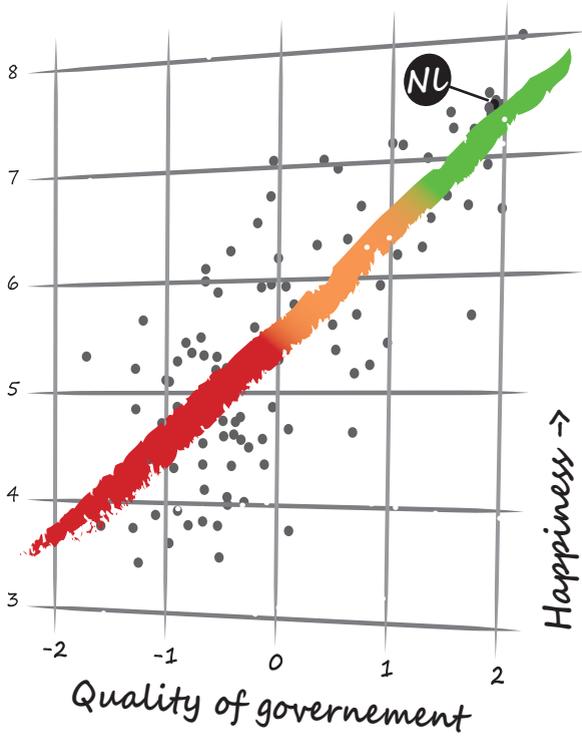
Jan Ott

# An Eye on Happiness

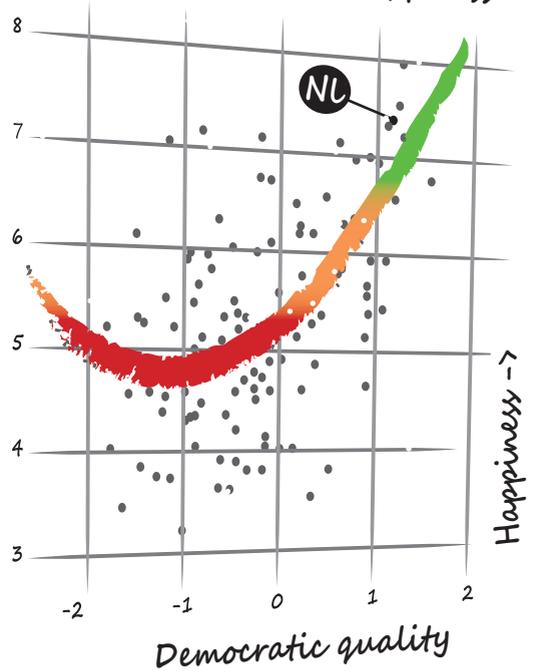
Happiness as an additional goal  
for citizens and governments

# Happiness in nations

Quality government  
More quality, more happiness

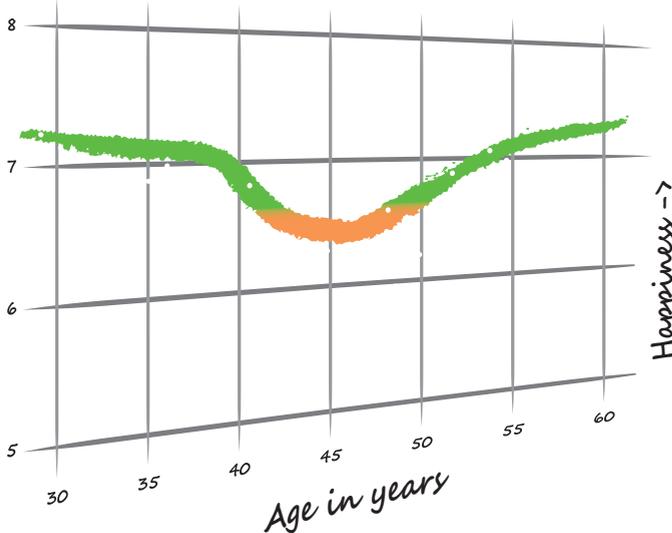


Democracy  
More democracy, more happiness



Age

Less happiness between 40 and 50



Sources:  
World Database of Happiness  
World Bank Institute  
World Happiness Report (April 2012)

Jan Ott

# An Eye on Happiness

Happiness as an additional goal  
for citizens and governments

ISBN: 978-90-5335-589-3

Published by: Bèta Communicaties, Den Haag

Printed by: Ridderprint BV, Ridderkerk  
[www.proefschriftdrukken.nl](http://www.proefschriftdrukken.nl)

©2012 Jan Ott. All rights are reserved. No part of this publication may be reproduced in any form or by any way without the prior permission from the publisher.

OOG VOOR GELUK  
GELUK ALS EXTRA DOEL  
VOOR BURGERS EN OVERHEID

Een onderzoek naar het belang van de overheid  
voor het geluk van burgers

**AN EYE ON HAPPINESS  
HAPPINESS AS AN ADDITIONAL GOAL  
FOR CITIZENS AND GOVERNMENTS**

A study into the impact of government  
on the happiness of citizens

PROEFSCHRIFT

ter verkrijging van de graad van doctor aan de  
Erasmus Universiteit Rotterdam  
op gezag van de  
rector magnificus

Prof.dr. H.G. Schmidt

en volgens besluit van het College voor Promoties.  
De openbare verdediging zal plaatsvinden op

dinsdag 27 november 2012 om 11.30 uur

Jan Ott

geboren te Schagerbrug (NH)



## **PROMOTIECOMMISSIE**

Promotor: Prof.dr. R. Veenhoven

Overige leden: Prof.dr. A.G. Dijkstra  
Prof.dr. H.B. Entzinger  
Prof.dr. M.J.A.M. Verkuijten

# Table of Contents

<b>Acknowledgements</b>	<b>13</b>
<b>1 Introduction</b>	<b>15</b>
1.1 Happiness as a goal	15
1.2 The concept of happiness	16
1.3 Happiness as a value and a goal	16
1.3.1 The attractiveness of happiness as a value	16
1.3.2 The attractiveness of happiness as a goal	18
1.4 This dissertation	19
1.4.1 Subject and title	19
1.4.2 Approach	19
1.4.3 Causality	22
1.4.4 Structure	25
1.4.5 Summary	25
1.4.6 Conclusions	25

## Part I: Happiness as a goal

<b>2 Science and morality, mind the gap, use happiness as a safe bridge</b>	<b>31</b>
2.1 Introduction	31
2.2 Bok's book: discordant definitions of happiness	32
2.3 My comments: the moral and scientific attractiveness of subjective happiness	33
2.3.1 The definition of subjective happiness	33
2.3.2 The attractiveness of subjective happiness as a value	34
2.3.3 The attractiveness of subjective happiness as an object of empirical research	34
2.4 Conclusion: happiness as a safe bridge between science and morality	35
<b>3 Set-point, circumstances and mental activities</b>	<b>39</b>
3.1 Introduction	39
3.2 The divided self, rider and elephant	39
3.3 Changing your mind and the pursuit of happiness	39
3.4 Love and attachments and a fit between internal needs and external opportunities	40
3.5 The uses of adversity	40
3.6 The felicity of virtue and divinity with or without God	41
3.7 Comments	42

## Table of contents

<b>4</b>	<b>Our imagination of future happiness and its shortcomings</b>	<b>43</b>
4.1	Introduction	43
4.2	Limits in empathy, shortcomings in imagination	43
4.3	Are we really misinformed?	45
4.4	Do we really make bad decisions?	45
4.5	The implications for happiness research	45
<b>5</b>	<b>Do not trust your own wants if you want to be happy!</b>	<b>47</b>
5.1	Three kinds of happiness	47
5.2	Why we are happy	47
5.3	Function of pursuit of happiness	48
5.4	The difference between wanting and liking	49
5.5	Asymmetry of positive and negative feelings: how to improve happiness	49
5.6	Comments	50
<b>6</b>	<b>Happiness, economics and public policy: a critique</b>	<b>51</b>
6.1	Summary	51
6.2	Comments	53
6.2.1	Happiness is not insensitive and rising around the world	53
6.2.2	Sensitive and rising, but what about an upper limit?	53
6.2.3	Experience sampling will support the analysis of self-reported happiness	53
6.2.4	Revealed and stated preferences, exit and voice!	54
6.2.5	Self-reported happiness, compared to revealed and stated preferences	55
6.2.6	Do we need self-reported happiness as an indicator for well-being?	55
<b>7</b>	<b>Limited experienced happiness or unlimited expected utility, what about the differences?</b>	<b>57</b>
7.1	Introduction	57
7.2	Graham's book	58
7.2.1	Inventory of causes and consequences of happiness	58
7.2.2	Inventory of paradoxes in the relationship between income and happiness	58
7.2.3	Inventory of policy implications of happiness research	59
7.3	Comments	59
7.3.1	Happiness is more comprehensive than utility	60

7.3.2	Happiness is about experienced well-being, utility is about expected well-being	60
7.3.3	Happiness is limited, utility is unlimited	61
7.4	Conclusion	61

## Part II: Happiness and free market-economy

<b>8</b>	<b>Level and inequality of happiness in nations: does greater happiness of a greater number imply greater inequality in happiness?</b>	<b>67</b>
8.1	Introduction	67
8.2	Data	69
8.3	Relation between level and inequality of happiness in nations	70
8.3.1	Illustrative cases	70
8.3.2	Pattern of correlation	71
8.4	Institutional conditions for level and inequality of happiness in nations	73
8.4.1	Institutional conditions	73
8.4.2	Correlation with level and inequality in nations	75
8.4.3	Difference between poor and rich nations	76
8.4.4	Relations with income inequality, social security and wealth	77
8.5	Conclusions	80
<b>9</b>	<b>Did the market depress happiness in the US?</b>	<b>87</b>
9.1	Introduction	87
9.2	Less happiness and companionship, more vulnerability for stress	88
9.3	No shift in priorities	88
9.4	Criticism	89
9.4.1	No decline in average happiness	89
9.4.2	Decline in companionship doubtful	92
9.4.3	Companionship and income, no worlds apart!	93
9.4.4	Priorities on income or companionship?	94
9.5	Could Lane still be right?	94
<b>10</b>	<b>Call for policy shift to happiness</b>	<b>97</b>
10.1	Introduction	97
10.2	Identifying the problem	97
10.3	Happiness as our common goal	98
10.4	Adaptation of economics	98

## Table of contents

10.5	Externalities	99
10.6	How can we tame the rat race?	100
10.7	Comments	100
10.7.1	Selection of research results	100
10.7.2	Logic of proposals	101
<b>11</b>	<b>How much competition do we need in a civilized society?</b>	<b>103</b>
11.1	Introduction	103
11.2	Duina's book	103
11.2.1	Direct and indirect effects of winning	103
11.2.2	Advantages of the competitive mind-set	104
11.2.3	Problems of the competitive mind-set	104
11.2.4	A new mind-set: how to change the American obsession?	105
11.3	Comments	105
11.3.1	Competition: sometimes for fun, but often inevitable to survive	105
11.3.2	Reduce, first of all, the competition to survive	106
11.3.3	Why are Danes happier?	106
11.4	Conclusion	107
<b>12</b>	<b>Americans value happiness but block required policies</b>	<b>109</b>
12.1	Introduction	109
12.2	Bok's views on six social problems with negative effects on happiness	110
12.2.1	Education	110
12.2.2	Chronic pain	110
12.2.3	Sleep disorders	110
12.2.4	Depression	110
12.2.5	Divorce and single parents	111
12.2.6	Financial hardship	111
12.3	Bok's views on two general happiness issues for US policy makers	112
12.3.1	The question of economic growth without happiness	112
12.3.2	The reputation of the US government	113
12.4	Comments	114
12.4.1	High scores for negative feelings in the US	114
12.4.2	The question of economic growth without happiness	115
12.4.3	Happiness research and democracy	115
12.4.4	The capability of the US government to deal with happiness problems	116
12.5	Conclusion	116

## Part III. Happiness and government

<b>13</b>	<b>Good governance and happiness in nations: technical quality precedes democracy and quality beats size.</b>	<b>123</b>
13.1	Introduction	123
13.1.1	Earlier research	124
13.1.2	Further steps	125
13.1.3	Research questions	125
13.1.4	Plan of this paper	125
13.2	Good governance in nations	126
13.2.1	Concept	126
13.2.2	Measurement	126
	13.2.2.1 Data source	127
	13.2.2.2 Validity	127
13.3	Happiness in nations	127
13.3.1	Concept	127
13.3.2	Measurement	127
	13.3.2.1 Data source	128
	13.3.2.2 Validity	128
13.4	Good governance and happiness in nations	128
13.4.1	Happier with good governance?	128
13.4.2	Are technical and democratic aspects of government equally strongly related to happiness?	128
13.4.3	Are the relationships linear?	129
13.4.4	Are the correlations universal?	130
13.4.5	Do the correlations depend on the size of government?	132
13.4.6	How about causality?	133
	13.4.6.1 Spurious correlation?	133
	13.4.6.2 Effect of happiness?	133
	13.4.6.3 Effect of government quality?	134
13.5	Discussion	134
13.5.1	Additional findings	134
13.5.2	Further research	135
13.5.3	Relevance of findings	135
13.6	Conclusions	136

<b>14</b>	<b>Greater happiness for a greater number, some non-controversial options for governments</b>	<b>139</b>
14.1	Introduction	139
14.1.1	Research questions	140
14.1.2	Plan of this paper	140
14.2	Happiness in nations	140
14.2.1	Concept	140
14.2.2	Measurement	140
14.2.3	Data source	141
14.2.4	Reliability and validity of self-reported happiness	141
14.2.5	Complications	142
14.3	Quality of government in nations	142
14.3.1	Concept	142
14.3.2	Measurement	144
14.3.3	Data source	144
14.4	Size of government in nations	144
14.4.1	Concept	144
14.4.2	Measurement	145
14.4.3	Data source	145
14.5	Correlation between quality and size of government and average happiness	145
14.5.1	Quality	145
14.5.2	Size	146
14.6	What about causality?	147
14.6.1	Spurious correlation?	147
14.6.2	Causality: impact of happiness on government quality?	147
14.6.3	Causality: impact of government quality on happiness?	147
14.7	Specification of causality: direct and indirect effects	147
14.8	Good governance and inequality in happiness in nations	149
14.8.1	Less inequality with technical good governance?	149
14.8.2	Size of government and inequality?	150
14.9	What governments can do to increase average happiness: some non-controversial options	151
14.10	Conclusions and discussion	152
14.10.1	Correlations	152
14.10.2	Causality	152
14.10.3	Causality and inequality	153
14.10.4	Some non-controversial options to increase happiness	153
14.10.5	Discussion: should governments increase happiness?	153

<b>15</b>	<b>Government and happiness in 130 nations: good governance fosters higher levels and more equality of happiness</b>	<b>157</b>
15.1	Introduction	157
15.1.1	Research questions	158
15.1.2	Plan of this paper	158
15.2	Happiness in nations	158
15.2.1	Concept	158
15.2.2	Measurement	159
15.2.3	Reliability and validity of self-reported happiness	159
15.2.4	Data source	159
15.3	Quality of government in nations	160
15.3.1	Concept	160
15.3.2	Democratic and technical quality	161
15.3.3	Measurement	161
15.3.4	Data source	161
15.4	Size of government in nations	162
15.4.1	Concept	162
15.4.2	Measurement	162
15.4.3	Data source	162
15.5	Good governance and level of happiness in nations	163
15.5.1	Average happiness higher with technical good governance?	163
15.5.2	Average happiness higher with democratic good governance?	164
15.5.3	Quality and average happiness in a nutshell	165
15.6	Good governance and inequality in happiness in nations	165
15.6.1	Less inequality with technical good governance?	165
15.6.2	Less inequality with democratic good governance?	165
15.6.3	Quality and inequality in happiness in a nutshell	166
15.7	Size of government and happiness in nations	166
15.7.1	Size of government and average happiness	167
15.7.2	Size of government and inequality in happiness	167
15.7.3	Size and happiness in a nutshell	168
15.8	Discussion	168
15.8.1	Causality: does good governance make us happier?	168
15.8.1.1	Spurious correlation?	169
15.8.1.2	Impact of happiness on government?	169
15.8.1.3	Causality: effect of government quality?	169
15.8.2	Why is the relationship with inequality of happiness a bell shaped curve?	170
15.8.3	Can happiness help governments out of an ‘Inequality Trap’?	171
15.9	Conclusions	172

<b>Summary</b>	<b>181</b>
Summary Part I: Happiness as a goal	181
What is happiness?	181
Objections against happiness as a goal	181
Advantages of happiness as a goal	182
Happiness as a dominant goal, or even the only goal?	183
Practical usefulness of happiness as a goal	184
People know how happy they are, but they don't know why	184
The difference between utility in economics and happiness in real life	184
Summary Part II: Happiness and free market-economy	186
Is free market-economy bad for happiness?	186
Is competition bad for happiness?	186
How is the relation between stress and happiness?	187
A high average or more equality: a dilemma?	188
Summary Part III: Happiness and government	189
How important are the quality and the size of government for happiness?	189
In what ways does government have an impact on average happiness?	190
In what ways does government have an impact on inequality in happiness?	190
What options are there for governments to promote happiness deliberately?	191
Is it acceptable for a government to adopt the promotion of happiness as a goal?	192
<b>Conclusions</b>	<b>197</b>
<b>Curriculum Vitae</b>	<b>200</b>

## Acknowledgements

As of the first of May 2004 I left my job at the Ministry of Social Affairs and Employment to get more time to write this dissertation. My previous expectation that I could write this dissertation in my spare time turned out to be too optimistic. Happiness is an extremely complex subject and requires the application of different disciplines.

If this dissertation is acceptable, nevertheless, it will be so by the help and support of many. The coworkers of The World Database of Happiness, Carla den Buitelaar, Joop Mulder and Paul Wartena who take care for the daily routine, and the many volunteers who fill the database bit by bit. Furthermore my partner Marian who works so hard that it gets contagious occasionally, and our friends and acquaintances who gave their comments on research findings. Mark Chekola and Tim Taylor suggested many corrections, in linguistics and content. Frans Koeman, Liesbeth Thomas and Thijs Unger did the final touch in layout and design. Finally, this dissertation could never have been accomplished without the supervision of Ruut Veenhoven. By his pioneering work it is quite clear now that happiness is a very suitable object for research, and that this research can produce relevant information for policy-makers and citizens in general. With his initiative of the World Database of Happiness he made research findings accessible for everyone. His supervision was very effective, despite his overfull agenda, with suggestions for research and swift and timely comments on draft-articles. I thank him and all others for their help in writing this dissertation!



# Chapter 1

## Introduction

### 1.1 Happiness as a goal

Happiness, as a possible moral value, has always been a popular subject in philosophy. In 1725 Francis Hutcheson, a founder of Scottish Enlightenment, published the first version of his essay “Inquiry concerning Moral Good and Evil”. In this essay he posits that the morality of behaviour depends on the consequences for general well-being. He was the first to formulate the principle of ‘the greatest happiness for the greatest number’. This philosophy was further developed by Jeremy Bentham in his book “An Introduction to the Principles of Morals and Legislation” (1789), and later by John Stuart Mill in his “Utilitarianism” (1863). According to this philosophy people always want maximal happiness. People and governments should therefore strive for the greatest happiness for all parties concerned. If this principle is applied to individual behaviour then it is referred to as ‘act-utilitarianism’; if it is applied to government policy, and in particular to legislation, then it is known as ‘rule-utilitarianism’ or ‘political utilitarianism’.

Adam Smith was inspired by Hutcheson. In his book “The Theory of Moral Sentiments” (1759) he makes it very clear that in his view happiness is very important, but he rejects happiness as a practical goal. The care of “the universal happiness of all rational and sensible beings, is the business of God, and not of man” (p. 238). This is related to his assessment that the ability of people to understand the feelings of other people is rather limited. He believes that people should follow their economic self-interest in a reasonable way<sup>1</sup>. In his next book, “The Wealth of Nations” (1776) he explains how this principle produces excellent results for our well-being, because it creates ‘the invisible hand’, as the steering mechanism of free markets.

History has made it very clear that Adam Smith had a strong argument. Free markets are very effective and are simultaneously a fundamental condition for freedom (Sen, 1999). It also makes sense in terms of elementary logistics that people first of all take care of themselves. It is nevertheless debatable whether Adam Smith would choose exactly the same point of view nowadays. At least two important conditions have changed. First of all, we are able to assess happiness properly with new research instruments, making it easier to measure happiness and to analyse relevant factors. Secondly there is more insecurity about the effectiveness of the ‘invisible hand’. This effectiveness is based on the fact that products and services are only bought and sold if they are more attractive than competing products or services. But many products and services have become very complicated and hardly comparable. This makes competition and the invisible hand less effective and insiders use this opportunity to make money easily. Competition is also limited deliberately in sectors where organizations are financed or subsidized by the government, like in public security, public transport, medical care, and education. Because of such changes we can pose the

question again whether average happiness, the happiness of other people included, can be an additional goal alongside economic self-interest. This question requires some attention to the concept of happiness.

### 1.2 The concept of happiness

Nowadays happiness is usually defined in terms of people's appreciation of their own lives as a whole. This definition is also the most popular one in modern empirical research. Happiness is the appreciation of one's own existence, and the extent to which people appreciate their lives is influenced by two sources of information. The first source is how much pleasure or displeasure they feel in their usual daily life, the second source is whether they achieve what they want. These 'sub-assessments' are also referred to as the affective and the cognitive components of happiness. Since both components play a role, happiness can no longer be regarded as just a matter of affect, or just some arbitrary idea 'between the ears'.

The two components of happiness can be measured separately, so researchers can choose whether they want to measure overall happiness, the affective component, or the cognitive component. Measuring the cognitive component is relatively easy because it is relatively stable. Measuring the more fluctuating affective happiness requires more observations to obtain a representative picture.

There are indications that the affective component is the most influential, playing a dominant role in the appreciation of life as a whole. Cognitive decisions require a preceding affective appreciation (Zajonc, 1984; Damasio, 1994). The correlation observed so far between overall happiness and the affective component is also somewhat higher than the correlation between overall happiness and the cognitive component (Veenhoven, 2010). In terms of evolution it is plausible that feelings are dominant since human cognition has developed rather recently as an additional facility, and certainly not as a substitute. This is also visible in the structure of human brains.

### 1.3 Happiness as a value and a goal

Happiness is valued in virtually all cultures as something positive and desirable. In sociological language it is a value, or a standard to assess situations. If it is pursued actively it is not just a value, but also a goal. The attractiveness of happiness as a goal depends on its attractiveness as a value, but there are more factors that determine the attractiveness of happiness as a goal.

#### 1.3.1 The attractiveness of happiness as a value

Philosophers like David Hume (1739, also inspired by Francis Hutcheson) and Karl Popper (1945) have made it very clear that there is a gap between descriptive statements about facts and normative statements, such as statements based on some moral choice.<sup>2</sup> Normative

Table 1. The acceptance and mutual compatibility of values.

Values X1,..Xn	1. Is X accepted?		2. Is X compatible with other values?	
	Yes	No	Yes	No
X1				
X2				
X3 etc.				

statements and assessments can never be justified by descriptive statements. This is also true for normative assessments of values. Descriptive statements can nevertheless be useful for such assessments. In Table 1 two questions are posed in this context.<sup>3</sup> Is a value accepted? And: Is a value compatible with other values?

For happiness these questions can be formulated as follows:

1. Do people consider happiness as something desirable and do they accept it as a value?
2. Is happiness compatible with other popular values, such as democracy, justice, altruism, freedom and ‘self-actualization’?

These questions can only be answered if happiness can be investigated.

#### *Happiness can be investigated*

People in virtually all cultures think about their lives and are able to assess how desirable and important happiness for them is (Veenhoven, 2010). They can rely on their own personal experience. As a consequence they know what researchers mean if they ask them how important they find happiness, and how happy they are. For most other values such questions are more complicated, because there are more differences in individual and cultural interpretations, as in the case of justice or ‘self-actualization’.

#### *Happiness is highly appreciated and compatible with many other values*

Since happiness can be investigated, we now know that people in all cultures find happiness important, even if there are differences in priority (Diener & Oishi, 2004). As far as other values can be investigated as well, more knowledge has been obtained about the relations between happiness and other values. These relations are usually positive. Happy people are in general healthier (Veenhoven, 2008) and more prepared to help other people and to promote the public interest (Gruen 2011).

Happiness has also a positive impact on human flourishing in general, for example in their work, in social relations, voluntary work and leisure (Veenhoven, 2012). It has furthermore a positive impact on creativity (Isen, 1998).

In content happiness is consistent with important values. First of all happiness is about the people's appreciation of their own lives, and not about the appreciation of their lives by others. This supports the attractiveness of happiness as a value because it respects individual autonomy and it rejects paternalism. If average happiness of some group is used as a value, the happiness of every individual gets the same weight. Average happiness as a value is consistent with respect for equality.

### *Happiness is not positive by definition*

The positive relations between happiness and other values, the fact that happiness frequently contributes to the realization of other values, and can be a consequence of the realization of other values, are research findings that increase the attractiveness of happiness as a value. Even if people prefer other values they can still appreciate happiness as a helping hand or as a pleasant by-product.

The acceptance of happiness as a value does not imply however that actual happiness is always morally acceptable. The happiness of an individual, or a limited group of people, or people in a nation, can be an outcome of behavior with negative consequences for the happiness of other people, in the same nation or other nations, or for the happiness of future generations. For this reason we always have to be prepared to think critically about actual happiness.

At this point there is an important difference between the concept of happiness as it has been used in several philosophical traditions, and the concept of happiness as it is used nowadays. In the era of Aristotle and later in the eras of Augustine and Thomas Aquinas morality was a necessary ingredient of happiness. This made happiness dependent on conformity with philosophical or religious doctrines (McMahon, 2005). This vision is not very popular any more, but the rejection of this vision implies that the moral aspects of happiness have to be evaluated carefully and critically from time to time. Considering all the arguments however, happiness can in general be accepted as an attractive value.

### **1.3.2 The attractiveness of happiness as a goal**

It seems logical that every value, or anything desirable, can be pursued actively as a goal. This is, however, only correct if this value can be realized in practice, and if this realization is not yet completed. If it were impossible to increase happiness it would be a waste of time to try to do so, and it would also be a waste of time if everybody were perfectly happy.

Through research we know now that happiness can be increased. Differences in happiness, like differences in average happiness in nations, are primarily a consequence of differences in actual living conditions. These conditions depend a great deal on human behavior and can be improved. It is furthermore very clear that many people in this world are not as happy as they could be, and would like to be.

In a nutshell: the attractiveness of happiness as a goal depends first of all on the attractiveness of happiness as a value. The popularity of happiness as a value, and its consistency with other

values, increase this attractiveness. Accepting happiness as a value is still a normative choice. If happiness is accepted as a value it makes sense to accept it also as a goal to be pursued actively, because many people want to be happier and happiness can be promoted (Veenhoven, 2002).

## **1.4 This dissertation**

### **1.4.1 Subject and title**

After a discussion of the concept of happiness, and the difference with the concept of utility in economics, the dissertation starts with the observation that people think about happiness regularly but make many mistakes in their evaluation of the determinants. This is followed by a discussion of factors that really matter, and can help to explain differences in actual happiness. The practical usefulness of happiness as a goal depends, after all, also on the availability and applicability of such explanations. This dissertation is primarily directed at the explanation of the differences in average happiness in nations, with the quality of governments as an underlying factor.

The title of this dissertation is “An eye on happiness; happiness as an additional goal for citizens and governments”. I added the qualification ‘additional’ to stress two points. First of all people can accept happiness as a goal, even if they put more priority on popular other goals, whether as a matter of principle or only at specific moments. A second point to remember is that it will never be possible to predict the impact of every action or decision on happiness. Because of this practical point it will never be possible to use happiness as the only goal. Alternative goals will be needed.

Accepting happiness as a goal has, therefore, no automatic implications for the importance of other goals, and it is no infringement of the freedom of individuals, policy-makers and politicians to determine their own priorities. Accepting happiness as an additional goal only adds an extra point of view, and in this way it can stimulate fruitful discussions about personal and political priorities.

This argument to use happiness as an additional goal is a rejection of the value monism in Bentham’s utilitarianism (1789), treating happiness as the highest and decisive value. My argument leads to value pluralism, by accepting happiness as a value but without a priori consequences for the moral status of other values (see also Veenhoven, 2002). This value-pluralism obviously does not change the fact that some other values are more compatible with happiness than others.

### **1.4.2 Approach**

This dissertation is based on reviews of important publications and on my own research. In my own research I try to explain differences in average happiness and in inequality in happiness between nations. In earlier research it was already established that such differences are substantial and rather stable. Because of this stability I looked for explaining factors with a comparable stability, like the quality and the size of governments, gender-equality,

## Chapter 1

purchasing power per capita, economic and personal freedom, income-distribution, safety and healthcare.

### *Methodology*

The methodology applied in this research is relatively simple. Average happiness and inequality in happiness in nations are compared and factors like the ones just mentioned are used to explain the differences. The differences are assessed for 2000 and 2006. For 2000 78 nations are compared, most of them relatively rich and developed. For 2006 around 130 nations are compared, with more relatively poor and less developed nations.

### *The measurement of government quality*

Government quality is an important issue in this dissertation. Government and governance are used as equivalents, in the interpretation of the World Bank: *Governance consists of the traditions and institutions by which authority in a country is exercised. This includes the process by which governments are selected, monitored and replaced; the capacity of the government to effectively formulate and implement sound policies; and the respect of citizens and the state for the institutions that govern economic and social interactions among them.* (Kaufmann et al.; World Bank 2009). It includes administration, legislation and jurisdiction. For the measurement of government quality I used the following indicators, developed by Kaufmann, Kraay and Zoido-Lobaton of the World Bank Institute, widely referred to as the 'KKZ-indicators'.

- *Voice and Accountability.* The extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and independent media.
- *Political Stability and Absence of Violence.* Perceptions of the likelihood that the political regime will be destabilized or overthrown by unconstitutional or violent means.
- *Government Effectiveness.* Perceptions of the quality of public service provision, quality of bureaucracy, competence of civil servants, independence of the civil service from political pressures, the quality of policy development and implementation.
- *Regulatory Quality.* The ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development. Absence of market-unfriendly policies such as price controls or inadequate bank supervision, excessive regulation in areas such as foreign trade and business development.
- *Rule of Law.* An environment in which fair and predictable rules form the basis for economic and social interactions. Includes protection of property rights, contract enforcement, and effectiveness and predictability of the judiciary.
- *Control of Corruption.* The extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests.

In 1996 the World Bank started collecting data to assess the quality of governments at these points. The data is delivered by roughly 30 organizations and is based on surveys of firms, citizens, civil servants, and experts of commercial risk rating agencies, non-government organizations, government agencies, and multilaterals.

It appears that there is a very high correlation between the indicators, but the correlations between the first two on the one hand, and the last four on the other, are somewhat lower. There is also a conceptual difference: the first two are related to the political situation, and the last four to rule of law and the quality and effectiveness of legislation and civil services. In this dissertation I will, therefore, make a distinction between the democratic and technical quality, where the democratic quality is determined by the average score for the first two indicators, and the technical quality by the average for the last four. The World Bank is critical about such aggregations, because it leads to a substantial loss of information, in particular about confidence intervals. The World Bank only presents data about individual indicators separately.

#### *Objections against the 'KKZ-indicators'*

Objections are raised against the KKZ-indicators, which deserve a short reaction. As admitted by Kaufmann and Kraay (2008), and discussed by Arndt en Oman (2006), the application of these indicators produces scores with overlapping confidence intervals. The ranking of specific nations can be a consequence of measurement errors. The scores are also presented as standardized scores, with an average of 0 and a standard deviation of 1. Such scores are only indications of relative qualities in a specific year. Such scores are inadequate for comparing developments in longer periods. This objection is not very substantial in the context of this dissertation, because I only want to identify broad patterns within short periods.

Another objection of critics like Khan (2007) and Dijkstra and van der Walle (2011), is that these indicators do not measure the quality of governments adequately. In their view these indicators primarily measure the capabilities for market-enhancing governance. Khan recognizes the importance of free markets, but he believes that such capabilities are too expensive for poor nations.

He also believes that market enhancement is insufficient to stimulate economic growth in poor nations; poor nations need different capabilities for growth enhancement. Khan observes that it is difficult to identify these capabilities, because it depends on the specific situation what capabilities are needed. China, Malaysia, South Korea and Taiwan have been successful, but with different policies, such as tariff protection, direct subsidies, infrastructure for priority sectors and licensing foreign technologies. A rather general capability, needed for growth enhancement, is dealing with inefficiency. Governments in poor nations have to reallocate assets and resources to more productive sectors. This approach can create problems if these sectors, by this preferential treatment and a lack of competition, become inefficient. Tackling this problem requires tough policies, but this can produce serious political complications. In such situations absolute rule by some party or elite can be functional, even though it obviously implies a lack of democracy.

These objections are relevant for this dissertation. The objection that the market-enhancing capabilities are expensive, and therefore depend on wealth, will be evaluated in the next section. The objection that the measurement is incomplete, is also relevant. The question is what the implications would be if the measurement were more comprehensive. It is difficult to answer this question because it is difficult to define and to measure this quality. The importance of the growth-enhancing capabilities might be an additional explanation for the finding in this dissertation, that the relation between the technical quality and happiness is higher, and more linear, than the relation between the democratic quality and happiness.

At this point we may observe that it is important to discern short-term and long-term effects. The short-term effects of market-enhancing and growth-enhancing policies on happiness can be insignificant, while the long-term effects can be substantial. This is in particular true for the tougher policies to promote growth, like the 'enclosures' in England and Scotland, where people were expelled from their common land, to make room for sheep.

Another objection against the KKZ-indicators is that there more interests left out, if these indicators' are applied. As observed by Arndt en Oman (2006) the scores obtained with these indicators are based on perceptions of experts, entrepreneurs, managers, and citizens. The perceptions of specific groups get a higher weight if the correlation with the perceptions of other groups is higher. This can imply that the perceptions of leading experts or organizations become dominant and that deviating perceptions get a lower impact. Since experts, entrepreneurs and managers usually put a high priority on market enhancement and economic freedom, other interests, like sustainability, gender equality and the rights of employees, may be neglected.

Considering this objection we may observe that it is primarily directed at specific aspects of 'Regulatory Quality' and 'Rule of Law', and hardly to the other indicators. If we consider all indicators together, we get a different impression. Interest-groups, minorities and employees, can use the quality of governments, and in particular the democratic quality, to promote their interests.

### 1.4.3 Causality

There appears to be a substantial positive correlation (+0,75 in 2006, 130 nations) between the technical quality of governments and average happiness in nations. In the last chapters of this dissertation this is interpreted as an indication that a high quality of government contributes to the happiness of citizens. There are however two alternative explanations for this positive correlation.

The first alternative explanation is that there is a spurious relation, because this correlation is produced by a third factor, which contributes to the quality of governments and happiness, while governments have no impact. This explanation is evaluated first, with the conclusion that the correlation depends for a great deal on causality. This does not imply however, that government has an impact on happiness, because happy citizens may create a better government. This second alternative explanation is also evaluated, with the conclusion that

the causality is primarily a matter of impact of government on happiness, instead of the other way around. Finally I will explain in what ways this impact is realized.

### *Spurious relation?*

Wealth is the most plausible factor that might be responsible for a spurious relation. There is (2006) a high correlation between wealth and happiness (+0,80) and simultaneously a high correlation between wealth and the quality of government (+0,89). This can create a spurious relation and this impression is supported by the substantial reduction of correlation between government and happiness, if differences in wealth are accounted for (from +0,75 to +0,11 á +0,14).

These findings do not imply however that the correlation between government and happiness is a spurious relation. The correlation does not disappear completely, but more important is the fact that the quality of government contributes to wealth, and on top of that it has a substantial influence on the impact of wealth on happiness. Wealth is therefore an intermediate variable in a causal chain between government and happiness.<sup>4</sup> This will be explained at the end of this section in the discussion of the impact of government on happiness.

### *Impact of happiness on the quality of government?*

The second alternative explanation for the correlation between government quality and happiness, as far as determined by causality, is that happiness contributes to the functioning of government. Happy people have more trust in government and are less inclined to tax evasion. They are more inclined to participate in public offices and politics, and are less extreme in their points of view. (Guyen 2011; Veenhoven 2011).

It is unlikely however that the quality of government depends heavily on the average happiness of all interested citizens. Many improvements have come about by concessions of autocrats, who were put under pressure by small groups of relatively powerful people. More recent improvements are extorted by minorities, who were probably less happy than the average citizen. It is therefore unlikely that the correlation depends substantially on a more positive attitude of happy citizens. We may assume that this correlation depends for a great deal on the impact of actual government on happiness.

### *How do governments have an impact on happiness?*

Governments can have an impact on happiness in two ways: in direct contacts between government agencies and citizens, and by organizing provisions and circumstances that contribute to happiness.

Direct contacts between citizens and government agencies are always rather sensitive because such contacts do not depend on consensus and free will, as usual, but on hierarchy and inequality in power. It is therefore extremely important that government agencies act very carefully and correct. At this point the application of principles of good governance is an important aspect of the quality of governments. It is a fundamental principle, for example, that equal cases will be treated

equally. The correct application of this principle has a positive impact on trust in government, but also on trust between citizens. Such effects are important for happiness.

Government quality is also important because a good government has the capability to organize beneficial provisions and circumstances. Such provisions and circumstances function as intermediate factors, factors that depend on government on the one hand, and contribute to happiness on the other. Wealth is very important as an intermediate factor. Governments can contribute to wealth, for example by maintaining public order and by the development and maintenance of an adequate infrastructure for transport and communication. In more developed nations governments can organize more comprehensive strategies to enhance growth and strengthen the national economy. As observed in the previous section, capabilities, not measured by the KKZ-indicators, may play a role at this point.

If economic growth creates more wealth this will have a positive impact on happiness, but this impact depends for a great deal again on the quality of the government. The high correlation between wealth and happiness of +0,80 decreases to +0,40 if differences in the quality of government are accounted for. This is understandable since the impact of wealth on happiness depends on the way it is used. Wealth can be used for military expenses, a corrupt bureaucracy, repression, or a disproportional consumption by a criminal elite. In such situations the impact on average happiness will be limited. Wealth can also be used for provisions and circumstances that contribute to average happiness, like streetlights, sewerage systems, healthcare, education and safety. Such provisions and circumstances can also be considered as intermediate factors between government and happiness, but they depend on wealth because they are rather expensive.

Gender equality is another potential intermediate factor between government and happiness. In this dissertation the Gender Development Index (GDI) and the Gender Empowerment Measure (GEM) are used to measure gender equality. It should be observed, however, that both measures are criticized because they depend substantially on average income, and are therefore inadequate as measures of gender equality 'as such' (see Anand & Sen 1995; Dijkstra & Hanmer 2000; Dijkstra 2002; Schüler 2006; Collier 2007).

### *Conclusion*

It is difficult to prove irrefutably that the quality of government is a cause of happiness. It is impossible to control for all factors in an experiment, and there is no adequate data to assess the interaction between relevant factors, and the sequence of developments. On top of that the comparability of nations, considered in this research, is limited. Considering the now available data it is plausible, however, that the correlation between the quality of governments and happiness depends for a great deal on causality. In the future it will be easier to assess this causality. More data will be available for longer periods and more nations. We also may expect interesting findings of panel studies, where people are followed for longer periods. This will produce insights about individual happiness, and about the impact of specific factors and events. Such information can also contribute to a better understanding of the importance of governments.

#### 1.4.4 Structure

This dissertation consists of the following three parts, a summary and conclusions.

##### *Part I: Happiness as a goal*

Part I is about the concept of happiness and about the feasibility of happiness as a goal in the behavior of citizens and in government policies. The objections against happiness as a goal and the advantages are evaluated. People make mistakes in their evaluations of the importance of specific factors for their happiness (Nettle 2005; Gilbert 2007). Such mistakes should be corrected by research. Research can also help to assess the relative importance of ‘external effects’; levels or changes in well-being not reflected in any price. In this context the differences between happiness and the economic concept of utility are evaluated.

##### *Part II: Happiness and free market-economy*

Some writers are pessimistic about the impact of free market economies on happiness. The relations between happiness and competition and between happiness and stress are evaluated in this context. The conclusions are relevant for the evaluation of the role governments can play in the promotion of happiness.

##### *Part III: Happiness and government*

The impact of government on the happiness of citizens, and in particular the impact of the quality of governments, appears to be very considerable. The quality, and in particular the technical quality, is not only important for average happiness, but also for the inequality or equality in happiness. The relation between average happiness and the size of governments is positive if the quality of governments is high and negative if this quality is low. There is some overlap in chapters 12, 13 and 14 in the discussion of concepts and variables, and in the discussion of causality.

#### 1.4.5 Summary

The summary follows the headlines of this structure, but at some points conclusions are put in a more logical and understandable order. Some recent information is added about the relation between happiness and negative feelings. At the end of the summary some options for governments are presented that might help promote the happiness of citizens. Finally a proposal is presented that the promotion of happiness should be accepted as an additional goal for governments.

#### 1.4.6 Conclusions

This dissertation has produced ten specific conclusions. The most important conclusion is that happiness can fruitfully function as an additional goal for individual citizens and government. This is also true if citizens and government put more priority on alternative goals, whether as a matter of principle or only at specific moments. Governments have several options to

## Chapter 1

promote the happiness of citizens deliberately. These options are primarily facilitating and hardly controversial.

## Notes

- 1 Smith was inspired at this point by a physician from Rotterdam, Bernard Mandeville, who in his book “The Fable of the Bees: or, Private Vices, Public Benefits” (1714) argued that selfish behaviour by individuals yields positive outcomes for society. Smith moderated this argument by indicating that this selfish behaviour is acceptable, but only within the boundaries of common morality.
- 2 David Hume (1751) made a sharp distinction between ‘is’ and ‘ought’, and made it very clear that it is not self-evident to switch from descriptive statements about facts to prescriptive statements about values. Karl Popper (1945) paid attention to what goes wrong if this distinction is neglected. For example: Soviet regimes put people with ‘dissident ideas’ in psychiatric institutions to teach them the laws of history and the inevitability of communism.
- 3 This Table 1 is comparable with Table 1 in Chapter 2, but has been improved at some points.
- 4 This is really about the question whether wealth precedes a higher quality of government (as an antecedent variable), or whether, as argued here, wealth is a consequence of better government and consequently contributes to happiness (as an intermediate variable). Since the quality of governments, as measured by the KKZ-indicators, is a broad concept, this question fits in the discussion about the relation between institutions and wealth. In institutional economics institutions are treated as a key factor for economic growth (Kaufmann c.s. 1999; North, 1990). In alternative approaches wealth is supposed to be a necessary condition for institutional improvements (Chang, 2010). It is impossible to determine the relative importance of wealth and institutional quality, because of their continuing intensive interaction. As far as the quality of governments is concerned, there is also the practical problem that the World Bank started the systematic evaluation of government quality in 1996 (and annually in 1998).

## References

- Anand, S. & Sen, A. (1995). *Gender inequality in human development: Theories and measurement*. New York: UN, Human Development Report Office. Report No. 19
- Arndt, C. & Oman, C. (2006). *Uses and abuses of governance indicators*. The Organisation for Economic Co-operation and Development (OECD), Development Centre Studies.
- Bentham, J. (1789). *Introduction to the principles of morals and legislation* (Republished 1988). New York, NY: Prometheus Books.
- Chang, H. (2011). Institutions and economic development: theory, policy and history. *Journal of Institutional Economics*, 7(4), 473-498.
- Collier, P. (2007). *The bottom billion: Why the poorest countries are failing and what can be done about it*. Oxford and New York: Oxford University Press.
- Damasio, A. (1994). *Descartes' error*. New York, NY: Putman.
- Diener, E., & Oishi, S. (2004). Are Scandinavians happier than Asians? Issues in comparing nations on subjective well-being. In F. Columbus (Ed.), *Asian economic and political issues* (Vol. 10, pp. 1-25). Hauppauge, NY: Nova Science.
- Dijkstra, A.G., & Hanmer, L.C. (2000). Measuring socio-economic gender inequality: Towards an alternative to the UNDP Gender-Related Development Index. *Feminist Economics*, 6(2), 41-75.
- Dijkstra, A.G. (2002). Revisiting UNDP's GDI and GEM: Towards an alternative. *Social Indicators Research*, 57, 301-338.
- Dijkstra, A.G., & Walle, S. van de (2011). Good Governance en Ontwikkelingsbeleid: Spijkerhard of Boterzacht? *Bestuurskunde*, 2, 23-32.

- Gilbert, D. (2007). *Stumbling on happiness*. New York, NY: Vintage Books, Random House.
- Guven, C. (2011). Are happier people better citizens? *Kyklos*, 64 (2), 178-192.
- Hume, D. (1739). *A treatise of human nature* (book III, part I, section I).
- Hutcheson, F. (1725). *Inquiry concerning Moral Good and Evil* (Republished 1969). Farnborough, UK: Gregg International Publishers.
- Isen, A. M., Doubman, K. A., & Nowiki, G. P. (1998). Positive affect facilitates creative problem solving. In: J. M. Jenkins, K. Oatley, & N. L. Stein (Eds.), *Human emotions: A reader* (pp. 288-297). Malden, MA: Blackwell Publishers.
- Kaufmann, D. (2005). Back to basics, 10 Myths about governance and corruption. *Finance & Development*, 42(3).
- Kaufmann, D., & Kraay, A. (2008). Governance indicators: Where are we, where should we be going? *World Bank Research Observer*, 23(1), 1-30.
- Kaufmann, D., Kraay, A. & Mastruzzi, M. (2009). *Governance Matters VIII: Aggregate and Individual Governance Indicators, 1996-2008*. World Bank Policy Research, Working Paper No. 4978.
- Khan, M. H. (2007). *Governance, economic growth and development since the 1960s. Desa Working Paper no.54*. United Nations, Dept. Economic & Social Affairs, New York, USA.
- Mandeville, B. (1714). *The Fable of the Bees: or, Private Vices, Public Benefits* (Republished 1988). Indianapolis, IN: Liberty Fund.
- McMahon, D. (2005). *Happiness: A history*. New York, NY: Atlantic Monthly Press.
- Mill, J.S. (1863). *Utilitarianism*. London, UK: Parker, Son, and Bourn, West Strand.
- Nettle, D. (2005). *Happiness, the science behind your smile*. Oxford, UK: Oxford University Press.
- North, D. (1990). *Institutions, institutional change and economic performance*. Cambridge, UK: Cambridge University Press.
- Popper, K. (1945). *The open society and its enemies*. London, UK: Routledge & Kegan Paul.
- Schüler, D. (2006). The Uses and Misuses of GDI and GEM, *Journal of Human Development*, 7(2), 275-283.
- Sen, A. (1999). *Development as freedom*. Oxford, UK: Oxford University Press.
- Smith, A. (1759). *The theory of moral sentiments* (Republished 2006). New York, NY: Dover Publications.
- Smith, A. (1776). *The wealth of nations* (Republished 2003). New York, NY: Bantam Dell, Random House.
- Veenhoven, R. (2002). Het grootste geluk voor het grootste aantal; Geluk als richtsnoer voor beleid. Inaugural lecture. Erasmus University Rotterdam (31 May 2002). *Sociale Wetenschappen*, 4, 1-43.
- Veenhoven, R. (2008). Healthy happiness: effects of happiness on physical health and the consequences for preventive healthcare. *Journal of Happiness Studies*, 9 (3) 449-469.
- Veenhoven, R. (2010). How universal is happiness? In E. Diener, J. Helliwell & D. Kahneman (Eds.), *International differences in well-being* (pp. 328-350). New York, NY: Oxford University Press.
- Veenhoven, R. (2011). *Correlates of Happiness*, World Database of Happiness, Erasmus University Rotterdam, The Netherlands. Retrieved June 2011, from [http://www.worlddatabaseofhappiness.eur.nl/hap\\_nat/nat\\_fp.php](http://www.worlddatabaseofhappiness.eur.nl/hap_nat/nat_fp.php).
- Veenhoven, R. (2012). *Bibliography of Happiness*, World Database of Happiness, Erasmus University Rotterdam, The Netherlands. Retrieved June 2012, from [http://www.worlddatabaseofhappiness.eur.nl/hap\\_bib/bib\\_fp.php](http://www.worlddatabaseofhappiness.eur.nl/hap_bib/bib_fp.php).
- Zajonc, R. B. (1984). On the primacy of affect. *American Psychologist*, 39, 117-123.



# **Part 1**

**Happiness as a goal**



## Chapter 2

### Science and morality, mind the gap, use happiness as a safe bridge!\*

#### Abstract

In 2002 Sissela Bok re-published her book “Common Values”, first published in 1995, about her search for a minimal set of values to be respected all over the world. In her view such a set of values is needed to facilitate international communication and cooperation. Values already recognized in every society can be included as a starting point. In her book “Exploring happiness”, published in 2010, she explains why she finds happiness unfit to be included. She observes that there are discordant claims about what happiness is. Any particular vision can lead to practical choices that either adhere or violate the values she prefers. In my view subjective happiness should be included, because there are no discordant claims about the meaning of subjective happiness, and subjective happiness is simultaneously attractive as a moral value and as an object of scientific research. Subjective happiness can function as a bridge between science and morality. The only discordant claims are about ‘objective’ happiness, as a wider interpretation of well-being in the context of some specific morality or ideology.

#### Keywords

Empirical research • Happiness • Morality • Objective happiness • Science • Subjective happiness • Values

#### 2.1 Introduction

Sissela Bok is a moral philosopher and fellow of the American Academy of Political and Social Science. In 2002 she re-published her book “Common Values” (1995) about her search for values to be respected all over the world.<sup>1</sup> In her view such values are needed to facilitate international communication and cooperation. She finds that some values can be recognized in every society. These values can be included in a minimal set of common values at a mondial level. Such a minimal set can be a starting point for the development of more values and leaves enough room for cultural diversity. She finds that the following values should be incorporated:

- Basic forms of mutual support, loyalty, reciprocity
- No harmful action (curbs on deceit, violence, and betrayal)
- Minimal fairness and procedural justice to solve conflicts

---

\* Originally published as: Ott, J. C. Science and morality: Mind the gap, use happiness as a safe bridge! *Journal of Happiness Studies*. Published online 20 March 2012. (DOI: 10.1007/s10902-012-9327-5) [Review of the book *Exploring happiness: from Aristotle to brain science* (2010) by Sissela Bok; New Haven and London: Yale University Press].

In her latest book “Exploring Happiness” (2010) Bok considers happiness as a potential common value. Her view is rather critical, because there are discordant claims about what happiness is. Any particular vision can lead to practical choices that either adhere or violate the values she prefers. One example she mentions: the al-Qaeda pilots who guided the planes into the World Trade Center had been promised everlasting happiness in a future paradise, and their relatives were happy about their success. Sissela Bok prefers the values just mentioned and she also has more sympathy for the values proposed by Immanuel Kant: good will, character, and doing what duty calls for (Kant 1785).

Bok’s argument is interesting, but only valid for ‘objective’ happiness and not for ‘subjective’ happiness. There are no discordant definitions for subjective happiness, it is always defined as the appreciation of one’s own life as a whole or in a very similar way. Subjective happiness is attractive as a moral value—to be included in Bok’s selection—and simultaneously as an object of empirical research. I will first summarize Bok’s views, with a few comments in footnotes, and then specify my arguments.

## 2.2 Bok’s book: discordant definitions of happiness

Bok presents several definitions of happiness with some leading questions like the following:

- Are people the best judges of their own happiness?
- To what extent are virtue and happiness conceptually linked? Is virtue necessary and/or sufficient for happiness?

These questions are not independent. People are no adequate judges of their own happiness if virtue is supposed to be a necessary ingredient. Definitions that incorporate virtue are ‘objective’ at that point. The definition of happiness by Aristotle is a famous example: “... *the soul’s activity that expresses virtue*”.<sup>2</sup> Since reason is another important ingredient for Aristotle, Bok observes that Sara Broadie usefully proposes a compact formula for Aristotle’s conception: “*The rational soul’s activity of virtue in a complete life*” (Broadie 2007). In this view, as Bok observes, ‘a happy torturer’ would be a contradiction in terms.<sup>3</sup> Epicurus, Seneca and Thomas Jefferson hold similar views.

There are more qualifications that can be incorporated into the definition of happiness. According to John Rawls happiness must be based on a rational life-plan (Rawls 1999). Immanuel Kant incorporates rationality but leaves out virtue, as a first step to reject happiness as the supreme good and putting in its place doing one’s duty. His definition of happiness: “*a rational being’s consciousness of the pleasantness of life uninterruptedly accompanying his whole existence*”. In his view people have to deserve happiness by doing their duty. If they do their duty they will be rewarded with happiness, if needed in afterlife.

Such incorporations of ‘objective’ criteria, like virtue and rationality, are absent in ‘subjective’ definitions where people are supposed to be the best judges of their own happiness.<sup>4</sup> Richard Layard, invoking Jeremy Bentham, defines happiness as “*feeling good—enjoying life and wanting the feeling to be maintained.*” (Layard 2005). Ed Diener contrasts

such conceptions to the traditional focus on objective criteria: *It is this approach to defining the good life that has come to be called 'subjective well-being' (SWB) and in colloquial terms is sometimes labelled 'happiness'* (Diener 2000). In this subjective happiness there are two components to be discerned: affect and cognition. Bok cites some definitions again like the one by Wayne Sumner: *"Happiness or life-satisfaction is a positive cognitive/affective response on the part of a subject to (some or all of) the conditions or circumstances of her life"* (Sumner 2000).

Bok does not prefer any definition in particular. She appreciates diversity in definitions and believes that different definitions represent differences in felt happiness. Such differences should not be blocked out because then we might slip into *"... unreflective, one-dimensional conclusions about the extent to which marriage, for example, or religious beliefs or health, correlates with happiness"* (p. 33).

About the objective and subjective views she makes the following remarks: *"... while I believe that the subjective experience of happiness must have priority, I take both the insider's and the outsider's perspectives to be needed for fuller understanding. Each can help counteract errors and biases in the other. Those who take only a person's own experience into account are as prone to such errors and biases as those who focus only on objective indications of people's preferences and needs. Even as we adopt either the subjective or the objective perspective, we should not lose sight of the other."* (p. 43)

### **2.3 My comments: the moral and scientific attractiveness of subjective happiness**

In Bok's view both the subjective and the objective perspective are needed for an adequate understanding of happiness. This view makes sense in moral and political discussions, but we must observe that subjective happiness is more suitable as an object of empirical research. In addition to that we must observe that the results of such research can play a role in moral and political discussions. We may discern two ways to improve the quality of such discussions:

- philosophical reflection on the pros and cons of values, and
- empirical research on values, their acceptance, their actual realization, and their interactions.

In my view both ways are valuable, but Bok seems to underestimate the importance of the second approach. I will pay attention to the definition of subjective happiness first, before I present my view that subjective happiness is simultaneously attractive as a moral value, even if virtue and morality are left out of the definition, and as an object of scientific research.

#### **2.3.1 The definition of subjective happiness**

Bok refers to the definition by Wayne Sumner: *"Happiness or life-satisfaction is a positive cognitive/affective response on the part of a subject to (some or all of) the conditions or circumstances of her life"*. This definition comes close to definitions usually used in empirical

research, e.g.: happiness as the appreciation of life, as reported by the people themselves, spontaneously or after some reflection. This general or overall happiness<sup>5</sup> is based on two components:

- affective happiness, primarily based on mood,<sup>6</sup>
- cognitive happiness, primarily based on reflection and cognition.<sup>7</sup>

This conceptualization is proposed by Veenhoven (2011) and is applied in the World Data Base of Happiness. There can be a difference between the affective and cognitive component, because one can be in a good mood most of the time but still judge that life falls below one's standards, and the other way around. The two components and overall happiness are nevertheless highly correlated, probably as a result of intensive interaction.<sup>8</sup>

### **2.3.2 The attractiveness of subjective happiness as a value**

Accepting or rejecting subjective happiness as a value is obviously not a scientific decision but eventually a moral choice. There are however some considerations in favour of subjective happiness as a value.

One consideration is that happiness is about the appreciation of people of their own life, and not, as in 'objective' happiness, about the appreciation by any outsider. Granting subjective happiness the status of a value is therefore consistent with respect for individual autonomy and freedom. In average happiness the happiness of anybody gets the same weight, just like anybody's vote in democratic elections. It is interesting to notice at this point that democracy and subjective happiness have a similar attractiveness as values: both combine fitness for research with respect for equality and self-determination.

One interesting result of happiness research is the finding that, whatever the goals people pursue, an active life and individual efforts contribute substantially to happiness. We may conclude therefore, that even if we prefer alternative goals we may still appreciate happiness as a positive by-product of such efforts. Happiness has also some appreciated consequences: it has a positive impact on health (Veenhoven 2008) and happy people are more willing to participate in public activities and are less apt to engage in obstructive behaviour (Guyen 2011). In sum: even if we prefer alternative goals we can still appreciate happiness as a pleasant ingredient and consequence of our ambitions.

Subjective happiness should nevertheless never be cherished in some uncritical way. Individual happiness can be immoral if it is based on accepting or creating misery, as in criminal behaviour. With average happiness this is less likely because immoral behaviour has in many cases a negative impact on average happiness. Even average happiness however, can be based on immoral behaviour towards specific individuals, other groups, nations, animals, or future generations.

### **2.3.3 The attractiveness of subjective happiness as an object of empirical research**

Subjective happiness is very appropriate as an object in empirical research, because it can easily be matched with observations. Earlier research has established that people all over the

world think about their life and develop some appreciation of their life. They are also able to answer questions about this appreciation, with sufficient levels of reliability and validity (Veenhoven 2010).

Any incorporation of additional conditions in the definition, like virtue or rationality, creates an ‘objective’ definition and makes it difficult to assess happiness. Defining subjective happiness as just the appreciation of life also facilitates the analysis of the relations between happiness and potential determinants, e.g. virtue and rationality, but also wealth, freedom, gender equality, public healthcare, safety, rule of law, and democracy (Ott 2010). Such relations disappear ‘out of sight’ if such determinants are incorporated into the concept.

There are more values that can be matched with observations, but for many values this is rather complicated. It is certainly complicated for virtue, rationality, solidarity, justice and doing one’s duty, because the actual interpretation of such values depends heavily on specific cultural contexts. It is also difficult for the values Bok prefers: curbs on deceit (honesty, truthfulness), curbs on violence, and betrayal; and basic forms of reciprocity and nurturing.

If values cannot be matched with observations it will be relatively easy to manipulate the interpretation of such values, because it is difficult to organize relevant empirical feed back. ‘Doing one’s duty’, and the happiness for the al-Qaeda pilots in some future paradise, are typical examples.

## **2.4 Conclusion: happiness as a safe bridge between science and morality**

Bok underestimates the importance of empirical research for discussions about moral issues. She finds that empirical research is inclined to put priority on observable phenomena, and to neglect the meaning and values people attribute to such phenomena. True, but “it ain’t necessarily so”, and empirical research is urgently required to assess the actual acceptance of values, their realization in practice, and their mutual relations.

Bok would probably have been more positive about subjective happiness as a common value if she would have paid more attention to the gap between science and morality: two different worlds without natural bridges in between. Philosophers like Hume (1739) and Popper (1945) have made it very clear that crossing this gap requires some careful attention.<sup>9</sup> The gap is visualized in Table 1.

Table 1 is about four different questions: (1) Should a value be accepted? (2) Do people accept this value? (3) Is this value realized in practice? and (4) Is this value compatible with alternative values? Discussions about the first question are about morality, discussions about the next questions are about science and empirical research. For happiness: (1) Should we, as observers, policy-makers, or people in general, accept happiness as a value? (2) Do people accept happiness as a value? (3) Are people happy? (4) Is happiness compatible with alternative values, e.g. honesty, non-violence, justice, sense of duty, altruism and freedom? For happiness it is relatively easy to answer the second and third question because people can just rely on their personal experience in answering questions about their—subjective!—happiness. For

alternative values this is usually more complicated, because there is more cultural and individual variety in interpretations. The answers to the second and third question can be used to answer the fourth question; in as far as the alternative values are—nevertheless—fit for research. The answers to the empirical questions 2, 3, and 4 can be used as additional considerations in moral discussions about the first question. Subjective happiness is therefore rather unique, as a safe man-made bridge to cross the gap between science and morality.

Table 1. Values, their acceptance, their realization and their compatibility

Values X1,...Xn	1. Should X be accepted?		2. Is X accepted?		3. Is X realized in practice?		4. Is X compatible with ....?	
	Yes	No	Yes	No	Yes	No	Yes	No
X1								
X2								
X3 etc.								

**Notes**

- 1 Bok presents no definition of a value but apparently uses it in the usual way, like in this definition by Shalom Schwartz: ‘desirable trans-situational goals, varying in importance, that serve as guiding principles in the life of a person or other social entity’ (Schwartz 1994). The Dutch sociologists van Doorn and Lammers (1968) present a comparable definition: “A central standard to evaluate one’s own behavior or the behavior of other people”. These sociologists see happiness primarily as a goal or something people actually pursue. In my view happiness can function as a goal and as a value: as something people actually pursue or as something they find important without practical consequences for their behavior. In theory we can make a distinction between values in general and moral values: altruistic values unrelated to any interests of specific persons or groups. In my view this distinction is useless since any value can be used in an altruistic way, or to promote or defend specific interests.
- 2 Nowadays Aristotle’s ‘eudemonia’ is usually translated as (objective) ‘well-being’ or ‘human flourishing’; but this is irrelevant for the discussion at this point (Brülde and Bykvist 2010).
- 3 Correct, but perhaps Aristotle’s own view would be different if this torturer would be a rational Greek man and his victim a hostile Barbarian!
- 4 There are definitions that incorporate objective and subjective elements simultaneously but such definitions are exceptional; probably because such a mixture is neither one thing nor the other.
- 5 One way to measure overall happiness: “All things considered, how satisfied are you with your life as a whole these days?” Please use this card to help you with your answer:  
1 2 3 4 5 6 7 8 9 10 (Dissatisfied > Satisfied)  
Source: Inglehart, R.; World Values Surveys and European Values Surveys (<http://www.worldvaluessurvey.org>)  
In this question the appreciation can be based on emotions and moods, but also on cognition.
- 6 One way to measure the affective component directly is the Day Reconstruction Method. People are asked to report about their emotional experiences of the previous day. An alternative method, not mentioned by Bok, is the Affect Balance Scale, as developed by Norman Bradburn, where people are invited to report about specific positive and negative moods and emotion in the past few weeks. In the Experience Sampling Method, also used by Kahneman (1999), people are invited to report about there emotions and moods immediately without reflection (Csikzentmihalyi and Larson 1987). This method is expensive since many measurements are required

to develop a representative picture. Emotions and moods can also be identified with brain research but only in a rather crude way.

- 7 One way to measure the cognitive component directly is developed by Cantril (1965): *Suppose we say that the top of the ladder represents the best possible life for you and the bottom of the ladder represents the worst possible life for you. Where on this ladder do you feel you personally stand at the present time? Please use this card to help you with your answer.*

0 1 2 3 4 5 6 7 8 9 10

(*Bottom of the ladder > Top of the ladder*). This question is rather cognitive because it almost invites people to disregard their emotions and moods. This question is used in the Gallup World Poll (<http://www.gallup.com/consulting/worldpoll>).

- 8 In 2006 there is a significant correlation of +0.46 between positive feelings in nations (affective happiness) and average contentment with life in 128 nations as measured with a ladder-scale (Data Gallup World Poll).
- 9 Hume (1739) made a clear distinction between ‘is’ and ‘ought’ and observed that it is not obvious how to get from descriptive statements about facts to prescriptive statements about values and norms. Popper (1945) pays attention to accidents that can happen if this distinction is neglected. One well-known example: Soviet regimes putting dissidents in mental hospitals to improve their ‘understanding of history and the inevitability of communism’.

## References

- Bok, S. (1995). *Common values*. Columbia, MO/London: University of Missouri Press.
- Broadie, S. (2007). *Aristotle and beyond: Essays on metaphysics and ethics*. New York, NY: Cambridge University Press.
- Brülde, B., & Bykvist, K. (2010). Happiness, ethics, and politics: Introduction, history and conceptual framework. *Journal of Happiness Studies*, 11, 541-551.
- Cantril, H. (1965). *The pattern of human concern*. New York, NY: New Brunswick.
- Csikszentmihalyi, M., & Larson, R. (1987). Validity and reliability of the experience sampling method. *Journal of Nervous and Mental Disease*, 175(9), 526-536.
- Diener, E. (2000). Subjective well-being: The science of happiness and a proposal for a national index. *American Psychologist*, 55(1), 34-43.
- Güven, C. (2011). Are happier people better citizens? *Kyklos*, 64 (2), 178-192.
- Hume, D. (1739). *A treatise of human nature* (book III, part I, section I).
- Inglehart, R. et al. (2004). *World Values Surveys and European Values Surveys, 1981-1984, 1990-1993, 1995-1997 and 1999-2001* [Computer file]. ICPSR version. Ann Arbor, MI: Institute for Social Research [producer], 2002. Ann Arbor, MI: Inter-university Consortium for Political and Social Research (distributor), 2004.
- Kahneman, D. (1999). Objective happiness. In E. Diener, N. Schwartz & D. Kahneman (Eds.), *Well-being: The foundations of hedonic psychology*. New York, NY: Russell Sage.
- Kant, I. (1785). The groundwork of the metaphysics of morals. Republished (1996) in M. Gregor (ed.) *Immanuel Kant: Practical Philosophy*. Cambridge, UK: Cambridge University Press.
- Layard, R. (2005). *Happiness: Lessons from a new science*. London, UK: Penguin Books.
- Ott, J.C. (2010). Government and happiness in 130 nations: Good governance fosters higher level and more equality of happiness. *Social Indicators Research*, 102(1), 3-22.
- Popper, K. (1945). *The open society and its enemies*. London, UK: Routledge & Kegan Paul.
- Rawls, J. (1999). *A theory of justice, revised edition*. Cambridge, MA: Harvard University Press.
- Schwartz, S. (1994). *Beyond individualism/collectivism: New cultural dimensions of values. Individualism and collectivism: Theory, method, and applications*. Thousand Oaks, CA: Sage Publications.
- Sumner, W. (2000). Something in between. In R. Crisp & B. Hooker (Eds.), *Well-being and morality: Essays in*

## Part I: Chapter 2

*honour of James Griffin*. New York, NY: Oxford University Press.

Van Doorn, J., & Lammers, C. (1968). *Moderne Sociologie*. Utrecht/Antwerpen: Het Spectrum.

Veenhoven, R. (2008). Healthy happiness: Effects of happiness on physical health and the consequences for preventive healthcare. *Journal of Happiness Studies*, 9(3), 449-469.

Veenhoven, R. (2010). How universal is happiness? In E. Diener, J. Helliwell & D. Kahneman (Eds.), *International differences in well-being* (pp. 328-350). New York, NY: Oxford University Press.

Veenhoven, R. (2011). *Measures of Happiness*, World Database of Happiness, Erasmus University Rotterdam, The Netherlands. Retrieved May 2011, from [http://www.worlddatabaseofhappiness.eur.nl/hap\\_quer/hqi.htm](http://www.worlddatabaseofhappiness.eur.nl/hap_quer/hqi.htm).

## Chapter 3

### Set-point, circumstances and mental activities\*

#### 3.1 Introduction

Jonathan Haidt is an Associate Professor at the University of Virginia and co-editor of “Flourishing: Positive Psychology and the Life Well-Lived”. His “Happiness Hypothesis” is an assessment of factors contributing to happiness. The assessment is properly based on ancient wisdom and modern psychology and is a plea for a balanced approach to avoid jumping to conclusions. The book is interesting for readers who want to know more about happiness and happiness research.

Haidt discusses the importance of ten great ideas. The most basic of these ideas are about the divided self, changing your mind, the pursuit of happiness, love and attachments, and happiness as a result of the interaction between internal needs and external opportunities. First we discuss these basic chapters and then some interesting side-roads.

#### 3.2 The divided self, rider and elephant

*The Divided Self* (chapter 1). An essential and recurrent element in the book is the distinction between our rational ego and our emotions and motives, each with specific dynamics. In Haidt’s metaphor: the rider and the elephant. If there is a conflict the elephant wins because the elephant is older in terms of our evolutionary history and considerably stronger. Haidt wants to stress the importance of cooperation between the two and this is an important fact to be taken into account in moral education. The rider must train and direct the elephant but has to respect its characteristics in order to be effective. An interesting claim in this chapter is that people without emotions are unable to make any decisions; without the emotional input of the elephant the rider will be mentally paralyzed.

#### 3.3 Changing your mind and the pursuit of happiness

*Changing your mind* (chapter 2), and *The pursuit of happiness* (chapter 5). Our happiness depends a great deal on our way of thinking and how we see the world. Our individual genes have a strong impact on this way of thinking but we do have possibilities to make changes, for instance by meditation, cognitive therapy and Prozac. This implies that our individual happiness H does not completely depend on our biological genetic set-point S: H is more

---

\* Originally published as: Ott, J. C. (2007). *Journal of Happiness Studies*, 8(2), 299-301. [Review of the book *The happiness hypothesis: Putting ancient wisdom to the test of modern science* (2006) by Jonathan Haidt; London, UK: Random House].

than S. Buddhists and stoics even go several steps further; they believe they are just riders and completely in control of their mental state. They believe they can change their thinking by voluntary mental activities V. However, this vision is also too extreme and simple: our set-point and individual circumstances C have a considerable impact: H is more than V. This actually completes Haidt's happiness formula  $H = S + C + V$ , but in the next chapters he nicely specifies this formula.

### 3.4 Love and attachments and a fit between internal needs and external opportunities

*Love and attachments* (chapter 6) and *Happiness comes from between* (chapter 10). According to behaviorists material circumstances have a decisive impact on our behavior and happiness. Haidt modifies this vision by following Harry Harlow and John Bowlby who have demonstrated the importance of inborn needs. Pleasant material circumstances "as such" are not sufficient; people need specific circumstances or opportunities to develop their inborn capabilities and emotional attachments. In this last chapter Haidt specifies his happiness-formula with a nice conclusion about the nature of happiness: happiness requires an adequate fit between internal needs and external opportunities and grows at the borderline between the self and the environment

### 3.5 The uses of adversity

This is the mainstream in Haidt's book but there are some interesting side-roads. The impact of adversity is always a fascinating puzzle in happiness research. In chapter 7, *The Uses of Adversity*, Haidt describes some positive effects that adversity may have on happiness. Adversity can help people to get a better understanding of their own personal strengths and can deepen social relationships. In other words: adversity can mobilize important psychological and social resources and by doing so demonstrate the existence of such resources. This has positive effects on contemporary and future happiness. Apart from that, adversity can help to reconsider and update priorities in life. Haidt also describes a more specific effect: the actual life of people is usually not an outcome of rational choices, but in many ways the outcome of accidental circumstances and incidents. In many lives this history has created some inconsistencies between basic personality traits, personal habits and goals people pursue in life. Adversity can stimulate people to face such inconsistencies and to do something about it. If such actions reduce inconsistencies and improve harmony, then this can also have a profound and structural positive effect on happiness.

### 3.6 The felicity of virtue and divinity with or without God

Two other side-roads are Haidt's discussion of morality and the meaning of life in chapter 8, *The Felicity of Virtue*, and chapter 9, *Divinity With or Without God*. In Haidt's vision Immanuel Kant and Jeremy Bentham deserve both a prize for coming up with a single moral rule, to be applied through the power of reason, that can cleanly separate good from bad. Kant's principle is the "categorical imperative": actions are only acceptable if the rules guiding this actions can be acceptable as general laws; breaking an inconvenient promise is not acceptable since breaking inconvenient promises can never be acceptable as a general law. Bentham's principle is "the greatest happiness principle": actions are morally acceptable if they, in their consequences, increase the average happiness. Haidt admires both philosophers but has two problems with their interpretation of morality; an interpretation that has become dominant in our modern times. First it weakens morality and limits its scope because it confines morality to specific situations and dilemmas. The ancient philosophers, like Plato and Aristotle, saw morality as a matter of character, at work in everything a person does. Haidt prefers their interpretation of morality as "an ethics of virtue". Morality in that sense, as practical wisdom, is important for happiness and Haidt admires Franklin who developed such wisdom deliberately. Haidt's second problem with our modern interpretation of morality is that it is based on bad psychology because it is only based on human rationality—the rider—and has nothing to do with human emotions—the elephant. Moral education, for instance in our treatment of animals, will be more effective if it is supported by emotions.

Meaning is another important issue in Haidt's work; not as a linguistic problem of finding a definition or metaphor, but as a question of purpose in life. Haidt makes a distinction between two questions:

1. What is meaning or the purpose of life?
2. What is meaning or the purpose within life?

The first question looks at life from the outside, it looks at people—and everything else—as objects. This question is properly addressed by theologians, physicists and biologists. The second question looks at life from the inside, from the living subject's point of view. According to Haidt this second question is empirical and can be examined by scientific means; this question is properly addressed by theologians, philosophers and psychologists. Haidt ignores the first question and tries to answer the second one. At that point he returns to the external conditions C in his happiness formula. Love and work—at the borderline between internal needs and external opportunities!—are in his vision the most important conditions for a meaningful and happy life. Meaning and happiness are obviously closely connected in Haidt's vision.

### 3.7 Comments

Haidt's book is obviously an excellent piece of work. Perhaps we can make just two critical comments. Haidt's argument that "an ethics of virtue" is important for individual happiness as a type of practical wisdom is convincing. There is much to be said in favor of stimulating such wisdom in schools and otherwise; even if schools and people prioritize different virtues. However, a broader interpretation of morality to incorporate such "ethics of virtue", is debatable. Modern morality and ethics are indeed about specific dilemmas in human relations and seek rational and socially acceptable solutions. There is nothing wrong with that. The real problem appears to be the lack of implementation of morality. Discrepancies between rationality and emotions—or the rider and the elephant—contribute to this failure, but a broader interpretation of morality would only disguise this problem, without offering a solution. A broader interpretation could also create serious conceptual problems, because the distinctions between morality, social values and individual virtues would become unruly. A second critical remark concerns Haidt's vision on meaning within life. He believes that theologians, philosophers and psychologists can find meaning in life by scientific research, since meaning is a suitable object for empirical research. This is also debatable. People can only create their own meaning, as individuals or collectivities, by the attribution of values to anything they choose. This attribution is a nice object for social research but this research will never provide us with any answers about the meaning within life as such. We must always make our own decisions about values and meaning within our own life!

## Chapter 4

### Our imagination of future happiness and its shortcomings\*

#### 4.1 Introduction

Daniel Gilbert is Professor of Psychology at Harvard and has won numerous awards for teaching and research. His book “Stumbling on Happiness” reflects his academic qualities. It is also very readable and written with a good sense of humor.

Gilbert distinguishes between moral happiness, judgmental happiness, and emotional happiness. Moral happiness is happiness based on—or reached by—some kind of morality, like Aristotle’s “eudemonia”. Judgmental happiness is contentment about something specific, like a snack, an event or a plan. Emotional happiness is happiness in the usual meaning of a general feeling, or a subjective state. This emotional happiness is the subject of Gilbert’s book.

Almost at the end of the book Gilbert writes that people can generally say how happy they are at the moment they are asked. This is an important advantage of experience sampling, where people report spontaneously about their current happiness. The role of cognition is very limited in their answers. Cognition plays a more important role if people are asked about their happiness in the past, or about their expected happiness in the future.

Gilbert describes some serious failings in our memory and foresight. As a consequence of these failings we accord a negative image to our future happiness and we make bad decisions over and over again. Gilbert is not very explicit about the consequences, but the obvious implication is that there are negative effects on happiness.

#### 4.2 Limits in empathy, shortcomings in imagination

Before discussing some questions in relation to Gilbert’s book I will first summarize some crucial steps in his argument. A general problem in understanding happiness is the limitation of human empathy. People cannot understand that a Siamese twin, or paralyzed person, can be happy at all. At this point Gilbert could also have mentioned the inability of happy people to understand unhappiness, such as the unhappiness of people suffering from fear and anxiety. However, even within the limits of their empathy, people make mistakes about their own future happiness. As Gilbert points out, people overestimate the impact of possible events. They overestimate the positive impact of getting a promotion and having

---

\* Originally published as: Ott, J. C. (2009). Our imagination of future happiness and its shortcomings. *Journal of Happiness Studies*, 10(2), 253-255. [Review of the book *Stumbling on happiness* (2007) by Daniel Gilbert; New York, NY: Vintage Books, Random House].

children, and they overestimate the negative impact of getting in an accident and the loss of a loved one.

Gilbert presents an explanation; the human being is the only animal that thinks about the future and has the ability to imagine events. The human brain is an “anticipation machine” and “making future” is the most important thing that it does. Thinking about the future is pleasurable and imagining bad events is functional, because fear, worry and anxiety evoke action. About 12% of our daily thoughts are about the future. All this imagination supports a popular idea: we steer ourselves through the river of time, going to places where we want to be, avoiding places where we don’t want to be. According to Gilbert this idea is totally wrong. We make serious mistakes and we do not really know where we want to go. We suffer, more specifically, from three shortcomings in our imagination.

1. Realism: imagination works so quickly, quietly and effectively that we are insufficiently skeptical of its products. We do not miss elements in our perception, even if we should!
2. Presentism: the imagined future looks very much like the actual present because we are unable to predict many things, so we use the present situation—or an extrapolation—as a standard. Our imagination is too conservative, we are trapped in a place, a time, and a circumstance; and our attempts to use our minds to transcend those boundaries are ineffective.
3. Rationalization: things will look different once they happen, in particular bad things will look better because we will always find some positive interpretation. Gilbert could also have mentioned that people often underestimate their own resilience and potential resources.

In short, our ideas and expectations about our future happiness are wrong. Pleasant, or unpleasant perhaps, they cause us to make the same mistakes over and over again!

Gilbert explains why we—in general!—are not corrected by other people, elderly people included. He mentions two possibilities, the first is that the advice we get is bad advice. This is partially true according to Gilbert. The quality of happiness advice varies, sometimes it is reasonable and sometimes it is disputable. Disputable advice is often based on popular beliefs, like “money makes happy” or “children make happy”. Perhaps these aphorisms are functional for society as a whole, but not for the individuals concerned.

The second possibility Gilbert mentions, is that people foolishly reject the good advice they get. This is more than partially true according to Gilbert. It happens frequently, since people overestimate their own uniqueness and usually consider advice from other people as irrelevant. Why are people so optimistic about their personal uniqueness?

- a. They know themselves better than other people.
- b. They enjoy thinking about themselves as very special.
- c. They tend to overestimate individual uniqueness in general. Social scientists care about similarities, but other people care about uniqueness!

Now we can discuss some questions in relation to this book.

### 4.3 Are we really misinformed?

*Are we really misinformed about our future happiness by our poor imaginations?* The short answer is “yes”, because we change and the world is changing. We go through different biological stages with different and rather unpredictable needs and possibilities. Also, the opportunities and problems the world will offer us in the next decennia are rather unpredictable. But “rather unpredictable” is not “completely unpredictable”. There is happiness research and there are libraries, planning bureaus, trend watchers, coaches and therapists, to support our individual imaginations. There are no recipes for future individual happiness, but there is a lot of knowledge available about conditions for happiness, and about the consequences of individual decisions. Perhaps we are misinformed, but we do have a lot of useful information! One thing we can do is improve our “self-knowledge”, knowing what we want and knowing at what points we are really unique, or “just similar” to other people. Such knowledge supports our adaptability, it helps us to select relevant information, and it helps us to make better decisions.

### 4.4 Do we really make bad decisions?

*Do we really make bad decisions as a consequence of our negative imaginations?* Gilbert presents some examples of “bad decisions”. On page 217: “We marry people who are oddly like the people we divorced, we attend annual family gatherings and make an annual vow never to return, and we carefully time our monthly expenditures to ensure we will once again be flat broke on all the days that begin with a three.” And on page 235: “And yet, the average American moves more than six times, changes job more than ten times, and marries more than once, which suggests that most of us are making more than a few poor choices”. First of all, we may wonder if changing jobs, getting divorced and going to unpleasant parties are a symptom of bad decisions. Jobs, marriages and parties can be, as expected, very rewarding for a while but become unpleasant later on. Secondly, we have to realize that decisions are not only based on imagined future happiness, but also on actual circumstances and necessities. But indeed, negative imagination can cause bad decisions. Sometimes such bad decisions are inevitable because they are the only way to learn, but a better imagination of future happiness can be helpful to prevent unnecessary mishaps. And again: adequate self-knowledge is a general key-point and deserves high priority in this respect.

### 4.5 The implications for happiness research

*What are the implications for happiness research?* Gilbert does not discuss this point but his argument is also interesting for happiness research. In “traditional” questionnaires people are asked to answer questions like this: “How happy (or satisfied) are you with your life as a whole these days?” This is a question about current happiness and not about past or future

happiness, but an answer requires nevertheless some minimal reflection and cognition. If there are serious shortcomings in our cognition, then we have to take another critical look at this research approach. On p. 229 and 230 Gilbert describes an experiment. Asian-American and European-American volunteers reported about their happiness in a week by way of experience sampling. The reports showed that Asian-Americans were slightly happier than the European-Americans. But when the volunteers were asked to remember their feelings after a week, the Asian-Americans reported they had felt less happy. The explanation is that Asian culture does not emphasize the importance of personal happiness as much as European culture does. Remembering happiness appears to be a reconstructive process. In this case the volunteers were asked to remember their happiness a week later, but Asian-Americans also got lower scores on the question: “How happy are you with your life as a whole these days”. So even in answering such questions, about happiness “these days”, culture appears to play some role. This cultural effect deserves attention in happiness research. Discrepancies in the results of experience sampling and the usual questionnaires are a complication, but also a potential source of information about cultural effects in the measurement of happiness.

Perhaps Gilbert is somewhat pessimistic about the corrigibility of false imagination of future happiness, about the impact of false imaginations on decisions, and about the impact of bad decisions on happiness. Correction of imagination is possible: happiness is a popular subject, people are interested, and not all advice is bad advice. Gilbert’s book about our human imagination and its shortcomings, is nevertheless important and relevant for happiness research.

## Chapter 5

### Do not trust your own wants if you want to be happy!\*

Daniel Nettle is Lecturer in Psychology at the University of Newcastle in England. His publications include *Vanishing Voices* (with Suzanne Romaine), *Linguistic Diversity and Strong Imagination: Madness, Creativity and Human Nature*. He takes a broadly evolutionary perspective in all his work and runs the website [www.psychresearch.org.uk](http://www.psychresearch.org.uk).

#### 5.1 Three kinds of happiness

Nettle defines three kinds or levels of happiness. The most immediate and direct type involves positive emotions like joy and pleasure at specific moments. Such emotions are brought on by the attainment of desired states and there is no cognition involved. Happiness at the second level is more than that; it is satisfaction with life as a whole after some reflection on the balance sheet of pleasures and pains. This is a hybrid of emotions and judgements. The cognitive processes involved can be rather complex since comparisons are made of actual experiences and achievements with all kinds of standards and expectations: a shaving man cutting himself once will be happy afterwards if he usually cuts himself twice. Happiness at the third level is the flourishing of people by fulfilling some ideal about the good life. The happiness or eudemonia of Aristotle is a famous example. This type is rather different from the first two since it does not require any positive emotions like pleasure or joy. The fulfilling of some physical ideal by a very unpleasant Spartan or anorexic way of life can still create this type of happiness. This type will be difficult to measure since measurement requires comparison of reality with some dominant ideal. And whose ideal is it? If it is the subject's own ideal then this happiness is a psychological reality and then it will have some impact on the judgements at level two happiness. But if this ideal is promoted by psychologists, philosophers and politicians, then such an ideal is a moralizing ideology.

Because of these complications, and considering the fact that people perceive happiness as a state involving positive feelings, Nettle makes happiness at the first two levels the focus of his book. He admits that this choice implies that there are other important human goods, which are not reducible to happiness at those levels.

#### 5.2 Why we are happy

Several important philosophers, like Schopenhauer and Sartre, have been very pessimistic about happiness but in Nettle's vision their pessimism has been falsified by empirical

---

\* Originally published as: Ott, J. C. (2006). Do not trust your own wants if you want to be happy! *Journal of Happiness Studies*, 7(4), 517-522. [Review of the book *Happiness: the science behind your smile* (2005) by Daniel Nettle; Oxford, UK: Oxford University Press].

evidence. Most people in affluent nations appear to be very happy at level two. But why? “Impression management” could produce positive answers to happiness questions. Creating a happy impression on other people has important advantages in terms of status and relations. This explains that people report higher levels of happiness in face to face interviews than in postal surveys, in particular if the interviewer in the face to face interviews is of the opposite sex. An additional argument for strategic optimism is that optimism motivates us to do the best we can in order to achieve the best possible results, not just in sports but also in other domains of life. Thus the finding that most people are happy is in part a reflection of an unrealistic psychology with which we address the world.

Another interesting finding is that even very happy people expect to be happier in the future. Whatever the circumstances, there is always a gap between our present happiness and a conceivable super-happiness. This permanent gap explains the popularity of “Utopias,” stories about societies where people are supposedly completely happy, like “Coming of age in Samoa” by Margaret Mead. Our happiness-system appears to be constantly scanning the horizon on the lookout for improvements in terms of environment and behaviour. Evolution has not set us up for the attainment of happiness but merely for its pursuit. Such a function obviously makes sense in terms of survival; even if everything is perfect people keep exploring their environment in order to identify interesting resources and possibilities. Just in case.

### **5.3 Function of pursuit of happiness**

In Nettle’s functional vision we are programmed to want things that contribute to the successful dispersion of our genes, like power and a high social status. This evolutionary functionality makes us overestimate the importance of such conditions; in Randolph Ness’s phrase: “natural selection does not give a fig about our happiness, it just wants us alive and making babies, miserable if need be.” Overestimation of such conditions is stronger if we are able to compare our own conditions with the conditions of other people. This is the case with positional goods like income and material wealth (Frank, 1999). This social comparison, leading to all kinds of wants, is an unfortunate legacy of evolution, since empirical evidence shows that the actual impact on happiness of such conditions is limited. What we want is not always what we like in due course. The dynamic behind this difference is our underestimated adaptation to change. This adaptation has been described by authors like Easterlin (2003), Headey and Wearing (1992), and Brickman and Campbell (1971). Even the impact of changes in marital status is, according to Nettle, probably rather limited. Other conditions have a more permanent impact. Even after considerable adaptation exposure to chronic noise and health problems have a permanent negative impact. Permanent positive effects can be attained by more individual autonomy, social embeddedness and the quality of the environment. All in all, we have implicit theories about happiness and these theories are often incorrect. These incorrect theories lead us to decisions that do not maximize our happiness.

## **5.4 The difference between wanting and liking**

Two recent discoveries in brain-research are very interesting in this respect. The first is that rats can be forced to eat without any pleasure and even disliking the food. The second is that rats can be starved to death in the presence of good food that they really like. Manipulating the dopamine-supply for specific parts of the brain can do such things. This proves that mechanisms that control the wanting of things are not identical to those that control the liking of them. The two are distinct; you can crave for something very much but take little or no pleasure in it once you have it. This conclusion is supported by experiments with drug addicts who keep working for injections with low concentrations of drug, even if they rated these concentrations as worthless. Such studies suggest that there could be disconnections between wanting and liking, and this would account for the observation that we often work hard in life for things that turn out not to increase pleasure or happiness, like power, social status, material wealth and a high income.

## **5.5 Asymmetry of positive and negative feelings: how to improve happiness**

Evolution has made our emergency systems very important; our ancestors faced real dangers like predators or being ostracized from their social group. Such dangers have virtually disappeared but we still have our emergency systems. As a consequence there is in Nettle's vision an unpleasant asymmetry between negative and positive emotions. Negative emotions are more urgent and "imperialistic;" they capture our consciousness easier than positive ones. If we are upset that something has gone wrong it is easy to feel that everything we ever do will go wrong. If we lie awake at night full of anxiety about some situation we make ourselves anxious about other situations too. Positive emotions are weaker and disappear easier.

Nettle believes nevertheless that there are three kinds of deliberate manipulation to improve our happiness. The first is reducing the impact of negative emotions by cognitive-behavioural therapy. In this therapy therapist and client work together to identify patterns of negative thinking and expose their irrationality. This does not stop negative emotions coming up but it stops them spiralling into self-fulfilling prophecies of stress and alienation. The second deliberate manipulation is increasing positive emotion by "pleasant activity training:" determine, which activities make you happy and do them more often! This sounds rather obvious but it requires the capacity to unmask activities that do not bring happiness. The third deliberate manipulation is changing the subject: do not concentrate on personal happiness as a goal but look for additional goals in different domains of life and put them in context. This will create alternative roads to positive emotions and it will limit the emotional impact of failures in specific domains. Meditation and writing about experiences can also help to see negative emotions for what they are: bothersome but transitory and not an integral part of our personality.

## 5.6 Comments

This book, with its charming title, is very interesting. It contains many important research findings and up-to-date insights in happiness. It is also well written with a good sense of humour. Nettle's argument, that we will never be completely happy since we are programmed for the pursuit of happiness, is plausible.

A related and likewise plausible argument is that we have incorrect theories about happiness and make disputable decisions as a consequence. Such arguments underline the importance of empirical happiness research as a compensation for this weakness and to improve our decisions.

At one point we can make a critical remark. Nettle could be right that social comparison and the high priority for positional goods are an unfortunate inheritance of evolution. There is, however, an alternative explanation. Perhaps there is not enough freedom in modern societies for alternative lifestyles. First of all people are permanently stimulated to compare their material wealth by overloads of commercial advertising. This has a negative impact on their psychological freedom to choose. A second problem, but now in terms of objective freedom, is the fact that people in modern societies need a lot of money if they want to escape the rat race, for instance by making a choice for a quiet job, part-time work or early retirement. In some countries people are supported by tax-facilities to make such choices, but even in such countries part-time work and early retirement are usually only affordable for relatively rich people. Perhaps we should try to reorganize a few things first, before we blame our evolution as the one and only suspect!

## References

- Brickman, P., & Campbell, D.T. (1971). Hedonic relativism and planning the good society. In M.H. Appley (ed.), *Adaptation Level Theory* (pp. 287-305). New York, NY: Academic Press.
- Easterlin, R.A. (2003). Explaining happiness. *Proceedings of the National Academy of Sciences*, 100, 11176-11183.
- Frank, R.H. (1999). *Luxury fever: Why money fails to satisfy in an era of excess*. New York, NY: The Free Press.
- Headey, B. & Wearing, A. (1992). *Understanding happiness; A theory of subjective well-being*. Melbourne, Australia: Longman Cheshire Pty Limited.

## Chapter 6

### Happiness, economics and public policy: a critique\*

#### Abstract

If politicians and their advisers want to promote the well-being or happiness of citizens they have three ways to find out what they should do. (1) They can analyse the behaviour and the decisions of citizens to find out what they want, in other words: they can try to identify their “revealed preferences”. This is common practice in economics. (2) They can analyse the “stated preferences” of people as they express them explicitly in inquiries, referenda, polls and elections. (3) They can analyse the conditions that make people happy by comparing the conditions of people at different levels of happiness. Economists, like Helen Johns and Paul Ormerod, have an outspoken preference for the first option and they are sceptical about the third. Their argument is unbalanced because they are too critical about the authenticity and complexity of self-reported happiness and not critical enough about the authenticity and complexity of revealed preferences. Economists should appreciate the comparative advantages and additional value of each option and try to find optimal combinations with synergistic effects. Economists should appreciate happiness research as an option to assess the nature and magnitude of “externalities” within their own discipline.

#### Keywords

Revealed preferences • Stated preferences • Happiness • Well-being • Externalities

#### 6.1 Summary

Helen Johns and Paul Ormerod are both economists with a lot of experience in research and consultancy. They are critical of self-reported happiness research and its significance for policy-development. They summarized their objections in a concise, but deeply cutting book. Their criticism is based on the following arguments.

1. Johns and Ormerod observe that average self-reported happiness in nations is insensitive to important developments. We see hardly any change in time-series for average happiness in nations, whilst there have been important developments in variables like Gross National Product (GNP), public expenditure, life-expectancy, violent crime, income-inequality and gender equality (pp. 34–38). The absence of any substantial impact of increasing GNP has been extensively discussed in research on happiness, but the lack of any substantial impact

---

\* Originally published as: Ott, J. C. (2010). Happiness, economics and public policy: A critique. *Journal of Happiness Studies*, 11(1), 125-130. [Review of the book *Happiness, economics and public policy* (2007) by Helen Johns and Paul Ormerod; London, UK: The Institute of Economic Affairs].

of other factors has been seriously neglected.

2. Johns and Ormerod conclude that we face a dilemma: either we conclude that attempting to improve the human lot is futile, or we conclude that self-reported happiness over time is an extremely insensitive measure of well-being. In their view the evidence points to the latter. The first option is not acceptable for Johns and Ormerod; as they say on p. 34 and 35: "...what would be the point of all those schools and hospitals? What would be the point of all these dedicated public servants? More public spending has not led to increases in happiness."
3. Johns and Ormerod also notice that self-reported happiness is based on different individual events and conditions. This makes it difficult to assess the impact of specific events and conditions. They conclude that ex-post analysis is therefore vulnerable to misinterpretations and manipulation. They fear that introducing the conclusions of happiness research in policy decisions can produce unethical decisions and patronage. Marriage and religious faith have a positive impact on happiness and cultural heterogeneity has a negative impact. Such conclusions could justify the reduction of incentives for single parents, the promotion of religious faith and ethnic cleansing (p. 48, 70).
4. Johns and Ormerod find that revealed or stated individual preferences should never be overruled by conclusions about self-reported happiness. Referring to Kahneman (2002) and Smith (2003) they admit (p. 26) that people do not act as if they were maximising their utility by problems like bounded rationality and lack of information (Akerlof 1970). They admit that economics needs different postulates on individual behaviour from the conventional one of utility maximisation (p. 27). In that context they appreciate happiness research as a useful part of the modern research programme in economics. But happiness research suggests that individual preferences are not fixed and this is a bridge too far for Johns and Ormerod; as they say on page 27: "... once preferences are allowed to vary over time, the postulate that individuals take the best possible decision given their preferences loses much of its meaning". They obviously fear that this could lead to a lack of respect for the individual free will. As they put it on (p. 68): "In fact, given that government policy appraisal already does include environmental and other non-market benefits, the dichotomy that the use of well-being research throws up is not that of a holistic versus a materialistic conception of welfare, rather it is between accepting individual preferences as a reasonable indicator of welfare and not doing so".
5. Johns and Ormerod prefer GNP as a better measure for average welfare and well-being. First of all because it is based on individual preferences, but also because GNP-research has an established tradition and a good record of reliable and informative results (p. 59). The idea that GNP needs to be supplemented by some measure of 'gross national happiness' is in their view similar to arguments for modifying GNP to account for negative effects not incorporated in prices (externalities). How such an indicator would actually produce better decisions is, in their view, rarely spelt out in detail (p. 14). They believe there is no need for such additional measures of well-being.

## 6.2 Comments

### 6.2.1 Happiness is not insensitive and rising around the world

Johns and Ormerod's argument that self-reported happiness in nations is stable and insensitive is not in line with empirical data. As demonstrated by Veenhoven and Hagerty (2006), and Inglehart et al. (2008) there are fluctuations in self-reported happiness and there is a general upward trend. According to data from the World Values Surveys people in most nations are happier than before. During the past 26 years the World Values Surveys have asked people how happy they are, using the same two questions: "Taking all things together, would you say you are very happy, rather happy, not very happy, not at all happy" And: "All things considered, how satisfied are you with your life as a whole these days?". Combining the answers to these two questions, Inglehart and colleagues constructed an index of subjective well-being that reflects both happiness and general life satisfaction. In the 52 nations for which substantial time series are available from 1981 to 2007, this index rose in 40 nations and fell in only 12. The average percentage of people who said they were "very happy" increased by almost seven points. Economic growth, democratization and rising social tolerance have contributed to this rising happiness.

### 6.2.2 Sensitive and rising, but what about an upper limit?

Self-reported happiness probably has an upper limit, not because popular scales have limited categories, but in reality. Emotions are essential for happiness and can be very positive or negative, but not unlimited in either direction. In as far as happiness is cognitive there are other barriers: our ideas about our best and worst possible life. Such ideas always depend on knowledge about actual possibilities with limited variety. The existence of a theoretical maximum opens up the possibility that individuals and nations achieve maximum happiness in reality. Will self-reported happiness become insensitive to positive developments, once this maximum is reached? Perhaps it is like the Olympic Games: the records become sharper and breaking records will require more efforts. But it will be possible and the games will continue! In terms of every-day life and sheer logic however, Johns and Ormerod might have a point: if happiness is at its maximum it becomes insensitive to positive developments, even if such developments are deeply appreciated by large numbers of citizens. For the time being it is not a serious handicap. Most individuals and nations are not at their maximum, and even if they are it will be informative to compare them in cross-sectional analysis with individuals and nations at lower levels.

### 6.2.3 Experience-sampling will support the analysis of self-reported happiness

It is important to make a distinction between two types of subjective well-being. Self-reported happiness is about the appreciation of life as a whole, based on the ex-post evaluation of many different positive and negative events and conditions. Reporting such happiness requires some cognitive reflection and is therefore influenced by complicated mechanisms, like social

comparison. The analysis of such ex-post self-reported happiness is therefore complicated indeed. Daily emotions and moods, on the other hand, are spontaneous and directly connected to immediate events and conditions. Such emotional experiences are assessed in experience-sampling, as described by Csikzentmihalyi and Hunter (2003). Brain-research (MRI) is an interesting new development in this field.

Experience-sampling is promising because it can identify the relationships between specific situations and emotions. Experience-sampling can also produce a better understanding of the relationship between emotions and self-reported happiness. Daniel Kahneman has formulated one way to start this job: measuring “objective happiness” in a relevant period by assessing “subjective happiness” or instant utility at different moments within that period (Kahneman 2003). It will take time and money, but there is no reason for pessimism! Johns and Ormerod overlook this important distinction between the analysis of self-reported happiness and experience-sampling. As a consequence they underestimate the potential support for self-reported happiness research by experience-sampling. Before we continue this evaluation of self-reported happiness, as an indicator for average well-being, we consider revealed and stated preferences as alternative indicators.

#### **6.2.4 Revealed and stated preferences, exit and voice!**

Revealed preferences are preferences revealed in actual decisions and behaviour. Revealed preferences, in particular in economic decisions, are the dominant source of information in economics. GNP is interpreted as the actualisation of revealed preferences, as expressed in market prices. Revealed preferences are informative about actual choices people make, their behaviour on markets, and their real priorities. A problem is the fact that revealed preferences depend on the actual supply of goods and services, the knowledge and disposable budgets of consumers, the honesty of producers, and the transparency of markets in general.

Stated preferences are the opinions people express about issues in general, but not necessarily issues they have to deal with in practice. Stated preferences speak for themselves and need relatively little additional interpretation and analysis. They are, therefore, the least vulnerable to manipulation. The weakness of stated preferences is that they also depend on the knowledge of respondents and that they are not binding: people can say whatever they like without personal consequences. A vote in free elections is a specific type of a stated preference.

The distinction between revealed and stated preferences is very similar to the distinction between two “feed-back-mechanisms”, made by A. Hirschman (1970): “exit” and “voice”. People can react in two ways if they have complaints about anything: they can refuse it and/or choose something else, or they can communicate their complaints to the people who are responsible for the things of which they disapprove. Both mechanisms are useful for everybody, including managers, politicians, policy-makers, employers, shopkeepers, and (ex-)husbands!

### **6.2.5 Self-reported happiness, compared to revealed and stated preferences**

Now we can summarize the most prominent pros and cons of self-reported happiness compared to revealed or stated preferences, as indicators for average well-being. Self-reported happiness is in particular informative about the actual impact on happiness of general conditions, like economic growth, democracy, tolerance, trust, governance, economic freedom and gender equality. The analysis of self-reported happiness is complicated since happiness is indeed affected by many different conditions. This complexity is a disadvantage compared to stated preferences about specific options, because the analysis of such stated preferences is relatively simple. It is however not a disadvantage compared to preferences revealed in actual behaviour, because the interpretation and analysis of such behaviour is equally complicated. For this reason stated preferences are the least vulnerable for manipulation. One practical point: collecting information about happiness and stated preferences is relatively cheap, since it can be done by asking rather simple questions. Collecting information about revealed preferences—by national statistical agencies is more complicated and expensive. In a nutshell: research of revealed preferences is important because it is about actual behaviour, but it is complicated and expensive; research of self-reported happiness is complicated but cheap; research of stated preferences is simple and cheap, but stated preferences depend on knowledge just like revealed preferences, and they are non-committal. Self-reported happiness has therefore one important advantage compared to stated and revealed preferences: it is not dependent on the knowledge of people about specific options or about the conditions that make them happy. This is important because people have only limited knowledge of the conditions that make them happy, as has been nicely demonstrated by Gilbert in his “Stumbling on Happiness” (Gilbert 2007). For short: all indicators have specific advantages and additional value. Coming back to Johns and Ormerod: their book is somewhat unbalanced because they are very critical about the authenticity and complexity of self-reported happiness and not critical enough about of the authenticity and complexity of revealed and stated preferences.

### **6.2.6 Do we need self-reported happiness as an indicator for well-being?**

It follows from the discussion of pros and cons that GNP, stated preferences and self reported happiness have their own specific merits. All have additional value and combinations produce synergistic effects. The fact that GNP-research has a more established tradition, and so far perhaps a better record of reliable results, cannot change this conclusion. We might even go one step further. If we consider the aggregated value of goods and services in market prices as the only determinant of well-being, then we only need GNP as an indicator for well-being. But most economists, Johns and Ormerod included, accept the existence of “externalities”, determinants of well-being which are not properly incorporated in market prices and GNP. For that reason economists should appreciate the analysis of self-reported happiness as an option to identify such determinants and measure their impact. Economists should, in other words, appreciate the analysis of self-reported happiness as an option to assess the nature and magnitude of the “externalities” within their own discipline!

## References

- Akerlof, G. A. (1970). The market for lemons: Quality uncertainty and the market mechanism. *The Quarterly Journal of Economics*, 84(3), 488-500.
- Csikszentmihalyi, M., & Hunter, J. (2003). Happiness in everyday life: The uses of experience sampling. *Journal of Happiness Studies*, 4(2), 185-199.
- Gilbert, D. (2007). *Stumbling on happiness*. New York, NY: Vintage Books, Random House.
- Hirschman, A. O. (1970). *Exit, voice and loyalty; Responses to decline in firms, organizations and states*. Cambridge, MA: Harvard University Press.
- Inglehart, R., Foa, R., Peterson, C., & Weltzel, C. (2008). Development, freedom, and rising happiness: A global perspective (1981-2007). *Perspective on Psychological Science*, 3(4), 264-285.
- Johns, H., & Ormerod, P. (2007). *Happiness, Economics and Public Policy*. London, UK: The Institute of Economic Affairs.
- Kahneman, D. (2002). Maps of bounded rationality. Nobel Prize lecture, available at [http://www.nobelprize.org/nobel\\_prizes/economics/laureates/2002/kahneman-lecture.html](http://www.nobelprize.org/nobel_prizes/economics/laureates/2002/kahneman-lecture.html).
- Kahneman, D. (2003). Objective Happiness. In D. Kahneman, E. Diener & N. Schwarz (Eds.), *Well-being: the foundations of hedonic psychology*. New York: Russell Sage Foundation.
- Smith, V. L. (2003). Constructivist and ecological rationality in economics. Nobel Prize lecture 2002, published (2003) *American Economic Review*, 93(3), 465-508.
- Veenhoven, R., & Hagerty, M. (2006). Rising happiness in nations 1946–2004. A reply to Easterlin. *Social Indicators Research*, 79, 421-436.

## Chapter 7

### Limited Experienced Happiness or Unlimited Expected Utility, What About the Differences?\*

#### Abstract

Happiness and utility are two types of subjective well-being, but measured in different ways. Happiness is measured by asking people questions about their subjective appreciation of their life as a whole. Utility is measured by an assessment of their subjective priorities, as revealed in their actual behaviour. Both methods have specific pros and cons and additional value. These methodological issues are important in an epistemological way: how to obtain knowledge about subjective well-being. There are, however, also three important ontological differences between happiness and utility in the actual nature of these phenomena in reality. (1) Happiness depends on available market and non-market commodities and living conditions; utility depends only on available market commodities. (2) Happiness is about experienced well-being, utility is about expected well-being. (3) Happiness is limited because it is related to the fulfilment of a limited number of needs, utility is unlimited because behaviour always reveals preferences in terms of expected well-being. Economists and happiness researchers tend to neglect the last two differences. Their analysis, the analysis of Carol Graham included, could gain strength if more attention would be paid to these last two differences.

#### Keywords

Subjective well-being • Utility • Revealed preferences • Happiness • Self-reported happiness • Needs and wants

#### 7.1 Summary

Carol Graham is an economist and the author of numerous books and articles on poverty, inequality, and novel measures of well-being. Her latest book “Happiness around the World” is interesting and very informative. She evaluates very accurately the relations between happiness and variables like income, health, marital status and employment and applies sophisticated statistical procedures to assess possible causality in such relations.

Graham is cautious but optimistic about the importance of happiness research for policymakers.

---

\* Originally published as: Ott, J.C. (2011). Limited experienced happiness or unlimited expected utility, what about the differences? *Journal of Happiness Studies*, 12(3) 519-524. [Review of the book *Happiness around the world; the paradox of happy peasants and miserable millionaires* (2009) by Carol Graham; New York, NY: Oxford University Press].

## 7.2 Graham's book

### 7.2.1 Graham's inventory of causes and consequences of happiness

Graham identifies income, age, health and marital status as important determinants for the level and the distribution of happiness in general. The impact of other variables on happiness, like gender, education and employment, depends on contextual factors like gender rights, returns on education and the position of retired people and the self-employed. Subjective variables, like optimism, adaptation, and the acceptance of inequality, help to explain some irregularities. Graham demonstrates that several factors have a two-way causal relationship with happiness; having an impact on happiness but simultaneously being influenced by it. In a panel-study in Russia she evaluates such relations by using the unexplained or residual individual happiness in 1995 as an independent variable to predict developments after 1995. The residual happiness appears to predict future income and health, but not getting married or divorced, or becoming unemployed. The positive impact of happiness on income and health underlines the socio-economic importance of happiness.

### 7.2.2 Graham's inventory of paradoxes in the relationship between income and happiness

The relation between income and happiness gets a lot of attention in Graham's book. Wealthier people are in general happier than poorer ones, but Graham describes three paradoxes.

(a) *The paradox of the unhappy economic growth*: Countries with higher GDP per capita have higher levels of happiness, but controlling for these levels of GDP per capita individuals have lower levels of happiness in countries with positive growth rates (Lora & Chapero, 2009). The accompanying dislocation of rapid growth apparently undermines the positive effect of higher income levels.

(b) *The paradox of the happy peasant and the frustrated achiever*: This happens for instance in China where urban migrants are materially better off than they were before they migrated, but they report higher levels of frustration. Once they migrate their reference norm quickly becomes other urban residents rather than their previous peers in rural areas.

(c) *The paradox of the optimistic poor people*: Within countries wealthier respondents are happier, but there is clearly an 'optimism bias' in the responses of the poorest respondents. Their expectations are very low and the impact of misery on their happiness is therefore rather modest. Even the substantial income-inequality in Latin America is not matched by a comparable difference in satisfaction with the material and economic quality of life.

Relative income within nations seems to matter for happiness. This is one of the explanations for the Easterlin paradox: relative income matters for individual happiness within societies, but average happiness is rather insensitive for economic growth if some minimal GDP-level per capita is reached. An alternative explanation is adaptation of expectations. Expectations rise in good conditions, like high levels of freedom, and go down in bad conditions, like high levels of crime or corruption. Downward adaptation is an important survival mechanism at

times of adversity. Rising expectations may have provided impetus to rising ambitions and to the remarkable progress humanity has made in areas such as technology and health. In Graham's view it is difficult to judge whether rising expectations or downward adaptations are good or bad things; they are likely part of human nature.

### 7.2.3 Graham's inventory of policy implications of happiness research

In the last chapter Graham evaluates the policy implications of happiness research. What can policymakers take from the findings so far? Graham makes some cautionary remarks but she also presents some positive conclusions.

(a) *Cautionary remarks*: A fundamental problem is whether happiness should be a policy objective in the first place. Are happy people successful or complacent? There is evidence that happy people perform better in the labour market and that they are healthier. But the evidence also suggests that there is a top limit to this. People who score a 10 are successful, but people who score somewhat lower (7–9) are more successful. A related problem in Graham's view is the importance of happiness as a purpose, relative to alternative purposes like growth, policy reforms, and fiscal stability. There are temporal considerations as well. Many reforms make people unhappy in the short term but produce more happiness in the long run.

(b) *Positive conclusions*: Happiness surveys have great promise in Graham's view for helping to understand a variety of phenomena which cannot be explained by standard optimal choice or revealed preferences approaches. Two sets of questions come to the fore. The first is the welfare effects of macro and institutional arrangements that individuals are powerless to change, such as macroeconomic volatility, inequality, or weak government structures. In such situations people, and in particular the poor, are unable to express their preferences. The second set of questions is those in which behaviours are not the result of preferences but of norms, addiction, self-control problems and undue expectations. If people have low expectations for their own and their children's future their decisions on any number of fronts, ranging from investing in their children's education to saving and public health attitudes, could be compromised. Another promise for happiness surveys is in the understanding of non-income variables, such as health, education, employment status, gender rights and environment. In Graham's view happiness can ultimately complement standard income-based measures as a measure for the quality of life. In the same way that GDP allows us to track economic growth within and across countries, national well-being measures like happiness provide a complementary tool for assessing welfare trends.

## 7.3 Comments

I find that happiness can be discussed in three ways: in an epistemological way, in an evaluative or normative way, or in an ontological way. The epistemological discussion is about how we can obtain knowledge about happiness, the evaluative discussion is about happiness as a moral value or policy objective, and the ontological discussion is about

the nature of happiness in reality. Graham's book is primarily epistemological: but hardly evaluative or ontological. She is positive about happiness as a measure for the quality of life and she identifies some specific opportunities to use happiness in situations where revealed preferences are inadequate as a source of information.<sup>1</sup> Her book is hardly evaluative; she only makes some evaluative remarks about happiness as a policy objective. Her book is not very ontological either, because there are at least three important differences between neoclassical utility and happiness, and she only makes some remarks about the first difference. The three differences are:

1. happiness is a more comprehensive indicator than utility,
2. happiness is about experienced well-being, utility is about expected well-being,
3. happiness is limited, utility is unlimited.

### **7.3.1 Happiness is more comprehensive than utility**

In Graham's view the study of happiness is part of a more general move in economics that challenges the narrow neoclassical assumptions that people maximize utility. Happiness economics relies on a more expansive notion of utility, including interdependent utility functions, procedural utility, and the interaction between rational and non-rational influences in determining economic behaviour. At this point she recognizes happiness as a more comprehensive indicator for subjective well-being than the neoclassical concept of utility.

Happiness depends not only on goods and services available on the market, but also on non-market commodities and living conditions. Graham mentions some examples of non-market commodities: health, gender rights and environment. She also might have mentioned freedom, personal autonomy, social trust and companionship, as put forward by Putman (2000) and Lane (2000).

### **7.3.2 Happiness is about experienced well-being, utility is about expected well-being**

Another difference is that happiness is based on actual experienced well-being (ex post or current), while utility is based on expected well-being (ex ante) because choices are based on expectations. The difference between experiences and expectations is important even though they can be highly interconnected. Expectations can arise from hearsay, papers, books, soaps and imagination, but are also highly dependent on experiences. Experiences of subjective well-being, on the other hand, can be highly influenced by relevant expectations. In the national shipping museum in Antwerp I learned about the happiness of people who immigrated by ship to the US around 1900. Many of them left a difficult life behind them, with poverty and repression, and the actual conditions on the ships were far from pleasant. These people were nevertheless very happy on the ship, because they expected a better life. The contrast between their experienced past and their expected future created strong emotions. Even if the 'best-worst' question would have been used they would have reported high happiness levels. This question is formulated as follows: *Suppose we say that the top*

*of the ladder represents the best possible life for you and the bottom of the ladder represents the worst possible life for you. Where on this ladder do you feel you personally stand at the present time (0–10).* Strictly speaking the qualification ‘at the present time’ invites people to disregard their expectations, but people probably disregard this invitation. Even with this question the immigrants on the ship probably would have reported high happiness levels. On the other hand, however, most of our daily experiences take place without any specific expectations. At this point we may posit that, in the interaction between experiences and expectations, experience will be the dominant factor, and probably becomes more dominant when we get older. This dominancy of actual experience is also visible in the strong relation between happiness and actual conditions like safety and wealth. Peasants may be happy occasionally, and millionaires miserable, but empirical data tell a convincing story about this relation in general. We have to keep in mind, however, that expectations can be an interfering factor. The relationship between actual conditions on the one hand, and happiness or utility on the other, can be rather loose in specific situations by the impact of expectations.<sup>2</sup> The gap between conditions and happiness will be smaller usually than the gap between conditions and utility. In that respect happiness is a more representative indicator for the ‘objective’ quality of life.

### **7.3.3 Happiness is limited, utility is unlimited**

Utility has no maximum and it can only be measured at an ordinal level. This is consistent with economic theory: human wants are endless and are always expressed in choices people make, as revealed in their behaviour. These choices are always based on expected well-being and always produce additional utility. There will never be any limit. A dominant assumption in happiness research on the other hand is that happiness depends on the gratification of a limited number of basic needs.<sup>3</sup> In the terminology of Veenhoven (2009): ‘Needs are inborn and universal while ‘wants’ are acquired and can be variable across cultures’.<sup>4</sup>

Happiness will reach a maximum level if inborn needs are satisfied. This assumption is supported by the fact that in wealthy nations average happiness is very stable at a high level, also in periods of rapid economic growth.<sup>5</sup> There is, however, a complication: it is one of the basic needs to use and further develop inborn or innate capabilities.<sup>6</sup> People always want to be active and creative, and they always need challenges. Even if they have reached their maximum level of happiness they will produce utility, in order to stay at that maximum.

## **7.4 Conclusion**

Graham’s book is a great contribution to our knowledge of subjective well-being, but her analysis would have gained more strength if she had paid more attention to the second and third difference between happiness and utility. One example: if happiness has indeed a maximum the positive contribution of any factor, be it objective like wealth or subjective like optimism, is inevitably characterized by diminishing returns. This implies a different reality

and requires a different analysis. It also presents an additional explanation for the Easterlin paradox. And what about policy implications? If there is indeed a maximum to happiness, and if this maximum is achieved in nations by a reasonable level of material wealth, individual freedom, security, healthcare, and an accepted level of inequality, would this be the end of politics and policy? Obviously not. If people are happy they will try to keep it up and in order to keep it up they will still have to be active and creative. They will, in economic language, still create more utility. Some basic realities will be different, however. Economic growth will no longer be an instrument for additional happiness, but only a consequence of the fact that people need to be active. Perhaps our wants are nowadays manipulated and blown up by commercial interests, but we cannot do without them. Such conclusions are interesting, also in normative and evaluative discussions about politics and policy. Perhaps the problems of unhappy people deserve a higher priority than the problems of the happy ones, and perhaps all happiness problems can be solved simultaneously!

## Notes

- 1 See Ott (2010) for a systematic inventory of the differences between revealed and stated preferences and self-reported happiness as sources of information.
- 2 Warning: expectations about happiness can be very wrong, as has been nicely demonstrated by Daniel Gilbert in his 'Stumbling on happiness' (2007).
- 3 A well-known typology is presented by A. Maslow: (1) physiological, (2) safety, (3) love/belonging, (4) esteem, (5) self-actualization. A more sophisticated typology is presented by Wentholt (1980) in terms of motivation: (1) Organic basic motivations, (1a) based on homeostatic principles (hunger, thirst, sexuality), (1b) based on stimulation-seeking (intrinsic motivation and affection). Wentholt additionally presents some complications in the actual dynamics of such motivations by the (typical human) consciousness, like consciousness of our emotions, existential conditions and individual identity.
- 4 As reported by Nettle (2005) this distinction between basic needs and wanting, or between liking and wanting as he puts it, hangs together with the fact that we have different sub-systems in our brain to regulate liking and wanting.
- 5 As a consequence happiness can be measured at a cardinal level with numerical scales, like the 0–10 ladder-scale as it is used by Gallup. This is possible because respondents are able to divide the range between zero and the maximum in equal parts, representing comparable differences in their subjective appreciation. This cardinal option is not available in the measurement of utility, because utility has no maximum.
- 6 In Maslow's typology self-actualization, in Wentholt's typology stimulation-seeking motivations and in particular intrinsic motivation.

## References

- Gilbert, D. (2007). *Stumbling on happiness*. New York: Vintage Books, Random House.
- Lane, R.E. (2000). *The loss of happiness in market democracies*. New Haven, London: Yale University Press.
- Lora, E., & Chapero, C. (2009). The conflictive relationship between satisfaction and income. In C. Graham & E. Lora (Eds.), *Paradox and perception: Measuring quality of life in Latin America*. Washington: The Brookings Institution and the Inter-American Development Bank.
- Nettle, D. (2005). *Happiness; the science behind your smile*. Oxford, UK: Oxford University Press.

- Ott, J. C. (2010). Happiness, economics and public policy; a critique. *Journal of Happiness Studies*, 11(1), 125-130.
- Putman, R. (2000). *Bowling alone: The collapse and revival of American community*. New York, NY: Simon & Schuster.
- Veenhoven, R. (2009). How do we assess how happy we are? In A. K. Dutt & B. Radcliff (Eds.), *Happiness, economics and politics: Towards a multi-disciplinary approach* (pp. 45–69). Cheltenham, UK: Edward Elgar Publishers.
- Wentholt, R. (1980). *Motivation-theory*. Unpublished reader, Erasmus University Rotterdam, The Netherlands.



# **Part II**

**Happiness and free market-economy**



## Chapter 8

### Level and inequality of happiness in nations: does greater happiness of a greater number imply greater inequality in happiness?\*

#### Abstract

Utilitarians and egalitarians have different priorities. Utilitarians prioritize the greatest level of happiness in society and are prepared to accept inequality, while egalitarians prioritize the smallest differences and are willing to accept a loss of happiness for this purpose. In theory these moral tenets conflict, but do they really clash in practice? This question is answered in two steps. First I consider the relation between level and inequality of happiness in nations; level of happiness is measured using average responses to a survey question on life satisfaction and inequality is measured with the standard deviation. There appears to be a strong negative correlation; in nations where average happiness is high, the standard deviation tends to be low. This indicates harmony instead of tension. Secondly I consider the institutional factors that are likely to affect happiness. It appears that level and equality of happiness depend largely on the same institutional context, which is another indication of harmony. We may conclude that the discussion between utilitarians and egalitarians is of little practical importance. This conclusion implies that increasing income inequality can go together with decreasing inequality in happiness and this conclusion provides moral support for Governments developing modern market economics.

#### Keywords

Happiness • Convergence • Life satisfaction • Income • Wealth • Utilitarianism • Egalitarianism

#### 8.1 Introduction

The tension between economic growth and inequality is a recurrent issue in economics. The general assumption is that some financial inequality has eventually positive effects on national wealth. Adam Smith (1776) argued in his ‘Wealth of Nations’ that the egocentric pursuit of personal interests increases national wealth and contended that we should therefore accept that some people earn more than others. This has become a central theory in economics. In his book ‘Equality and Efficiency: The Big Trade-off’ Okun (1975) explains why we should accept a trade-off between equality and wealth: we must accept inequality in wealth to achieve a higher level of wealth.

*The idea that raising the level of happiness will add to inequality in happiness* It is commonly assumed that what applies for wealth also applies for happiness, and that the

---

\* Originally published as: Ott, J. C. (2005). Level and inequality of happiness in nations: does greater happiness of a greater number imply greater inequality in happiness? *Journal of Happiness Studies*, 6(4), 397-420.

pursuit of greater happiness for a greater number requires that we accept greater differences in happiness among citizens.

This idea is rooted largely in a materialistic theory of happiness: if happiness depends on wealth, greater happiness requires more wealth and thus greater inequality in income, which is also seen to involve greater inequality in happiness. A related notion is that equality leads into passivity, whereas inequality activates people. As such, inequality in happiness would fuel economic activity, which in its turn would boost the general level of happiness.

The idea of a trade-off between level and inequality of happiness links also to the social comparison theory of happiness. If happiness depends on the idea that one is better off than the Joneses, the happiness of the greatest number may be boosted by the unhappiness of a few, especially if the misery of these unfortunates catches the eye. In this context it has been argued that slavery for a minority might add to average happiness.

Still another ground for the notion that a higher level of happiness will involve greater inequality in happiness is that efforts to promote happiness will focus on majority preferences. Such uniform policies are seen to marginalize minorities and hence create unhappiness among non-standard citizens. A literary account of this view can be found in Huxley's 'Brave New World', which describes a society that is tailored to the needs of genetically standardized citizens. The hero is a deviant, who becomes alienated in this planned paradise and in the end hangs himself.

These notions are echoed in moral philosophical debate. In accordance with the principle 'the greatest happiness for the greatest number' utilitarians prioritize average level of happiness and are willing to accept some inequality in exchange.

There has been a lot of criticism of this indifference to the distribution of happiness in utilitarianism, for instance by Amartya Sen (1999). A moral objection is that utilitarianism justifies sacrificing the interests of minorities to increase the average level of happiness, which could, in extreme cases, lead to slavery, to discrimination, and to creating scapegoats in times of national problems.

The non-utilitarian philosopher John Rawls defends a limited trade-off. In his vision basic rights and essential provisions have to be equally accessible for everybody. Above this level inequality is acceptable, if people in less favourable positions are compensated in terms of additional wealth and well-being (Rawls, 1971).

According to egalitarians people have the same rights to happiness; inequality in happiness and trade-offs between level and equality of happiness are not acceptable.

*Does greater happiness of a greater number imply greater inequality in happiness?*

Such discussions about trade-offs are based on the assumption that there is a tension between equality and level of happiness. But is there really a tension between level and equality of happiness, comparable to the tension between national wealth and inequality in income? Armchair speculation cannot answer this factual question. What we need is a reality test.

Such a reality test has become feasible since the advent of empirical happiness research. We now have information about level and equality of happiness in 78 countries. Using this data we will check whether a higher level of happiness in nations implies more inequality of happiness between citizens. More precisely an attempt is made to answer the following sub-questions:

- Is there a correlation between level and inequality of happiness in nations?
- Do promotion of level and of equality of happiness require different policy interventions?

## 8.2 Data

In order to assess the relation between level and inequality we have to make an inventory of actual distributions of happiness in nations. Such an inventory requires the representative measurement of happiness in a substantial number of nations, using identical questions, in a way that reveals both the level and the inequality of happiness. These conditions are fulfilled in the World Values Surveys (WVS), which contain representative samples of the general population for a sizable number of nations. Respondents were asked to answer the following question about their life satisfaction:

All things considered, how satisfied are you with your life as a whole these days? Please use this card to help you with your answer.

1	2	3	4	5	6	7	8	9	10
Dissatisfied									Satisfied

*Source:* Inglehart, R.: World Values Surveys and European Values surveys, 1999–2001.

This question fits the usual definition of happiness as ‘the degree to which an individual judges the overall quality of his or her life as a whole favourably’ or ‘the subjective appreciation of one’s life as a whole’ (Veenhoven, 1984). Since we use this satisfaction with life as the only indicator for happiness these terms are used interchangeably.

The 10-steps response format, used without verbal specifications per step, reduces the risk of differences in interpretation due to the different languages used by the respondents. The 10-steps range is also sufficiently broad to assess inequality. The formulation ‘about your life as a whole’ stimulates respondents to take into account all relevant domains of their life, like social relations, work, housing, leisure and so on. Previous research has shown that this life-satisfaction question produces adequate information in terms of validity and reliability (Schyns, 2003).

I use the mean as an indicator for level of happiness and the standard deviation (sd) as an indicator for inequality of happiness, since this is the most appropriate measure for this concept (Kalmijn and Veenhoven, 2005). A low standard deviation indicates low inequality; a high standard deviation indicates high inequality. Data are available for 78 nations in the years 1999–2001. The data are summarized in Appendix 1.

### 8.3 Relation between level and inequality of happiness in nations

My first question is whether there is a correlation between level and inequality in happiness in nations: Is there more inequality in nations with a high level? We can get an answer to this question by looking at the distributions of happiness in nations around 2000 and consider the relation between level and inequality. Below I will first present some illustrative cases (Section 3.1) and next show the result of an analysis on all 78 cases (Section 3.2).

#### 8.3.1 Illustrative cases

The distribution of happiness in nations appears to be very different in terms of level and inequality. We can distinguish four typical combinations

- high level-low inequality
- low level-low inequality
- high level-high inequality
- low level-high inequality.

The Netherlands is a typical case of a high level of happiness and low inequality in happiness. Responses to the question on life satisfaction concentrate in the options 7, 8 and 9 and the number of scores of 5 and lower is small. Hence the mean score is high (7.85) and standard

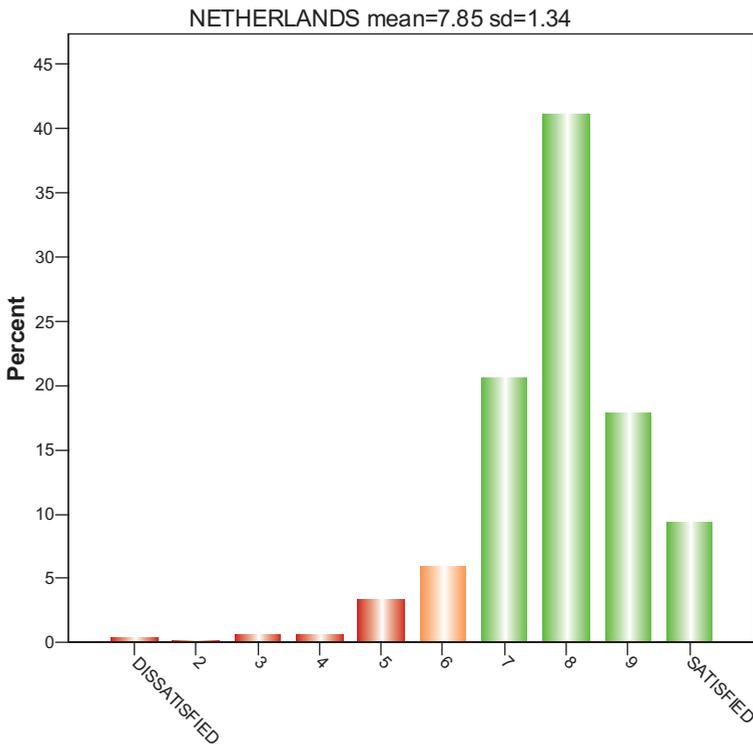


Figure 1. A case of high level and low inequality of happiness.

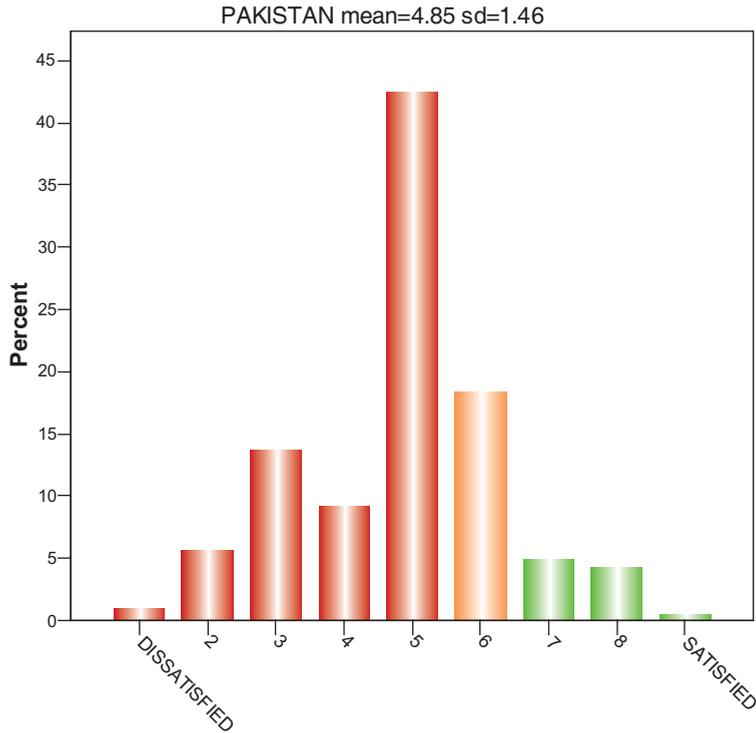


Figure 2. A case of low level and low inequality of happiness.

deviation is low (1.34). See Figure 1.

Pakistan is an example of a country where low inequality of happiness goes together with a low level of happiness. In this case the responses are also quite concentrated, but now around the lower part of the scale. The mean score is low (4.85), about half the level in the Netherlands and the standard deviation is also low (1.46), about equally low as in the Netherlands. See Figure 2.

South Africa combines a fairly high level of happiness with pronounced inequality in happiness among its citizens. Alongside a lot of very happy people there are also quite a lot of unhappy people in this country. Both the mean and the standard deviation are high in this case. See Figure 3.

Lastly, Russia is a case where a low level of happiness goes together with sizable inequality in happiness. In Figure 4, the low level manifests in the concentration of responses at the left of the scale and the great inequality in the horizontal pattern in the distribution. The mean is low (4.65) and the standard deviation is high (2.57).

**8.3.2 Pattern of correlation**

The data of all 78 cases are combined in the scatter plot presented in Figure 5. The level of happiness is plotted horizontally and inequality in happiness vertically. The dots represent nations.

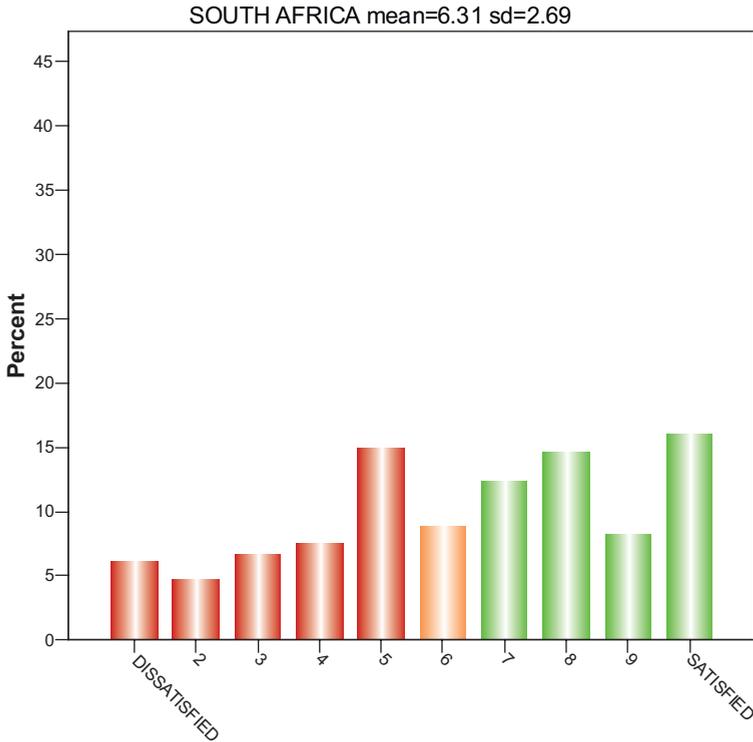


Figure 3. A case of high level and high inequality of happiness.

Looking at Figure 5 we can see a negative correlation between level and inequality in happiness; higher averages go together with lower standard deviations (Pearson  $r = -0.65$ ).

We can distinguish four groups of nations in Figure 5: the rich nations in the lower right corner with high levels of happiness and low inequality such as The Netherlands and Denmark; relatively poor countries like South Africa and Venezuela with a reasonable level of happiness but more inequality; (ex-) communist countries like Russia and Armenia with similar inequality in happiness but with a lower level of happiness; and very poor countries with low levels of happiness and extreme inequality in happiness such as Zimbabwe and Tanzania. Pakistan, with a combination of a low level and high equality of happiness, is an exceptional case.<sup>1</sup>

A split by income per head at 10,000 dollar (purchasing parity per year) shows that the correlation is stronger among rich nations ( $r = -0.74$ ) than among poor nations ( $r = -0.29$ ). This pattern was also observed in an earlier study on distribution of life satisfaction in EU nations (Delhey, 2004).

This negative correlation between level and inequality is, up to a point, a ‘ceiling effect’ since it is inevitable that inequality, as measured by standard deviation, will diminish if higher average levels are reached. But this correlation is also visible in poor countries with lower average levels and this arithmetical necessity does not predict that it really happens!

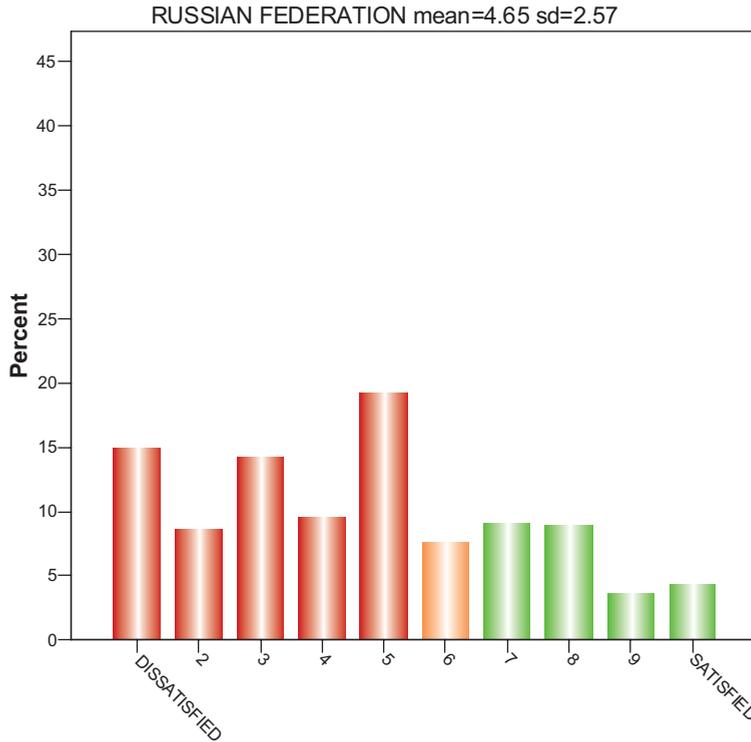


Figure 4. A case of low level and high inequality of happiness.

### 8.4 Institutional conditions for level and inequality of happiness in nations

Policy makers are probably not impressed by the finding that a high level of happiness tends to go with low inequality in happiness. They may be more interested in the effects of actual policy interventions and, in particular, in the possibility that policies might be vulnerable to criticism from either utilitarians or egalitarians. Therefore, I will also consider whether common policy aims are likely to work out differently for level and inequality of happiness. For this purpose, I consider the correlation with institutional conditions that rank high on political agendas.

#### 8.4.1 Institutional conditions

What were the common goals of socio-economic policy in the late 1990s? There are of course socio-economic differences between nations: aims that were important for some nations were not necessarily important for others. However, there appears to be a reasonable degree of consensus about some policy goals. That consensus is reflected in information available from such sources as the World Bank, the International Labour Organization (ILO), the Fraser Institute and the Human Development Reports produced by the United Nations. Things that rank high on the political agenda tend to surface in social statistics sooner or later.

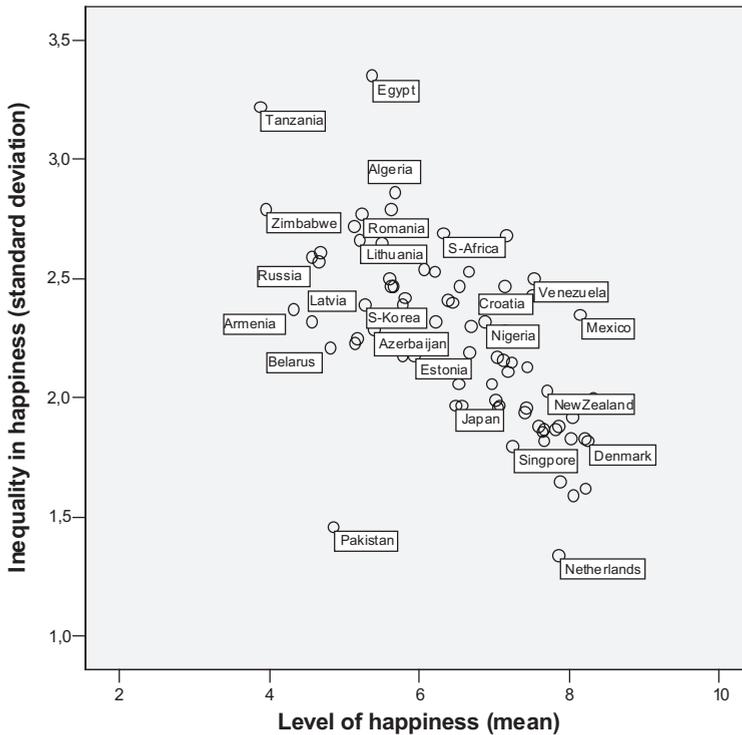


Figure 5. Correlation of level and inequality of life satisfaction in 78 nations around 2000.

The most prominent policy goal is still the creation of greater wealth. In spite of many objections, this goal prevails, not just in poor nations, also in rich ones. Success at this point is typically measured using the amount of goods and services produced, as quantified in the gross national product per capita. A more sophisticated variant is average purchasing power parity per capita per year, in short the ‘buying power per head’, which is commonly expressed in U.S. dollars.

A shadow goal is the reduction of social inequality in society. Success in reducing differences in the material standard of living is typically measured using indices of income inequality, such as the Gini coefficient, or the ratio between the amount of the national income earned by the richest 20% versus the amount earned by the poorest 20%. Social equality in nations, at least at a minimal level, is also seen to reflect in the expenditures for social security as percentage of Gross Domestic Product (GDP), more precisely: expenditures on pensions, health care, employment injury, sickness, family, housing and social assistance benefits in cash and in kind (ILO, see Appendix 2). Social security has a tendency to diminish income inequality by raising lower incomes and has also a tendency to raise the level of transfers and subsidies in nations.

Another major policy aim is promoting good governance; including democracy, freedom and government effectiveness. The World Bank has developed six useful indicators at this

point based on information from 18 different organizations. The Heritage Foundation and the Fraser Institute have developed specific indices for economic freedom; an important goal inspiring many governments to stimulate privatisation and liberalisation. Two interesting sub-components in the Fraser Index, measuring the size of governments in nations, are government consumption as a share of total national consumption and transfers and subsidies as a percentage of GDP.

Improving the position of women is a rather controversial issue, but in the majority of nations this is nowadays accepted as a policy goal. The Gender Empowerment Measure (GEM) in recent Human Development Reports indicates progress at this point. The GEM is based on three variables reflecting women's participation in political decision making, their access to professional opportunities and their earning power.

Considering these policy goals and the availability of information the following institutional conditions are selected.

- National wealth in terms of buying power per capita
- Income inequality
- Social security as a percentage of GDP
- Voice and Accountability
- Political Stability
- Government Effectiveness
- Regulatory Quality
- Rule of Law
- Control of Corruption
- Economic Freedom (Heritage Foundation)
- Economic Freedom (Fraser Institute)
- Government consumption as a share of total national consumption
- Transfers and subsidies as a percentage of GDP
- The Gender Empowerment Measure (GEM)

These variables and the data sources are described in more detail in Appendix 2.

#### **8.4.2 Correlation with level and inequality in nations**

The correlations (Pearson  $r$ ) between the selected conditions and level and equality in happiness or life satisfaction are presented in Table 1.

All selected conditions, including social security, government consumption and transfers and subsidies, show similar correlations with level and equality of happiness; they appear to contribute, more or less equally, to higher levels of happiness and lower levels of inequality. The only exception is income inequality; the correlations are not substantial, but inequality in income goes together with higher levels in happiness ( $r = +0.19$ ) and with more inequality in happiness ( $r = +0.24$ ).<sup>2</sup> This general picture is again comforting for politicians and policy makers, but income inequality and its consequences remain sensitive issues.

### 8.4.3 Difference between poor and rich nations

One may object that the data in Table 1 reflect the general pattern in the present day world, but do no justice to particular cases such as the poor nations, where economic development seems to go together with a growing gap between the winners and losers. We can check this by looking at poor and rich nations separately in Table 2.

In the sample of poor nations we see more variety in correlations than in the sample of rich nations. The reason is probably that the subset of poor nations is more heterogeneous and that many conditions considered here are not sufficiently developed in poor nations to contribute to more happiness and/or less inequality in happiness as they do in rich nations. If we may assume that economic growth will continue, we also may assume that the correlations in rich nations are more informative about the eventual effects.

#### *Rich Nations*

The correlations between the selected conditions and level and equality of happiness are similar among rich nations compared to these correlations for all nations. The correlations for general income inequality and level and inequality are lower (+0.02 and +0.16). Social security, relatively important for lower income levels, goes together with higher levels and less inequality, but these correlations are moderate (+0.36 and -0.26).

The correlations between government consumption and level and equality (-0.36; +0.39) and transfers and subsidies and level and equality (-0.20; +0.11) are interesting. Nations with higher levels of government consumption and transfers and subsidies get lower ratings and these correlations implicate therefore that such government activities contribute to higher levels of happiness and less inequality in happiness. In poor nations these correlations are lower and go in opposite directions: in poor nations it is apparently difficult for governments to develop a positive impact on the happiness of their citizens by such 'financial' activities.

#### *Poor Nations*

In the 'poor nations sample' inequality in happiness seems indeed to be rather insensitive for most conditions: only gender empowerment seems to have some modifying impact on inequality in happiness.

The correlations with levels of happiness are more diverse. There are low correlations with political stability, rule of law, government consumption and transfers and subsidies and the correlation with voice and accountability is only moderate. It is, nevertheless, self-evident that these conditions can have positive effects in the future: low correlations are no final disqualification, but these conditions require perhaps more patience! The other conditions seem to have more impact: wealth, government effectiveness, regulatory quality, control of corruption, economic freedom and again gender empowerment.

Table 1. Correlation of institutional conditions with level and inequality of happiness in 78 countries around 2000

	Average happiness (mean)	Inequality of happiness (standard deviation)	N
1. Wealth (p/c)	+0.69	-0.67	78
2. Income inequality	+0.19	+0.24	73
3. Social security (%GDP)	+0.34	-0.50	59
4. Voice and Accountability	+0.60	-0.51	78
5. Political Stability	+0.59	-0.59	78
6. Gov. effectiveness	+0.72	-0.66	78
7. Regulatory Quality	+0.71	-0.54	78
8. Rule of law	+0.65	-0.63	78
9. Control of Corruption	+0.69	-0.66	78
10. Economic Freedom, Heritage*	-0.64	+0.53	76
11. Economic Freedom, Fraser*	+0.66	-0.61	69
12. Gov. consumption**	-0.35	+0.41	69
13. Transfers and subsidies**	-0.33	+0.38	64
14. Gender Empowerment (GEM)	+0.69	-0.79	49

\* In the index of the Heritage Foundation nations with less economic freedom get higher ratings; in the Fraser Index, nations with less economic freedom get lower ratings. All correlations therefore indicate that economic freedom goes together with higher levels of happiness and less inequality in the distribution (lower standard deviation).

\*\* In the Fraser Index, nations with more government consumption and transfers and subsidies get lower ratings; the correlations in Table 1 therefore indicate that higher levels of government consumption (as a share of total national consumption) and higher levels of transfers and subsidies (as a percentage of GDP) go together with higher level of happiness and less inequality in happiness.

#### 8.4.4 Relations with income inequality, social security and wealth

The split between poor and rich nations reveals a divergent pattern in the correlations with income inequality, social security and wealth. Among poor nations we see a remarkable *positive* correlation between income inequality and level of happiness (+0.59) and a *negative* correlation between social security and level of happiness (-0.29). Another related remarkable fact is the low correlation between income inequality and happiness inequality among poor *and* rich nations (+0.02; +0.16). A final remarkable point is that wealth in poor nations only has an effect on level of happiness (+0.42) while it has positive effects on level *and* inequality of happiness in rich nations (+0.60 and -0.52).

Why these deviant patterns? Two kinds of explanation come to mind: methodological explanations, which imply that we are dealing with research artefacts, and substantive explanations.

*Methodological Explanations*

Reliable measurement of wealth, income inequality and social security is difficult, even in rich nations with abundant statistical information (Delhey, 2004). In poor nations these measurement problems are further compounded by a lack of information and the existence of substantial informal sectors. An additional problem is that in many poor nations the markets are still relatively underdeveloped: many goods and services are directly consumed in subsistence farming or bartered within (extended) families or local communities. This implies that statistics about wealth, income inequality and social security organized by governments are less informative.

There are also some tricky conceptual problems about social security that create specific validity problems. The ILO's definition of social security as a percentage of GDP involves legal access to health care and income security for the old, sick, unemployed, invalid and injured, as well as in case of maternity or loss of a breadwinner. According to the ILO 80 percent of the world's people do not have adequate coverage and 50 percent of the world's people, in particular people working in informal sectors, have no social security at all. If social security is defined in a broader way it can also include mutual aid within families or security organized by private organizations, such as co-operations, employers, churches and commercial insurance companies, financially or otherwise. This implies that social security, in this broader definition, could grow substantially without any reflection in GNP expenditure and be invisible in the ILO statistic.

*Substantive Explanations*

In poor nations wealth, by economic growth in its first stages, contributes to the level of happiness ( $r = +0.42$ , Table 2), but also to more income inequality ( $r = +0.37$ ; in rich nations  $r = -0.22$ ; additional information). This explains the positive correlation among poor nations between level of happiness and income inequality. In the first stages of economic growth GDP goes up while social security by governments probably lags behind. This implies that social security as GDP percentage goes down while the level of happiness goes up.

The absence of a positive correlation between inequality in income and inequality in happiness in poor nations could be due to the limited significance of money in poor countries and the impact of alternative dimensions of inequality like gender, ethnicity and real estate. In rich nations money is more important and the impact of such competing dimensions has decreased by the development of conditions like democracy, economic freedom and women's empowerment.

The absence of positive correlation between income inequality and happiness inequality in rich nations has a different background. One important reason will be that income levels as such are higher, which makes it easier for people to buy the goods and services they need. Another reason is that many governments in rich countries apply income policies, including social security and transfers and subsidies. This has made the availability of important goods and services, like food, education and medical care, less dependent on personal income.

The absence of positive correlations between income inequality and happiness inequality in Table 2 is relevant for the two theories that explain the relationship between income and happiness (Delhey, 2004). In the social comparison theory the correlation is the result of differences in the relative utility of income; in the basic needs theory the correlation is the result of differences in the absolute utility of income, since happiness depends in this theory on absolute need fulfilment independent of social comparison. According to Delhey the basic needs theory is the better one. This vision is supported by the absence of substantial positive correlation between income inequality and happiness inequality in rich nations.

Finally, wealth seems to have a positive effect on only the level of happiness in poor nations, and in rich nations both on level *and* equality of happiness simultaneously. In poor nations more national wealth invokes more inequality in income, but without visible consequences for the distribution of happiness by the impact of other dimensions of inequality. In rich nations wealth invokes more equality in income *and* institutional developments that diminish the impact of income inequality *and* of alternative sources of inequality. This explains the higher correlation between wealth and level of happiness in rich nations (in rich nations +0.60; in poor nations +0.42), and the higher modifying impact of wealth on inequality in

Table 2. Correlation of institutional conditions with level and inequality of happiness in poor and rich countries around 2000

	Poor nation*			Rich nations**		
	Level	Inequality	N	Level	Inequality	N
1. Wealth (p/c)	+0.42	+0.04	44	+0.60	-0.52	34
2. Income inequality	+0.59	+0.02	42	+0.02	+0.16	31
3. Social security (%GDP)	-0.29	+0.01	28	+0.36	-0.26	31
4. Voice and Accountability	+0.20	+0.16	44	+0.55	-0.47	34
5. Political Stability	+0.13	+0.04	44	+0.58	-0.69	34
6. Gov. effectiveness	+0.43	+0.05	44	+0.66	-0.71	34
7. Regulatory Quality	+0.51	+0.04	44	+0.45	-0.57	34
8. Rule of Law	+0.15	+0.17	44	+0.67	-0.65	34
9. Control of Corruption	+0.36	+0.01	44	+0.60	-0.63	34
10. Economic Freedom (Heritage)	-0.35	-0.07	42	-0.35	+0.36	34
11. Economic Freedom (Fraser)	+0.41	-0.09	35	+0.54	-0.53	34
12. Gov. consumption	+0.06	-0.06	35	-0.36	+0.39	34
13. Transfers & subsidies (% GDP)	+0.11	-0.10	31	-0.20	+0.11	33
14. Gender Empowerment (GEM)	+0.34	-0.42	20	+0.82	-0.74	29

\* GDP p/c<\$10,000.

\*\* GDP p/c>\$10,000.

happiness in rich nations (the correlation is  $-0.52$ ; in poor nations  $+0.04$ ). Economic growth apparently leads *eventually* to higher levels of happiness and to convergence in happiness, by a better distribution of the benefits over the entire population. This is consistent with Veenhoven's conclusion that the historical trend towards less inequality in happiness seems to persist (Veenhoven, 2005).

## 8.5 Conclusions

My first question was: Is there a relation between level and inequality of happiness in nations? The answer is that there is a *negative* correlation between level and inequality of happiness: higher levels go together with less inequality. This negative correlation is substantial:  $-0.65$  for all nations,  $-0.74$  for rich nations and  $-0.29$  for poor nations. Thus, level and equality of happiness are not antithetical; inequality is apparently not required for achieving higher levels of happiness.

The second question was whether the promotion of greater happiness for all requires different policies than a reduction of inequality of happiness does. The answer is that level and equality of happiness depend eventually on the same institutional conditions. Utilitarians and egalitarians should always be able to reach agreements about socio-economic policies, directed at empowerment of women, promoting economic freedom, and stimulating good governance in terms of voice and accountability, political stability, government effectiveness, regulatory quality, rule of law and control of corruption. Wealth contributes to higher levels of happiness and creates ample possibilities to reduce inequality in happiness, including possibilities like social security and transfers and subsidies to neutralize potential negative effects of more income inequality.

## Notes

- 1 Perhaps the quality of the information about Pakistan is limited; the absence of any 10 scores in Figure 2 is an indication in this direction.
- 2 Contrary to common practice this table does not report the statistical significance of these correlations. This is because significance testing makes no sense in this case. The set of nations considered here is no random sample of all nations in the world and hence it makes no sense to compute the probability that the values observed in the sample fit the values in the population.

## APPENDIX 1

Level and inequality of happiness; 10-step life satisfaction in 78 nations in 1999–2001, in order of ascending inequality

1. Netherlands	1.34	7.85	40. Albania	2.25	5.17
2. Pakistan	1.46	4.85	41. Argentina	2.26	7.30
3. Iceland	1.59	8.05	42. Uruguay	2.28	7.13
4. Malta	1.62	8.21	43. Azerbaijan	2.29	5.39
5. Finland	1.65	7.87	44. Croatia	2.30	6.68
6. Singapore	1.80	7.24	45. Moldavia	2.32	4.56
7. Denmark	1.82	8.24	46. Nigeria	2.32	6.87
8. USA	1.82	7.66	47. S. Korea	2.32	6.21
9. Ireland	1.83	8.20	48. Mexico	2.35	8.14
10. Switzerland	1.83	8.02	49. Armenia	2.37	4.32
11. Sweden	1.86	7.64	50. Bosnia	2.39	5.77
12. Luxembourg	1.87	7.81	51. Latvia	2.39	5.27
13. Norway	1.87	7.66	52. Peru	2.40	6.44
14. Australia	1.88	7.58	53. Iran	2.41	6.38
15. Canada	1.88	7.85	54. Hungary	2.42	5.80
16. Austria	1.92	8.03	55. El Salvador	2.43	7.50
17. Spain	1.92	7.03	56. China	2.47	6.53
18. Britain	1.94	7.40	57. Dominican Rep	2.47	7.13
19. Germany	1.96	7.42	58. Serbia	2.47	5.62
20. Portugal	1.96	7.04	59. Uganda	2.47	5.65
21. Czech Rep.	1.97	7.06	60. Jordan	2.50	5.60
22. Japan	1.97	6.48	61. Venezuela	2.50	7.52
23. Taiwan	1.97	6.56	62. Philippines	2.53	6.65
24. France	1.99	7.01	63. Poland	2.53	6.20
25. Colombia	2.00	8.31	64. Morocco	2.54	6.06
26. New Zealand	2.03	7.70	65. Russia	2.57	4.65
27. Indonesia	2.06	6.96	66. Ukraine	2.59	4.56
28. Vietnam	2.06	6.52	67. Georgia	2.61	4.68
29. Italy	2.11	7.17	68. Bulgaria	2.65	5.50
30. Belgium	2.13	7.43	69. Lithuania	2.66	5.20
31. Slovenia	2.15	7.23	70. Brazil	2.68	7.15
32. Chile	2.16	7.12	71. S. Africa	2.69	6.31
33. Israel	2.17	7.03	72. Macedonia	2.72	5.12
34. Bangladesh	2.18	5.77	73. Romania	2.77	5.23
35. Estonia	2.18	5.93	74. Turkey	2.79	5.62
36. Greece	2.19	6.67	75. Zimbabwe	2.79	3.95
37. Belarus	2.21	4.81	76. Algeria	2.86	5.67
38. Slovakia	2.22	6.03	77. Tanzania	3.22	3.87
39. India	2.23	5.14	78. Egypt	3.35	5.36

## APPENDIX 2

### List of Variables, Background Information and Sources

#### *Average Life Satisfaction*

Mean response to survey question:

1	2	3	4	5	6	7	8	9	10
Dissatisfied									Satisfied

All things considered, how satisfied are you with your life as a whole these days? Please use this card to help you with your answer.

Time: 1999/2001.

Source: Inglehart et al. (2002).

*World Values Surveys and European Values Surveys, 1999–2001 (Computer file)* ICPSR version. Ann Arbor, MI: Institute for Social Research (producer), 2002. Ann Arbor, MI: Inter-university Consortium for Political and Social Research (distributor). 2004.

#### **Inequality in Life Satisfaction**

Standard deviation in variable 1.

#### Wealth

Real gross domestic product per capita in 2000 in 92 countries in purchasing power parity

Time: 2002 (around 2000 mostly).

Source: UN Human Development Report (UN HDR 2004, Table 1); data calculated by the World Bank.

#### **Income Inequality**

Ratio income share richest 20% versus poorest 20%; comparable to Gini index

Time: 1995–2001 (around 2000 mostly).

Source: UN HDR 2004, Table 14; World Bank data.

#### **Social Security Expenditures**

Covers expenditures on pensions, health care, employment injury, sickness, family, housing and social assistance benefits in cash and in kind, including administrative expenditure; expressed as GDP percentage.

Time: 1996.

Source: ILO 2001; Social Security; A new consensus; statistical annex.

#### **Voice and Accountability**

Includes a number of indicators measuring various aspects of the political process, civil

liberties and political rights. Indicators measure the extent to which citizens of a country are able to participate in the selection of governments and the independence of the media.

Time: 2000.

Source: Kaufmann et al.; World Bank 2005.

### **Political Stability and Absence of Violence**

Measures perceptions of the likelihood that the government in power will be destabilized or overthrown by possibly unconstitutional and/or violent means, including domestic violence and terrorism.

Time: 2000.

Source: Kaufmann et al.; World Bank 2005.

### **Government Effectiveness**

Combines perceptions of the quality of public service provision, the quality of the bureaucracy, competence of civil servants, the independence of civil service from political pressure and the credibility of the government's commitment to policies. The main focus of this index is on inputs required for the government to be able to produce and implement good policies and deliver public goods.

Time: 2000.

Source: Kaufman et al.; World Bank 2005.

### **Regulatory Quality**

Includes measures of the incidence of market-unfriendly policies such as price controls, inadequate bank supervision and excessive regulation in areas such as foreign trade and business development. Time: 2000.

Source: Kaufmann et al.; World Bank 2005.

### **Rule of Law**

Includes several indicators, which measure the extent to which agents have confidence in and abide by the rules of society, perceptions of the incidence of both violent and non-violent crime, the effectiveness and predictability of the judiciary and the enforceability of contracts.

Time: 2000.

Source: Kaufmann et al.; World Bank 2005.

### **Control of Corruption**

Measures perceptions of corruption, conventionally defined as the exercise of public power for personal gain.

Time: 2000.

Source: Kaufmann et al.; World Bank 2005.

**Economic Freedom (Heritage Foundation)**

Summed index. Weighted sum, expert weights. Time: 2000.

Source: Miles et al. 2005, Index of Economic Freedom;

The Heritage Foundation and Dow Jones & Company, Inc. 2005; Washington D.C.

**Economic Freedom (The Fraser Institute)**

Summed index: Weighted sum, expert weights. Experts estimated the importance of security of money and freedom to produce and consume what one wants, to keep what one earns, to exchange money, to own property, to earn a living, to invest, to trade internationally, to participate in a market economy. The items are equally weighted.

Time: 2000.

Source: Gwartney, James and Robert Lawson (2004).

Economic Freedom of the World: 2004 Annual Report.

The Fraser Institute; Vancouver, Canada.

**Government Consumption as a Share of National Consumption**

The rating for this component of economic freedom (see 13) is equal to  $V_{\max} - V_i$  divided by  $V_{\max} - V_{\min}$  and multiplied by 10.  $V_i$  is a country's actual government consumption as a proportion of total consumption, while  $V_{\max}$  and  $V_{\min}$  are set at 40 (%) and 6 (%) respectively. Countries with a larger proportion of government consumption received lower ratings (range=0–1) which results in lower ratings for economic freedom.

Time: 2000.

Source: Gwartney, James and Robert Lawson (2004). Economic Freedom of the World: 2004 Annual Report. The Fraser Institute; Vancouver, Canada

**Government Transfers and Subsidies as a Percentage of GDP**

Component of economic freedom. Time: 2000.

Source: Gwartney, James and Robert Lawson (2004). Economic Freedom of the World: 2004 Annual Report. The Fraser Institute; Vancouver, Canada

**Gender Empowerment Measure (GEM)**

This index focuses on three variables that reflect women's participation in political decision making, their access to professional opportunities and their earning power.

Time: 1995–2000 (around 1998 mostly) Source: UN HDR 2004, Table 25.

## References

- Delhey, J. (2004). *Life satisfaction in an enlarged Europe*. European Foundation for the Improvement of Living and Working Conditions. Luxembourg: Office for Official Publications of the European Communities.
- Inglehart, R. et al. (2004). *World Values Surveys and European Values Surveys, 1981-1984, 1990-1993, 1995-1997 and 1999-2001* [Computer file]. ICPSR version. Ann Arbor, MI: Institute for Social Research [producer], 2002. Ann Arbor, MI: Inter-university Consortium for Political and Social Research (distributor), 2004.
- Kalmijn, W.M., & Veenhoven, R. (2005). Measuring inequality of happiness in nations. In search for proper statistics. *Journal of Happiness Studies*, 6(4), 357-396.
- Kaufmann, D., Kraay, A., & Mastruzzi, M. (2005). *Governance matters IV: Governance indicators for 1996-2004*. World Bank, Washington, DC.
- Okun, A.M. (1975). *Equality and efficiency: The big trade-off*. Washington DC: Brookings Institution.
- Rawls, J. (1971). *A theory of justice*. Cambridge, MA: Belknap Press of Harvard University Press.
- Schyns, P. (2003). *Income and life satisfaction: a cross-national and longitudinal study*. Delft, The Netherlands: Eburon.
- Sen, A. (1999). *Development as freedom*. Oxford, UK: Oxford University Press.
- Smith, A. (1776). *The wealth of nations* (Republished 2003). New York, NY: Bantam Dell, Random House.
- Veenhoven, R. (1984). *Conditions of happiness*. Dordrecht, The Netherlands: Kluwer Academic Publishers.
- Veenhoven, R. (2005). Return of inequality in modern society? Test by dispersion of life-satisfaction across time and nations. *Journal of Happiness Studies*, 6(4), 457-487.



## Chapter 9

### Did the market depress happiness in the US?\*

#### Abstract

Robert Lane is a seasoned critic of American consumer society. His latest book summarizes many of the arguments brought up earlier and contributes new data about developments in income, companionship and happiness in the USA between 1972 and 1994. Lane notes a considerable rise in incomes over these years and claims that companionship and happiness have declined. He attributes this decline to market forces that emphasize money at the expense of intimate bonds, resulting in a weakened capacity to deal with stress.

This review challenges two of the book's hypotheses. First, it shows that happiness did not decline in the USA in these years, but was actually quite stable. Second, it mitigates the assertion that companionship has dwindled and notes that money making and companionship are not necessarily antithetical.

Still, Lane could be right. Possibly market forces did depress happiness and possibly that loss was offset by improvements in other fields, like increased freedom or better health care, such as better treatment for mental problems. If so, Lane's message is that Americans could have been happier than they ultimately were.

#### Keywords

Robert Lane • happiness • income • companionship • stress • freedom

#### 9.1 Introduction

In several publications Robert Lane has expressed his doubts about the value of economic growth in Western democracies relative to the value of companionship and social relations within the family, local communities, clubs or otherwise. His criticism about the contribution wealth makes to happiness is comparable with the criticism of authors like Schor (1991), Scitovsky (1977) and Frank (1999). In an earlier article in this journal "*Diminishing returns to income, companionship and happiness*," Lane argued that income and companionship are competing goods, each with diminishing marginal utility (Lane 1999). In other words, the value of extra income decreases if it is abundant relative to companionship and vice versa. In his book "*The Loss of Happiness in Market Democracies*" (Lane, 2000) Lane goes on to claim that in Western democracies income actually has become abundant relative to companionship and that – therefore – companionship deserves greater priority than it actually gets. His book has drawn much attention as a complaint against modern society.

---

\* Originally published as: Ott, J. C. (2001). Did the market depress happiness in the US? *Journal of Happiness Studies*, 2(4), 433-443. [Review of the book *The loss of happiness in market democracies* (2000) by Robert E. Lane; New Haven, London: Yale University Press.

## 9.2 Less happiness and companionship, more vulnerability for stress

According to Lane happiness decreased in the USA between 1972 and 1994. To the question “Taken all together, how would you say things are these days, would you say that you are very happy, pretty happy or not too happy?” the percentage “very happy” responses has decreased from around 35 to around 29 (General Social Surveys). Lane also notes a decrease in marital happiness and job satisfaction, an increase in general distrust, anomie and pessimism and a rise in clinical depression. During the same period real income increased considerably from US \$9,875 in 1970 to US \$14,696 in 1994 (U.S. Bureau of Economic Analysis, 1995) while the frequency of face to face contacts with family members and neighbours decreased. Lane attributes the decrease in happiness to this decrease in companionship. His reasoning involves three steps.

First, while acknowledging the challenges inherent in companionship, Lane stresses the importance of companionship for people’s development and functioning. The importance is primarily genetic: children need emotional support from their parents as they grow up, and emotional support is especially important for developing the ability to deal with stress. When we grow older we need friends if we want to do activities we cannot do alone. And we need friends to assist us with practical help, by word and deed and preferably, we might add, with some sense of humour!

Second, Lane points out that the development of the market economy has put personal relationships under pressure. The development of the monetary economy along with competition has been accompanied by individualisation and diminished cohesiveness of the family. Social contacts have become more businesslike, rationalistic and instrumental. At this point Lane follows the thoughts of Maine, Tönnies and Weber who analysed this change in social climate in earlier eras.

Third, Lane claims that this rationalisation of social contacts has a negative effect on happiness, mainly because of its negative effects on psychological development. People become more vulnerable to stress. If a person’s resistance to stress is weakened, his or her happiness can easily be diminished by events such as unemployment, disease, poverty and personal disappointment.

## 9.3 No shift in priorities

According to Lane, the development of the market economy has always had this negative effect on happiness. But until recent times this negative effect has been compensated by accompanying economic growth. In poverty situations, economic growth contributes substantially to happiness by improving living conditions. At higher levels of economic development, the contribution of economic growth to happiness decreases, when we see the law of diminishing returns at work (Veenhoven, 1996). But the rationalisation of social contacts still has its negative effect on happiness. On balance, the effect of the market

economy on happiness turns negative in rich nations. Lane also refers here to research by Ed and Marissa Diener (Diener and Diener, 1995), which shows that, in poor countries the contribution of extra income to happiness is relatively high, while in rich individualistic countries the contribution of companionship is relatively high.

One obvious question is why the market economy does not react to this decrease in the value of extra income relative to the value of extra companionship. Lane's key answer is that companionship is a market externality, so there is no price formation and no allocation by the supply and demand of a large number of anonymous actors. Companionship develops within the context of personal relationships and not in a market context. This makes it impossible for markets to react to fluctuations in the value of companionship, even if the market economy itself provokes these fluctuations.

The next obvious question is why rich people do not change their priorities at their own initiative. Why work overtime if time spent with friends yields more happiness? Lane remarks that people and cultures are always somewhat conservative. Economic growth has for long, clearly contributed to happiness, and the relation between economic growth and happiness now seems obvious and beyond question. Most rich people keep pursuing a higher income, accumulating material wealth and status symbols. Naturally they are supported in this pursuit by advertisers who continually demand their attention for the newest products. They are, in a metaphor of Philip Brickman and Donald Campbell, trapped in a "hedonic treadmill" (Brickman and Campbell, 1971).

Lane is sceptical about the development of post materialistic values as described by Inglehart (Inglehart and Rabier, 1986). Inglehart's research is mainly directed at policy preferences – opinions about public policies – while Lane is primarily concerned with goal materialism: material values that inform career choices and personal strivings. In his view, goal materialists pursue extrinsic rewards, having a negative effect on happiness. Goal materialism among American college freshman declined between 1966 and 1978 but this trend reversed between 1978 and 1987, and materialism remained at a high plateau upto 1994. He suspects that market economies simply require most of the population to enter careers that demand for their gratification some love of money.

According to Lane, there is not much the governments can do to stimulate the desired shift in priorities. The main thing they can do is to fight unemployment since unemployment decreases the possibility for companionship. Social scientists can make a contribution by demonstrating the importance of this shift.

## **9.4 Criticism**

### **9.4.1 No decline in average happiness**

Lane claims that happiness declined in the USA between 1972 and 1994. Yet his evidence does not convince if we look at all the results of the General Social Surveys during this period. Lane only considers the percentage "very happy" responses and disregards the percentage

Table 1. Taken all together, how would you say things are these days, would you say that you are very happy, pretty happy or not too happy?

Response	1972–1982 (%)	1983–1987 (%)	1988–1991 (%)	1993 (%)	1994 (%)
Very happy	34	32	33	32	29
Pretty happy	53	56	57	57	59
Not too happy	13	12	10	11	12

Source: General Social Surveys; [www.icpsr.umich.edu/gss/](http://www.icpsr.umich.edu/gss/)

“not too happy” responses, which also decreased in this period. In 1994 the “very happy” was indeed rather low (29%) but the mean scores are rather stable. Between 1972 and 1994 even a slight trend to greater happiness can be discerned (see Table 1 and Figure 1). Andrew Oswald has analysed these data and has subtracted the effects on happiness of pure demographic changes in this period, which makes his analysis more sophisticated. His conclusion: “Happiness with life appears to be increasing in the USA. The rise is so small, however, that it seems extra income is not contributing dramatically to the quality of peoples lives.” (Oswald, 1997). During this period happiness has also increased in other market democracies. Thomas Bulmahn provides interesting evidence that in western Germany between 1978 and 1998 life satisfaction and happiness have been stable while anxiety has decreased (Bulmahn, 2000). In eastern Germany – obviously a special case in this period – after 1990 life satisfaction and happiness have increased while anxiety has decreased. Meanwhile life expectancy has grown steadily in all nations, so the number of happy life-years per citizen has increased (Veenhoven, 1996). It is probably safe to conclude that in the USA happiness has been rather stable between 1972 and 1994.

The evidence Lane presents about rising depressions is not convincing either. As he puts it himself (p. 347): “The most controversial part of my analysis is the report of a rising tide of depression in the advanced and advancing countries of the globe.” One reason he mentions



Figure 1. Happiness in the USA 1972–1994; mean scores per survey and trend (very happy = 3; pretty happy = 2; not too happy = 1). Source: General Social Surveys.

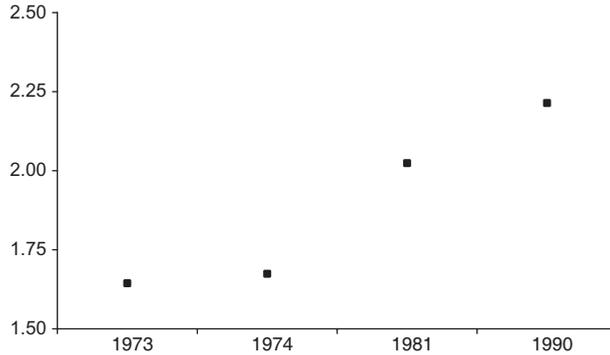


Figure 2. Mean scores on Bradburn's Affect Balance Scale in the USA, 1973, 1974, 1981 and 1990. Source: World Data Base of Happiness.

is that the evidence requires baseline assessments that are not widely available prior to the creation of standard tests. Moreover, different tests with different methodologies have been developed and applied which makes it difficult to assess developments. Repeated surveys consistently executed are a better instrument in this respect. Scores on the Bradburn Affect Balance Scale provide a more comprehensive and reliable indication of average emotional development. This scale is based on an inventory of individual's self-reported positive and negative affects in the last few weeks. According to four available scores for 1973, 1974, 1981 and 1990 there is no visible deterioration at this point in the USA (see Figure 2). In fact Figure 2 shows a market rise in average affect in the USA.

Apart from this measurement issue, rising rates of depression do not necessarily go together with a decline of average happiness. First, depression is typically a transitory affliction, so a person who reports to have gone through a depression can still be positive about his life as a whole. Second, depressives remain in the minority and affect average happiness, therefore, only marginally.

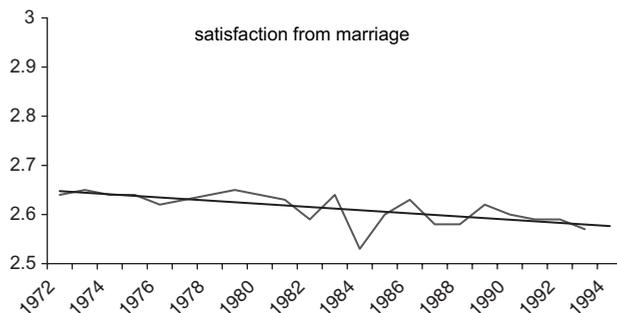


Figure 3. Satisfaction from marriage; mean scores per survey and trend. (Taking things all together, how would you describe your marriage? Would you say your marriage is very happy (3), pretty happy (2) or not too happy? (1). Source: General Social Surveys.

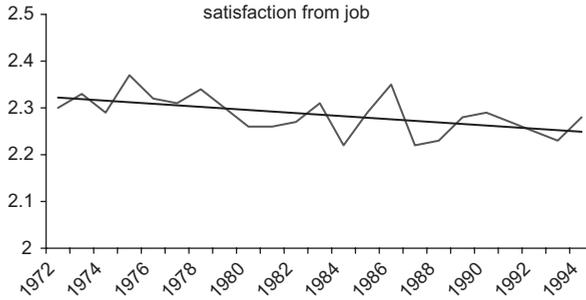


Figure 4. Satisfaction from job; mean scores per survey and trend. (On the whole, how satisfied are you with the work you do? Would you say you are very satisfied (3), moderately satisfied (2), a little dissatisfied (1) or very dissatisfied (0) Source: General Social Surveys.

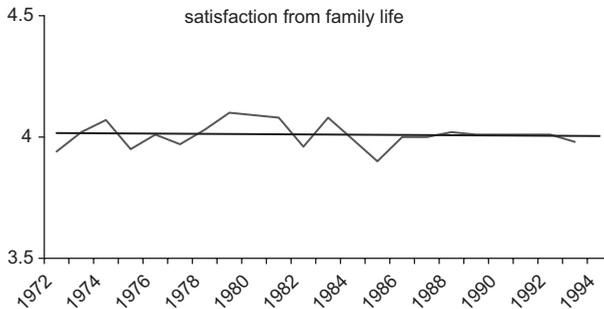


Figure 5. Satisfaction from family life; mean scores per survey and trend. (How much satisfaction do you get from your family life; very great deal = 5; great deal = 4; quite a bit = 3; a fair amount = 2; some = 1; a little or none = 0.) Source: General Social Surveys.

Lane is right that there is a decrease in this period in marital happiness and job satisfaction (see Figures 3 and 4). But this decrease in satisfaction with marriage and work had no visible effect on average happiness.

Lane seems to be aware of the weakness in his evidence for a loss in happiness. On page 5 he writes: “My argument does not depend on the evidence of growing unhappiness in the post-war period (which may be a mere blip in a long-term curve); even if that infelicity were not growing, there would be enough misery to make an accounting necessary—in spite of the fact that in the USA today most people say they are happy.” Obviously Lane’s central message is that happiness in rich nations, like the USA, is not as high as it could be.

#### 9.4.2 Decline in companionship doubtful

The development of companionship in the USA is also difficult to assess. Lane states that it is not just the frequency but primarily the quality of social contacts that counts. Yet he

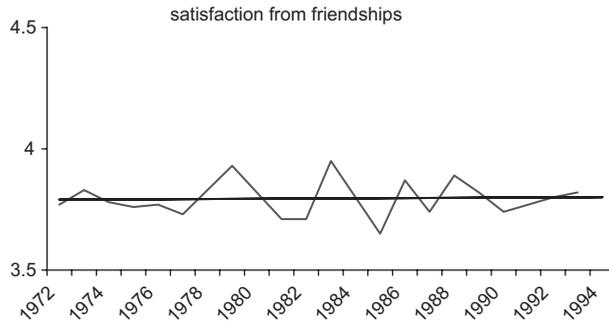


Figure 6. Satisfaction from friendships; mean scores per survey and trend. (How much satisfaction do you get from your friendships; very great deal = 5; great deal = 4; quite a bit = 3; a fair amount = 2; some = 1; a little or none = 0.) Source: General Social Surveys.

interprets the decreased frequency of face to face contact with family and neighbours as a quality drop, even though he admits this could be compensated by increasing face to face contacts with friends and increasing contact by phone and e-mail. It is also unclear what the effect on the frequency of contacts has been of the reduction in average family size, immigration and increased geographical mobility. The general surveys do not show any decrease in people's satisfaction from contacts with family and friends (see Figures 5 and 6). Perhaps the assumed weakening in the ability to deal with stress had less impact on these relations, compared to the impact on more institutionalised and binding relations like in marriage and work.

### 9.4.3 Companionship and income, no worlds apart!

At several points Lane seems to create a dichotomy between relations based on companionship and relations based on rationalistic/ instrumental considerations – more or less a dichotomy between the private domain – family and friends – and the work environment. Such a distinction is also made in the 1999 Human Development Report of the United Nations with the analysis that in many nations the private domain is under pressure. With the globalisation of the economy and international competition, governments feel obliged to stimulate participation in paid work for everybody, including women. This leads to a time squeeze for people at the expense of their private domain, which is seen to have negative consequences for people's physical and psychological health and for their children's upbringing. This analysis corresponds with Lane's analysis, but this dichotomy of relations with companionship and relations without companionship is not realistic. Almost every relation shows a mix of companionship and instrumental considerations. People get divorced if a relationship is too disappointing and an employer can retain an employee out of personal sympathy.

#### 9.4.4 Priorities on income or companionship?

At other points Lane formulates his message in terms of priorities: when we earn more money the objective marginal utility of income to happiness decreases while the objective marginal utility of companionship increases. But people fail to adapt their priorities: people still put too much priority on income and not enough priority on companionship. In other words, individuals are instrumental in the wrong way: they try too hard to make money when they should spend more time with relatives and friends. In addition to Lane's explanations for this failure we might add that in many situations people are not completely free in choosing the amount of paid work they want to do (Schor, 1991).

But the distinction between priorities put on income and companionship is also difficult. Putting priority on earning an income can have negative effects on companionship but not necessarily. It can limit the possibilities of social participation and companionship if earning an income requires too much time and effort and if it does not create social relations. But one can also obtain income in an easy way and/or in a socially rewarding way. And many people need income to maintain good relations with partners, children and friends. And if the income is good enough it creates extra possibilities to participate in social activities. Income can also create freedom, for instance freedom to take a sabbatical leave or to accept early retirement in order to get more time to visit friends and relatives! Therefore, it is difficult to make general statements about the actual relationship between income and companionship in any period of time and the priorities they get. They certainly do not have to bite each other, they can be rather good friends! A lack of companionship can be the result of too much priority for income, but not necessarily.

This requires a more attuned assessment of the relation between companionship and market economies. As Lane points out market economies can have a negative effect on companionship by placing too high a priority on income and materialism. But market economies can also have a more direct negative effect on companionship, by the concomitant division of labour and, as Lane describes it: more businesslike, rationalistic and instrumental social contacts.

#### 9.5 Could Lane still be right?

Perhaps we may re-formulate Lane's message as follows: market economies have caused a lack of companionship, directly by making relations more instrumental and indirectly by creating too much priority on income. This has weakened the capacity to deal with stress with a negative impact on happiness. Though the evidence does not convince, the theory is still plausible.

Possibly improvements in other fields have compensated for the negative effects of market pressures on happiness. Such compensation can take place within individuals but these negative and positive effects probably have been distributed unevenly among the American population, with different outcomes for different categories.

One possible compensating effect is the growing freedom over this decade. In a cross-national study Veenhoven (2000) observed a strong relationship between happiness and freedom in the nation, in particular among affluent nations. According to information from the Fraser Institute and Freedom House, economic and political freedom have been rather stable in this period, but personal freedom seems to have increased in the USA, or at least freedom in private matters such as premarital sex life (Smith, 1992). Emancipation of women and coloured people has also added to freedom. These improvements in freedom could compensate for presumed loss in happiness caused by market pressure. Likewise the supposed rise in vulnerability to stress might be counterbalanced by advances in health care, in particular in psychotherapy, psychopharmacology and self-help techniques. There have been several of developments in these fields in the late twentieth century. Since the available data do not allow a detailed bookkeeping of happiness, we cannot say for sure.

## References

- Berlin, I. (1969). *Four essays on liberty*. Oxford, NY: Oxford University Press.
- Bulmahn, T. (2000). Modernity and happiness, the case of Germany. *Journal of Happiness Studies*, 1(3), 375-400.
- Brickman, Ph., & Campbell, D. (1971). Hedonic relativism and planning the good society. In M.H. Appley (ed.), *Adaptation-level theory: A symposium* (pp. 287-302). New York, NY: Academic Press.
- Bureau of Economic Analysis (1995). *Statistical abstract of the United States*. Washington DC: Bureau of the Census.
- Diener, E., & Diener, M. (1995). Cross-cultural correlates of life satisfaction and self-esteem. *Journal of Personality and Social Psychology*, 68(4), 653-663.
- Diener, E., & Suh, E. (2000). Money and happiness: income and subjective well-being across nations. In E. Diener & E. Suh (eds.), *Culture and subjective well-being* (pp. 185-218). Cambridge, MA: MIT Press.
- Frank, R.H. (1999). *Luxury fever: Why money fails to satisfy in an era of excess*. New York, NY: The Free Press.
- Inglehart, R. & Rabier, J. (1986). Aspirations adapt to situations – But why are the Belgians so much happier than the French? In F.M. Andrews (ed.), *Research on the Quality of Life* (pp.1-56). Ann Arbor, MI: Survey Research Centre, Institute for Social Research, University of Michigan.
- Lane, R. (1999). Diminishing returns to income, companionship and happiness. *Journal of Happiness Studies*, 1(1), 103-119.
- Lane, R. (2000). *The loss of happiness in market democracies*. New Haven, London: Yale University Press.
- Oswald, A. (1997). Happiness and economic performance. *Economic Journal*, 107, 1815-1831.
- Putman, R. (2000). *Bowling alone: The collapse and revival of American community*. New York, NY: Simon & Schuster.
- Schor, J. (1991). *The overworked American: The unexpected decline of leisure*. New York, NY: HarperCollins.
- Scitovsky, T. (1977). *The Joyless Economy*. Oxford, UK: Oxford University Press.
- Smith, T. (1992). *Attitudes towards sexual permissiveness: Trends, correlates, and behavioral connections*. (Social Change Report 35). Chicago, IL: University of Chicago, National Opinion Research Center.
- Veenhoven, R. (1996). Happy life expectancy, a comprehensive measure of quality-of-life in nations. *Social Indicators Research*, 39, 1-58.
- Veenhoven, R. (2000). Freedom and happiness, a comparative study in 44 nations in the early 1990's. In E. Diener and E. Suh (eds.), *Culture and Subjective Well-Being* (pp. 257-288). Cambridge, MA: MIT Press.



## Chapter 10

### Call for policy shift to happiness\*

#### 10.1 Introduction

Richard Layard is an economist and an expert in unemployment and inequality. He worked for the British government as an economic advisor and in 2000 he became a member of the House of Lords. His ambition is to shift the direction of public policy away from crude economic goals like wealth to “well-being” and “quality of life”. Layard advocates an evidence-based utilitarian policy approach and tries to demonstrate how the insights of the new happiness science, in particular positive psychology, can be incorporated in economics in order to develop a new vision of which lifestyles and policies are sensible.

For Layard, happiness is feeling good and wanting to maintain this feeling. Unhappiness is feeling bad and wishing things were different. If people report their feelings, they take a long view and accept ups and downs. Since positive feelings damp down negative feelings and vice versa we may assume that happiness is a one-dimensional concept; it is not possible to be happy and unhappy at the same time. Layard rejects - as being paternalistic - the idea of John Stuart Mill to distinguish between types of happiness in terms of higher pleasures, associated with virtuous conduct and philosophical reflection, and lower superficial pleasures. Layard does believe, however, that people who achieve some sense of meaning in life are happier than those who live from one pleasure to the next.

#### 10.2 Identifying the problem

Layard’s book consists of two parts; Part 1; “The problem” and Part 2 “What can be done”. Layard’s problem is that Western people still want more income even though their income has risen considerably in the last 50 years without any substantial increase in average happiness. In explaining this paradox; also formulated by Easterlin in 1974, Layard puts a lot of weight on the effects of social comparison: our wants are not given but depend on what other people have. Social comparison implicates that people who make more money make other people less happy. Additional explanations are the frustration of two basic needs: the need for security and the need for trust in other people.

Layard posits that seven factors affect happiness in adult life; these “big seven” are:

1. Family relationships
2. Financial situation

---

\* Originally published as: Ott, J. C. (2006). Call for policy shift to happiness. *Journal of Happiness Studies*, 7(1), 118-126. [Review of the book *Happiness; Lessons from a new science* (2005) by Richard Layard; New York, NY: The Penguin Press].

3. Work
4. Community and friends
5. Health
6. Personal freedom
7. Personal values

The first five factors are given in order of “importance”. In the last 50 years the financial situation of people, the quality of work and health have improved but family relationships, the strength and safety of communities and the prevalence of unselfish values have deteriorated.

### **10.3 Happiness as our common goal**

After some additional analyses of the causes of this deterioration, like broken families, divorce rates, children born outside marriage, television, increased crime and decreased trust, Layard poses the question whether people need a common good. His answer is positive; people care about their reputation and about social approval by others, they have a sense of fairness and want to make commitments. As a consequence they need a common good or goal as a single overarching principle; to solve problems between existing rules, to review rules and to help in situations where rules provide little guidance.

In the first chapter of Part 2 he argues that the greatest happiness should be this single common goal. According to Layard happiness is different from all other goals like health, autonomy, accomplishment and freedom, because it is self-evidently good and not just instrumental in achieving alternative goals. As the American Declaration says: it is a “self-evident” objective. Layard rejects several objections against his utilitarian choice for happiness as the ultimate goal. A well-known objection against the happiness principle is that one innocent person could be killed to set an example for others, with positive effects on average happiness. Layard rejects this objection on the grounds that a happy society has to live by rules, sparing the innocent, telling the truth, keeping promises and so on.

### **10.4 Adaptation of economics**

In Chapter 9; “Does economics have a clue?” Layard evaluates the existing economic theory from his utilitarian point of view. Economic theory is correct in his vision in the sense that free markets are indeed very efficient; but only if certain conditions are fulfilled. Layard is concerned in particular with the importance of “externalities”. Externalities are the costs of activities that are not expressed in money, like the happiness cost of the filthy smoke from a mill to the unfortunate neighbors. The mill owner did not take into account such costs when he laid his production plan. To make his plan efficient he should be taxed for such costs. Layard’s key message is that such externalities are pervasive in social life by social comparison: when my colleague is given a raise, this affects me in a negative way

even though I am not a party to the exchange. In principle economics can allow for all these interactions to be taken into account, but this is the exception in practice. There is a similar systematic failure in cost-benefit analysis. In such analyses losses in happiness, as for people who live in a neighborhood where a new highway will be constructed, should be incorporated but this too seldom happens.

To avoid such failures economists should focus less on purchasing power and more on the process of how well-being is generated. There are five features to be included in such a new vision:

- Inequality. Extra income matters more to the poor people than to rich.
- External effects. Other people affect us indirectly and not only through exchange.
- Values. Our norms and values change in response to external influences.
- Loss-aversion. We hate loss more than we value gain.
- Inconsistent behavior. We behave inconsistently in many ways.

External effects and changes in values are the two most salient subjects on this list.

## 10.5 Externalities

Layard mentions seven examples of external effects.

- Income. If other people's income increases, I become less satisfied with my own income.
- Work. If my friend receives a performance bonus, I feel I should have one too.
- Family life. If divorce becomes more common, I feel less secure.
- Community. If a transient population moves into my neighborhood, I am more likely to be mugged.
- Health. If more social networks form in my neighborhood, I am less likely to become depressed.
- Freedom. If people cannot speak their mind, I am impoverished.
- Values. If other people become more selfish, my life becomes harder.

This list of examples demonstrates Layard's broad and social interpretation of the externality-concept. In his vision values are important for happiness, since happiness depends on the gap - or correspondence - between people's wants and people's actual property like cars and bedrooms (p. 139). People's needs depend in their turn on changing values; people get used to what they have and, comparing themselves with other people, they usually adapt their values and want more. These comparisons permanently create bigger or smaller gaps between reality and needs with negative or positive effects on happiness. In this way social comparison by one individual always creates external effects in the interaction between other people; as is demonstrated in Layard's seven examples of external effects.

## 10.6 How can we tame the rat race?

In Chapter 10, “How can we tame the rat race?”, Layard describes some possibilities to create better conditions for happiness in Western societies. He reformulates and emphasizes again the importance of social comparison by demonstrating the impact of hierarchical status on happiness with statements like the following on p. 150.

*‘We want to entertain other people as well as they entertain us, and we want our children to have the things their friends have. These are not ignoble sentiments of envy; the desire for status is basic to our human nature.’*

Money is one of the things that bring status and if money was simply wanted for the sake of status, the quest for money would be totally defeating. The number of ranks in income distribution is fixed, and one person’s gain would be another’s loss. Fortunately people also want income for its own sake and not only for its value relative to others. At this point Layard refers to a study that found that people care about absolute income twice as much as they care about relative income (Blancheflower and Oswald, 2004), The struggle for relative income is self-defeating and should be discouraged. A collective agreement would be a solution but there are too many people to make such an agreement possible; we need to find some other way.

Layard has five ‘other ways’ or principal proposals to tame the rat race.

1. Tax on income from work, or in Layard’s words, ‘taxing pollution’ in order to help people to preserve their work-life balance.
2. Taxing addiction, like a tax on cigarettes, to compensate for the fact that people do not sufficiently anticipate the addictive effects of certain products.
3. Discourage performance related pay because this type of payment stimulates dysfunctional social comparison and undermines intrinsic motivation.
4. Ban commercial advertising directed at children under 12 like in Sweden.
5. Create a better balance between competition and co-operation by stimulating co-operation.

## 10.7 Comments

Layard’s argument is strong and interesting and the following remarks, about his selection of research results and about the logic of his proposals, seem to be appropriate.

### 10.7.1 Selection of Research Results

- In his selection of research results, Layard is inspired by his Labor background and in some points his selection is somewhat selective, His list of seven important factors for happiness is not clearly related to empirical research.
- Layard’s assessment of the importance of social comparison is not very precise. He admits that people care more about absolute income than about relative income but he still puts a lot of weight on social comparison.

- Layard seems to overestimate this importance of social comparison for happiness. Social comparison is important but cannot really explain differences in happiness within nations and between nations. Differences in objective circumstances like wealth, freedom and institutional developments are more influential. One reason is that people can only compare themselves in a few domains of life like financial situation and work. In important domains of life like community and social relations, marriage, leisure and physical and mental health, such comparison is difficult or even impossible in practice.
- Perhaps as a consequence Layard seems to overestimate the negative effect of income-inequality on happiness. There is no significant correlation between income inequality in nations and inequality in happiness. In rich nations this is probably due to the fact that governments apply income policies, including social security and many transfers and subsidies. This has made the availability of important goods and services, like food, education and medical care, less dependent on personal income (Ott 2005).

#### 10.7.2 Logic of proposals

- In this light Layard's proposal to tax income from work, in order to help people preserve a balance between their work and their life, is somewhat premature and drastic. Premature since income inequality has no substantial negative effect on happiness and too drastic since problems in the balance of work and life are usually rather specific and related to temporal overload. Such problems require more flexibility and individualization in the division of work; this can be achieved by specific policies. The Scandinavian countries and the Netherlands have some interesting legislation in this respect. In the Netherlands employees - men and women - are for instance entitled to maternity leave, parental leave, emergency leave and adjustment of working times.
- Layard's other proposals (2/5) are more convincing. Performance related pay is an old-fashioned carrot-and-stick approach; outdated in a modern economy where knowledge has become a key factor for productivity. Advertising has become a real intrusive nuisance in western societies with negative effects on happiness from stimulating extrinsic motivation and materialism at the expense of intrinsic motivation.

All in all Layard seems to be a bit too pessimistic about happiness in rich nations. Perhaps the increase in happiness is low compared to the increase in wealth in the last 50 years but we should appreciate - at least! - two facts: the level of happiness is very high and the relationship between income and happiness has become rather loose. Politicians should cherish this distance between income and happiness and further increase it. In addition to that, happiness probably requires the identification and tackling of specific problems; like work overload, mental problems, performance related pay and advertising. Despite some pessimism and some selectiveness in research interpretation, Layard has made a strong argument in favor of an evidence-based utilitarian policy approach.

## References

- Blanchflower, D., & Oswald, A. (2004). Well-being, insecurity and the decline of American job satisfaction, Well-being over time in Britain and the USA. *Journal of Public Economics*, 88, 1359-1386.
- Ott, J.C. (2005). Level and inequality of happiness in nations; does greater happiness of a greater number imply greater inequality in happiness? *Journal of Happiness Studies*, 6 (4), 397-420.

## Chapter 11

### How much competition do we need in a civilized society?\*

#### 11.1 Introduction

Francesco Duina is an American associate professor and chair of the Sociology Department at Bates College, in Maine, USA, and visiting professor at the International Center for Business and Politics in Copenhagen, Denmark. His latest book “Winning” is about the American love for competition; a love not shared by all Americans, but dominant enough to shape how many Americans live. In the rest of the world, and certainly in more egalitarian nations like Denmark and the Netherlands, people have more reservations about competition (Data World Values Surveys). Duina describes the “American obsession” with competition and winning and losing very vividly. The bulk of the book is descriptive but in the last chapter Duina makes some critical normative remarks and proposes an alternative mind-set for the USA. This book is important because it poses the question how much competition we really need in rich nations, with high levels of economic and cultural productivity. The answer to this question is relevant in discussions about the role of governments and about the optimal levels of liberalization or regulation of markets. Duina’s suggestions to moderate and redirect competition by changing the American mind-set are valuable. His suggestions might have been more adequate, however, if he had made a distinction between ‘competition for fun’ and ‘competition to survive’, and if he had paid more attention to their different effects on happiness.

#### 11.2 Duina’s book

##### 11.2.1 Direct and indirect effects of winning

Duina identifies some less obvious effects of competition. The American love for competition is more than love for winning and dislike of losing. Spectators are interested in the thrill of uncertainty about the outcomes and about the subtle pleasures of watching struggling and suffering. The competitors themselves are motivated by the desire to distinguish themselves. But more is at stake. In Chapter Eight: ‘Injecting Value’, Duina presents a comprehensive list of the positive effects of winning: ‘the prize ladder’ (p. 141). On the first three steps there are prizes directly related to the competitive event: intrinsic, associated and derivative prizes. On the highest two steps there are prizes injected from the outside for the competitors and

---

\* Originally published as: Ott, J. C. (2011). How much competition do we need in a civilized society? *Journal of Happiness Studies*, 12(3), 525-529. [Review of the book *Winning; Reflections on an American obsession* (2011) by Francesco Duina; Princeton and Oxford: Princeton University Press].

the community respectively. These prizes are about prestige, honour and general superiority; not just for the competitors but also for a community if this community is represented by the winners. Here we are dealing with meanings attributed to victory and loss, in terms of ideas, images and notions. Winning often serves as an objective validation that winners and their communities are right (Chapter Three: “I win, therefore I am right”). Winners are supposed to have a better grasp, not only on the competitive event itself but also on the world in general. Loss, by contrast, raises questions about the way losers approach the world. This explains the fact that victories in sports, like national victories in soccer or at the Olympic Games, are highly appreciated. Some of these indirect prizes are related to religion. According to the General Social Survey more than 75% of Americans believe that God plays a role in shaping their success or failure. With victory comes the belief that God was instrumental in shaping their performance. People assume consciously or subconsciously that if they win God rewards them for something that they are doing right, not just in the particular realm in question but in life in general. People believe they win because they are worthy of God’s grace and are living a virtuous life in line with God’s desires (Chapter Eight, p. 145). On p. 182, Duina—speaking for the Americans—summarizes as follows: “If we put these ‘prizes’ together we see that we are fighting for something of profound importance: *our proper place in the world*. We do not have or know that place. Through victory, we hope to find it. Loss sends us merciless back to the drawing board—unsure, once more, of who and what we are”.

### 11.2.2 Advantages of the competitive mind-set

In the last chapter (10) Duina identifies some advantages and problems related to the American obsession with competition. This mind-set generates intensity and determination; Americans do not stop to contemplate, they are instead constantly and resolutely working toward their next victory. It would be a mistake in Duina’s view to dismiss this attitude as superfluous or irrelevant. With this mentality Americans are more likely to accomplish impressive feats and to earn the respect of others. The competitive mind-set also fills life with meaning and relieves people from the painful task of wondering how they should mobilize themselves. There might be other ways but the competitive mind-set seems to be doing a good job for vast numbers of people: their lives have purpose and a direction. Another advantage has to do with entertainment. A good dose of uncertainty infuses most competitive events. People experience pleasure in being exposed to the possibility of failure, because it gives victory its real flavor.

### 11.2.3 Problems of the competitive mind-set

Duina also identifies problems. The obsession is very exhaustive for several reasons. It generates enormous tensions, first of all because of its adversarial nature. A competitive mind-set assumes a position of aggressiveness toward the world. This would be harmless if people were thoughtful and selective about competition, but unfortunately it is deployed without much thought in countless areas. This means that people are seldom at peace with the world. The competitive mind-set can be fruitful, but it also generates considerable anxiety

and emotional imbalance. The language of winning and losing is also exhausting, because it introduces an element of deep uncertainty in life. As long as people view their activities as tests of their worth, they will be doubtful about themselves. This is also problematic since this mind-set demotivates people to think about their wants and activities, independent of winning or losing. The result is that what comes out of competition does not satisfy people in any definitive way; it just makes them uneasy.

#### **11.2.4 A new mind-set: how to change the American obsession?**

Duina believes that the process of self-discovery, followed by the pursuit of activities that match people's true inclinations and desire, is fundamental for the flourishing of the individual. This belief is his starting point to identify three possibilities to change the American mind-set.

- a. *Conceptual hygiene.* The Americans should use the language of winning and losing only when they really want to pursue victory at something, in all other cases they should avoid using it. Parents should not view their children applying to colleges as winners nor losers but as young people looking for a way to receive a good college education. People should no longer think of defeated political candidates as losers who should exit the scene as fast as possible but, instead, as people who tried extremely hard to pursue something that clearly mattered to them.
- b. *Discovery.* The Americans should spend more time and energy discovering what lies behind their love of winning, fear of losing, and in general their embrace of competition. This would generate personal lists but with some general patterns. One general driver is the desire for the admiration of others. Two other general drivers are our need to accomplish something and our need to get to know ourselves. It is important to understand such legitimate needs as something that should be taken seriously. The message is that people should take time to discover what really moves them, in order to be more accurate in the selection of activities.
- c. *Alignment.* The Americans should match their real drives with activities that best suit them. This may have very little to do with competition. Alignment means establishing a proper relationship with the outer world; a relationship that is honest, direct and purposeful. By alignment people will see their activities as a reflection of themselves. They will be more respectful of others and the things around them as well. Rather than assuming an antagonistic stance towards the world they will be peaceful. Rather than being against something they will be with something. Their activities will originate from a place of affirmation and not fear.

### **11.3 Comments**

#### **11.3.1 Competition: sometimes for fun, but often inevitable to survive**

One important conclusion in happiness research is that people are happier if they use and develop their capabilities. In that respect competition has in general a positive effect on

happiness because people are stimulated precisely to do so. In the former communist nations in Eastern-Europe competition was at low levels and this is one of the explanations for their low levels of happiness. Fair competition is also an important counter vailing power against corruption and nepotism. If, however, competition between individuals is about crucial conditions and commodities then there are also some substantial negative effects in terms of anxiety and stress. It is therefore useful to distinguish voluntary ‘competition for fun’ like competition in (amateur) sports from involuntary ‘competition’ to survive, like competition for money, by finding a job, or by earning a profit as an entrepreneur, to pay for food, housing, medical care and education. To participate voluntarily in some competition for fun is not the same as struggling for such necessities for yourself or your children. Duina makes no such distinctions but seems to be primarily dealing with competition for fun. On p. 167 he writes: “But in most cases the competitors believe in the urgency of an improvement. Sometimes such urgency may be entirely justified. An unemployed single parent with two children to feed has reasons to want to beat other applicants for a job.” I fear that the qualification ‘sometimes’ is somewhat too optimistic and that in many situations people in the USA have very good reasons to beat competitors for jobs, promotions, and profits.

### **11.3.2 Reduce, first of all, the competition to survive**

Duina is rather optimistic—typical American!—about the possibilities to change the American obsession with winning. This obsession or mind-set is a cultural or psychological reality, more or less comparable with the ‘social character’ as defined by Fromm (1942). Such cultural realities are usually embedded in the social structure of a society and not so easy to change. But perhaps Duina overlooks one interesting option to fulfil his ambition. Only competition for survival has negative side-effects, in addition to the positive effects of competition in general. Reducing competition for survival specifically is therefore an interesting option, in addition to changing competition in general. If this option works it would also make the remaining competition more sympathetic and acceptable, and probably easier to be changed. This approach is less ambitious, but even then rather complicated. People in the USA have to compete for survival in many situations, because they cannot rely on any substantial social support in case of emergencies, like accidents, unemployment, disability or illness. Americans have to compete therefore to create some minimal security on their own, not just for themselves but also for their families. It is not so easy to change this either, but this is exactly what the Danes have accomplished.

### **11.3.3 Why are Danes happier?**

Duina compares the USA and Denmark, but seems to be reluctant to evaluate the fact that average happiness is much higher in Denmark than in the USA. In 2006 average life-satisfaction was 8.00 in Denmark and 7.26 in the USA on a 0–10-scale (Veenhoven 2010a). One plausible explanation is that the quality of governments is higher in Denmark.<sup>1</sup> There is, in general, a very positive relation between the technical quality of governments and

average happiness in nations (Ott 2010). It is plausible therefore that average happiness is higher in Denmark because of better government. This explanation is supported by the fact that the quality of government and average happiness went up in Denmark in the last 20 years, while the USA stayed stationary at lower levels at both points (Veenhoven 2010b). As a consequence, collective conditions and commodities are at a higher level in Denmark. Such conditions, like some minimal job- and income-security and facilities for education, employability and parental leave, create stability and predictability and make it possible for the Danes to develop and implement their own individual life-plans. This is real freedom and this is important for happiness, because it creates the best possible opportunities for an optimal development of capabilities; or, in Duina's terminology: it facilitates the process of self-discovery, followed by the pursuit of activities that match people's true inclinations and desire.

## 11.4 Conclusion

The suggestions of Duina to reduce the negative effects of the American obsession are sound and constitute excellent advice for people who are obsessed with competition, in the USA or elsewhere. Such a change, however, is difficult to accomplish and perhaps less urgent as far as competition is voluntarily and for fun. Diminishing the involuntary competition for survival specifically is therefore an additional option. This type of competition has the most negative impact on happiness, by creating anxiety and stress. Several nations, and Denmark in particular, have developed some interesting effective policies in this respect.

## Notes

- 1 For 2006 Denmark and the USA respectively got the following scores for four aspects of the technical quality of government: Government effectiveness 2.32 and 1.53; Regulatory Quality 1.86 and 1.63; Rule of Law 1.95 and 1.57; Control of Corruption 2.35 and 1.26 (standardized scores between -3.00 and +3.00; World Bank, Kaufmann et al. 2009). An interesting finding in this context is that the relation between the size of government and average happiness depends heavily on this technical quality of governments (Ott 2010). Big government in terms of government consumption, expenditures and transfers and subsidies, adds to happiness if this quality is good enough. The quality of government in the USA is lower than in Denmark but still relatively high. More government might produce more happiness in the USA, if this quality is at least maintained!

## References

- Fromm, E. (1942). *The fear of freedom*. London, UK: Routledge & Kegan Paul Ltd.
- Kaufmann, D., Kraay, A. & Mastruzzi, M. (2009). *Governance Matters VIII: Aggregate and Individual Governance Indicators, 1996-2008*. World Bank Policy Research, Working Paper No. 4978.
- Ott, J. C. (2010). Good governance and happiness in nations: Technical quality precedes democracy and quality beats size. *Journal of Happiness Studies*, 11(3), 353-368.
- Veenhoven, R. (2010a). *Happiness in Nations*, World Database of Happiness, Erasmus University Rotterdam, The

## Part II: Chapter 11

Netherlands. Retrieved January 2010, from [http://www.worlddatabaseofhappiness.eur.nl/hap\\_nat/nat\\_fp.php](http://www.worlddatabaseofhappiness.eur.nl/hap_nat/nat_fp.php).  
Veenhoven, R. (2010b). *Trends in Nations*, World Database of Happiness, Erasmus University Rotterdam, The Netherlands. Retrieved January, 2010, from <http://www.worlddatabaseofhappiness.eur.nl/trendnat/framepage.htm>.

## Chapter 12

### Americans value happiness but block required policies\*

#### Abstract

In his book “The Politics of Happiness” Derek Bok argues that happiness should be a goal in public policy. He presents an inventory of social problems in the US with negative effects on happiness, like inadequate education, chronic pain, sleep disorders, depressions, divorce, single-parent families, and financial hardship. He presents interesting options to deal with these problems. He also pays attention to some more general happiness issues for US-policymakers, like the question of economic growth without happiness and the reputation of the US government. Bok’s findings are consistent with available data about the high levels of negative feelings in the US: stress, depressions, sadness, anger and worry. His message is quite clear: policy-makers can use the findings of happiness research to improve their decisions.

#### Keywords

Economic growth • Education • Financial hardship • Government quality • Happiness • Inequality trap • Life-satisfaction • Marketing trap • Trust in government

#### 12.1 Introduction

Derek Bok is the 300th Anniversary Research Professor at Harvard University. From 1971 to 1991 he served as Harvard’s twenty-fifth president, and served again as interim president from 2006 to 2007. He is the author of “The State of the Nation” and “The Trouble with Government”, and co-author of “The Shape of the River”.

His latest book “The Politics of Happiness” is about happiness in the sense of life satisfaction. He finds that happiness research has come to a reassuring conclusion for the US: the conditions associated with people’s happiness are approved of heartily, like strong marriages, close friendships, acts of charity, and a stable democracy with a responsive and accountable government. Happy people tend to do more for others and gain satisfaction by doing so. It is therefore attractive to use happiness as a goal, but certainly not the only goal, in public policy.

In this book he uses happiness as a standard to identify some specific social problems with negative effects on happiness for US citizens, and some more general happiness issues for US policy makers. In the next paragraph I summarize his views on six specific social

---

\* Originally published as: Ott, J. C. (2012). Americans value happiness, but block required policies. *Journal of Happiness Studies*. Published online, 20 March 2012. (DOI 10.1007/s10902-012-9328-4) [Review of the book *The politics of happiness; what governments can learn from the new research on well-being* (2010) by Derek Bok; Princeton and Oxford: Princeton University Press].

problems, and in paragraph 3 his views on two more general happiness issues. I present some comments in paragraph 4 and conclusions in paragraph 5.

## **12.2 Bok's views on six social problems with negative effects on happiness**

### **12.2.1 Education**

Education has become very job-oriented in the USA. In Bok's view this is regrettable because education should try to cultivate a wide range of interests and prepare students for a variety of pursuits. One step might be to impart the knowledge, interest, and commitment required for active and informed civic involvement. A second component of a broad education is a greater understanding and appreciation of the arts. Exercise and sports afford still further examples of unrealized opportunities to help students acquire interests that could contribute to a full and satisfying life.

### **12.2.2 Chronic pain**

Many Americans live with chronic pain (Reddy 2006) and Bok observes that many sufferers do not get adequate help because the most effective medications are morphine-based drugs, or opioids. Such drugs are also a source of addiction and abuse and are classified as controlled substances. Doctors who provide these medications are subject to strict regulation and oversight. If they are found to have violated the law they can lose their license to practice medicine or be forced to pay a fine. Even if a doctor is eventually vindicated he may have his practice disrupted along with negative publicity. Faced with such possibilities many doctors refuse to dispense pain-killing drugs at all or prescribe very low doses in order to minimize the risk of legal difficulty. This inhibiting effect is exacerbated by the vagueness and confusion that many doctors face in trying to interpret what the rules mean. In addition many medical schools have no required course in pain management. Several steps are needed to resolve these problems, e.g. medical schools should give pain management a more prominent place in the curriculum and drug enforcement officials should likewise receive appropriate training.

### **12.2.3 Sleep disorders**

Bok observes that many people in the USA live with some form of persistent sleep disorder that robs them of the restful nights they need to function effectively during the day (Institute of Medicine 2006). Attempts to remedy the situation require action on several fronts, e.g. government would need to mount an educational effort to inform the public about the possibilities for effective treatment. Medical schools should spend more time in teaching medical students and residents. Practicing physicians need more education about causes, diagnosis and treatment.

### **12.2.4 Depression**

Some 16 % of Americans will suffer from at least one major depression during their lifetimes and half or more of these will experience repeated episodes (Kessler et al. 2003). Roughly

speaking, of every six Americans who suffer such a depression only one is treated correctly, two are treated incorrectly, and three are not treated at all (Wang et al. 2003). Bok presents several reasons for these disappointing results, like a lack of funding and inadequate training of medical personnel. Another reason for undertreatment is that those who seek help are often bewildered by the multiple agencies and offices. Poor and uneducated sufferers tend to be unaware of existing opportunities. Such findings suggest that governments should do more to inform individuals.

### **12.2.5 Divorce and single parents**

There is a positive correlation between being married and happiness. Divorce has a negative effect and can cause serious problems for children (McLanahan and Sandefur 1994). Many children grow up in single parent households. Although young people can flourish under these conditions, the odds of encountering problems increase (Wilson 2002). Bok finds such findings worrisome because the percentage of children living with a single parent increased in the US from 8 % in 1960 to 28 % in 2005 (Amato and Maynard 2007). Many young people with single parents live in low-income inner-city neighbourhoods (Holzer 2009). The effects of these trends on black communities have been devastating (Western and Wildeman 2009). Some options to strengthen marriages and families: reduce premature pregnancy, improve parental skills, facilitate parental leave and part-time work.<sup>1</sup>

### **12.2.6 Financial hardship**

Studies furthermore suggest that the financial conditions of most Americans are reasonable, but there are high levels of insecurity. There is substantial anxiety about the possibility of bankruptcy by retirement, medical costs, or unemployment. According to the National Opinion Research Center only the death of a child is considered more painful than declaring bankruptcy or losing one's home and having to live on the street. As global competition has increased, American workers are worried they may lose their job. The US does less than any other wealthy nation to cushion the shock of unemployment. Fewer employees have the right to receive advance notice before being laid off and existing requirements are very poorly enforced. Employers are not required to consider work-sharing arrangements or reduced hours to minimize layoffs. Many Americans, children included, are underinsured. In theory it is possible to save enough money to reduce financial insecurity, but for ordinary people this is difficult. How to estimate the likelihood of being laid off, the time it will take to find a new job, the risk of having to settle for a lower wage? How can people know how long they will live? Whether they will have to go to a nursing home, how many years they will be able to work, or how strong or weak the stock market will be when they retire? Some forms of insurance, such as for nursing home care, are simply too expensive, while policies for other risks, such as unemployment or the effects of inflation, are either non-existent or hard to find. Some options: maximum healthcare costs for families, arbitration for workers unjustly

Table 1. Overview of some social problems with negative effects on happiness for US citizens and policy-options, presented by D. Bok in “The Politics of Happiness”

Subject	Problem	Options
Education	Too job-oriented	More attention for civic involvement, arts, exercise, sports
Chronic pain	Inadequate medication by vagueness and confusion about regulation	More priority for pain management and training for drug enforcement officials
Sleep disorders	Ignorance	More information about treatment, more training for practicing physicians
Depressions	Sufferers are unaware of opportunities for treatment	More information for sufferers
Divorce and single-parent families	More problems for children	Strengthen marriages and families; reduce premature pregnancy, improve parental skills, facilitate parental leave and part-time work
Financial hardship	Unemployment, divorce, parenthood, illness, old age, inadequate insurance	Maximum healthcare costs for families, arbitration for workers unjustly discharged and assistance for the unemployed in finding new jobs

discharged and assistance for the unemployed in finding new jobs. See Table 1 for an overview of six social problems in the US.

### 12.3 Bok’s views on two general happiness issues for US policy makers

#### 12.3.1 The question of economic growth without happiness

Bok pays attention to the well-known Easterlin-paradox (Easterlin 1974). Even though rich people tend to be happier than poor people, average happiness in nations does not rise when national income goes up. The economic growth in the USA in the last decades did not create more happiness. Bok pays attention to social comparison and adaptation as potential explanations. By social comparison any satisfaction by additional income tends to be eroded if other incomes are rising just as fast. By adaptation people get used to higher incomes and raise their expectations. This creates a hedonic treadmill.<sup>2</sup>

These explanations may account for the failure of happiness to rise by economic growth, but do not explain how richer people became happier originally. Bok suggests that the added happiness does not come from money, but from related benefits, like feeling more successful or having a higher status. Another benefit could be the greater challenge and independence associated with the jobs wealthy people tend to hold. Since there are always hierarchies, one should not be surprised if the related differences in happiness are unaffected by growth.

Bok believes nevertheless that economic growth should be appreciated for several reasons. Absence of growth creates substantial risks of recession and unemployment with negative effects on happiness. Absence of growth would also produce more cutthroat competition since growth of one company can only occur at the expense of competitors. One additional reason is that growth creates more revenues for the government, which makes it easier to finance new government programs without additional levies. In his view economic growth is also essential for the dominant American way of life. However unjustified, many Americans feel that more money and possessions are needed for future happiness. Continuous growth will remain important, until a majority of Americans are persuaded that growth no longer makes sense.<sup>3</sup>

The fact that economic growth does not really contribute to happiness in rich nations does not lead to any specific policy proposals by Bok. He suggests however a general implication: economic growth deserves a lower priority than policies that clearly contribute to happiness, e.g. the promotion of parental leave and the protection of the environment.

### **12.3.2 The reputation of the US government**

Americans are very negative about their own government. According to opinion polls in 2007 less than one-third of Americans trusted the federal government to do the right thing all or most of the time. In Bok's view these negative judgements are only partially justified. The quality of the US government is acceptable, and only somewhat lower than the quality of governments in comparable democracies.<sup>4</sup> In Bok's view the negative attitude of the Americans has more to do with inaccurate perceptions and unrealistic expectations. Most people believe that over half of every dollar collected for Social Security is spent on overhead and administration, while the actual figure is only slightly more than 1 percent (Kelman 2007). People also believe that the federal government wastes half of every dollar it receives, while serious research has never established such inefficiency (Ladd and Bowman 1998).

As a result of inaccurate perceptions Americans have less trust in politicians and government agencies than citizens in democracies with high levels of happiness, such as Denmark, Holland or Switzerland.<sup>5</sup> An important negative effect of the low regard for government is the gap it creates between the functions people expect the state to perform and the taxes they are prepared to pay. This mismatch between expectations and resources creates high budget-deficits. As Bok puts it on page 202: "Pressed by constituents for new services and benefits, yet constrained from raising taxes, Congress often responds by creating more programs than it can pay for. It then makes up the difference by incurring deficits that burden future generations, or by shifting expenses to hard-pressed states through unfunded mandates of one sort or another, or by underfunding programs so that they cannot possibly deliver their promised benefits." Bok believes that the media and educational institutions have a responsibility in the correction of inaccurate perceptions about government.<sup>6</sup>

Table 1. Happiness, positive feelings, and negative feelings in democratic nations

Democratic nations, Happi- with the highest happiness <sup>a</sup>	ness <sup>b</sup>	Positive feelings <sup>c</sup>	Negative feelings <sup>d</sup>				
			% Stress	% Depressed	% Sad	% Anger	% Worry
1. Denmark	8.00	75	18	3	12	13	24
2. Finland	7.61	70	24	6	10	4	29
3. Netherlands	7.56	71	19	4	14	9	31
4. Norway	7.46	72	26	8	13	13	16
5. Switzerland	7.45	73	30	4	18	14	32
6. New Zealand	7.44	77	40	9	18	20	31
7. Australia	7.42	73	36	8	17	18	31
8. Canada	7.40	80	36	7	14	14	32
9. Belgium	7.39	72	34	9	18	21	33
10. Sweden	7.38	74	30	4	18	12	16
Mean 1–10	7,51	73,7	29,1	7,2	15,3	13,8	27,5
11. USA	7.26	78	44	10	18	16	34 <sup>e</sup>

<sup>a</sup> Nations with a standardized score > +0, 5 for democratic quality. This is the average of the scores for voice and accountability and political stability in 2006 (Data World Bank)

<sup>b</sup> Data average happiness in nations (0–10-scale, worst-best possible life, cognitive type) (Data World Database of Happiness, Veenhoven 2011)

<sup>c</sup> Data Positive Affect: % people in a nation reporting specific positive experiences the previous day around 2006; positive affect is average % for 8 positive experiences (Data Gallup World Poll)

<sup>d</sup> Data Negative Feelings: % people in a nation feeling stress, depression, sadness, anger, or worry during a lot of the day on the previous day around 2006 (Data Gallup World Poll)

<sup>e</sup> In January 2012 Gallup released information about the high levels of financial worries in the US. In 2012, 51% of the Americans worry about maintaining their standard of living, 43% about being able to pay medical bills, and 34% about losing their job in the next 12 months. In 2004 these figures were 34, 32 and 21 % respectively. This information is consistent with Bok’s analysis

## 12.4 Comments

### 12.4.1 High scores for negative feelings in the US

We may assume that the social problems in Bok’s analysis contribute to the high levels of negative feelings in the US (Table 2). These high levels can possibly explain why the US is not in the top of happy nations, but in the sub-top. The US is 11th on the list of happiest democratic nations, with an average happiness of 7, 26. The US has high scores for average stress (44) and other negative feelings (10, 18, 16, 34). The negative feelings in terms of depressions, sadness, anger and worry have negative relations with happiness. As demonstrated by Ng et al. (2009) the relation between stress and happiness is different and more complicated. Stress at individual level is in a negative way related to happiness, but at national level in a positive way. At individual level stress is a negative marker of affective

well-being, but at national level it reflects life-style differences associated with affective and cognitive well-being.

The US has a relatively high score for positive feelings (78). This combination of high scores for positive feelings, stress and other negative feelings is remarkable, but consistent with the nature of the US as a dynamic society; apparently producing relatively high rates of positive and negative emotions simultaneously.

#### **12.4.2 The question of economic growth without happiness**

Bok concludes that economic growth deserves a lower priority, but he believes that economic growth has to be appreciated for several good reasons. One of his reasons is that economic growth creates extra tax-revenues to finance new government programs without additional taxation. This view is pragmatic but somewhat debatable: why is useless growth better than raising taxes to finance new programs? Such views can easily lead to ‘private wealth in the middle of public poverty’: high and rising levels of private disposable income in combination with poor collective facilities and services. In terms of happiness this might be a bad policy.

In earlier research I found that the quality of government is a crucial factor: if the quality of government is high then there is a positive correlation between average happiness and the size of governments (Ott 2010a). This finding is obviously no excuse to accept bigger governments with more taxation uncritically, but in terms of happiness any dogmatic anti-taxation or anti-government attitude is equally unwarranted.

In my view there is a better but more modest reason to appreciate economic growth. The traditional appreciation is based on the assumption that human needs are unlimited and that additional goods and services always contribute to happiness. The dominant assumption in happiness research is that happiness depends on the fulfilment of some limited needs or motivations.<sup>7</sup> This difference in assumptions is less dramatic than it seems to be, since one of the needs people have is the need to develop their capabilities and to accept new challenges (stimulation-seeking- or intrinsic motivation). Accepting new challenges may result in economic growth, if it goes together with the production of additional goods and services. The pursuit of happiness can therefore lead to economic growth. In Bok’s view economic growth deserves our appreciation because it is an alternative for taxation. I appreciate economic growth for a different reason: economic growth in rich nations is no longer a condition for the pursuit of happiness, but rather a consequence of this pursuit. The implication is that economic growth deserves indeed a lower priority in terms of happiness.

#### **12.4.3 Happiness research and democracy**

We may agree with Bok that happiness can be a prominent public goal, but it should not be the only one. Politicians and policy-makers can use the findings of happiness research to improve the quality of their discussions and decisions. I would like to add a more specific argument: policy-makers can protect democracy by using the findings of happiness research as a countervailing power, if lobbyists are too zealous in their promotion of specific interests.

Policy-makers should at least be familiar with the finding that economic growth “as such” has hardly any impact on happiness in rich nations.

#### **12.4.4 The capability of the US government to deal with happiness problems**

The quality of government is a crucial factor for happiness in nations: directly in direct contacts with citizens, and indirectly for the establishment of conditions that contribute to happiness (Ott 2010b). The quality of the US government is acceptable, as observed by Bok, but the US government has nevertheless, in my view, a serious problem. Rothstein and Uslaner (2005) coined the phrase ‘inequality trap’ for situations in poor nations with a high level of socio-economic inequality, without any justification and beyond any moral standards. In such nations poor people have no trust in government and are unwilling to cooperate with government-agencies. This leads to a vicious circle, or ‘inequality trap’: no trust, no effectiveness, and vice versa.

In my view the US government has to deal with a similar situation, but with different roots. Bok makes it very clear that inaccurate and negative perceptions have created a lack of trust in government. This lack of trust is not directly related to income-inequality, because income-inequality is in general accepted. Unfortunately this income-inequality has produced two alternative and less acceptable forms of inequality: inequality in political participation and power, and inequality in socio-economic opportunities.<sup>8</sup> As a consequence wealthy anti-government-groups have ample opportunities to organize negative publicity about government-activities, and government agencies have no adequate means to counteract. The situation for the US government can therefore be qualified as a ‘marketing trap’, with a negative impact on the capability to deal with social problems.

### **12.5 Conclusions**

Bok observes that, if we accept happiness as a standard, economic growth deserves a lower priority in rich nations like the US. The implication is that governments in rich nations have some room to reconsider their priorities and to put more priority on alternative goals.

If we accept happiness as a standard we may suggest two alternative goals: more priority for the interests of unhappy people, in and outside the US, and more priority for sustainability and the happiness of future generations. Such strategies will only work however, if the position of the US government can be substantially improved.

### **Notes**

- 1 Sweden was very successful with increasing part-time jobs in the public sector. Swedish mothers spend more time with their small children than American mothers, even though a higher percentage are employed (Bok, p. 147).
- 2 Brickman and Campbell (1971) coined the term in their essay.
- 3 Bok observes some change in attitudes. Already 89 % of Americans believe that their society is much too

materialistic and 84 % agree that too much emphasis on money is a serious problem (Source: Harwood group 1995). Many Americans are even acting on their concerns. From 1990 to 1996, 19 percent of American adults reported having made a voluntary lifestyle change that reduced their earnings, such as working fewer hours or taking a less stressful job (Source: Schor 1998).

- 4 Bok considers ratings for Government Quality by the World Bank (Kaufmann et al. 2009) and the progress made toward common goals from 1960 to 2000. He concludes that the US government has done relatively well compared to all countries of the world, but the performance is below average if measured against the record of a sample of comparable democratic nations.
- 5 Center for Democracy and Civil Society, *American Civic Engagement in Comparative Perspective* (2007, p. 25).
- 6 Newspapers, radio, and television have a responsibility for correcting perceptions and expectations, but Bok worries about their effectiveness. Positive accounts of government's performance appear much less than stories recounting failures, wrongdoings and disappointments. Small mistakes of politicians get more attention than serious policy proposals. Speculation over the candidates 'real motives' trumps substantive discussions of major issues. The media are not solely responsible for educating people. The job of creating realistic expectations about the government begins with education. No government will be judged fairly if its citizens do not have a reasonable and realistic appreciation of the way democracy functions. Bok believes that citizens must at least understand the legislative process; the system of checks and balances, the role of public opinion, interest groups, and other forces that influence policy-making; and the necessity of argument, disagreement, and compromise in governing a vast nation filled with differing interests and values.
- 7 A well-known typology of needs is presented by A. Maslow: 1. physiological, 2. safety, 3. love/belonging, 4. esteem, 5. self-actualization. The first four needs are related to deficiencies, self-actualization is related to growth. Ryan and Deci (2000) posit that happiness drives on three growth-needs: the need for autonomy, competence and relatedness. An alternative typology, not in terms of needs but in terms of motivation, is presented by Wentholt (1980): 1. Organic basic motivations, 1a. based on homeostatic principles (physiological regulation, hunger, thirst, sexuality and the emergency motivations aggression and fear), 1b. based on stimulation-seeking (intrinsic motivation and affection). Wentholt additionally presents (2) some complications in the actual dynamics of such motivations by our consciousness, like consciousness of our emotions, cognitive discordancies, existential conditions and individual identity. Maslow's growth-needs and Wentholt's stimulation-seeking motivations are based on the observation that people need stimuli, excitement, and challenges. Idleness is a bad recipe for happiness, but there is no innate need or motivation to produce goods and services to be sold on the market! .
- 8 As Bok points out on page 89–90, 95 % of the donors who contribute substantial sums to political campaigns have incomes in excess of \$100,000 per year. In addition, poor people are far less organized and far less likely to vote, or even to communicate with lawmakers and other officials, than better-educated, wealthier citizens. American Political Science Association Task Force Report (2004).

## References

- Amato, P. R., & Maynard, R. A. (2007). Decreasing nonmarital births and strengthening marriage to reduce poverty. *The Future of Children*, 17, 117–141.
- American Political Science Association Task Force Report. (2004). American democracy in an age of rising inequality. *Perspectives on Politics*, 651–656.
- Brickman, Ph., & Campbell, T. (1971). Hedonic relativism and planning the good society. In M. H. Apley (Ed.), *Adaptation level theory: A symposium* (pp. 287–302). New York, NY: Academic Press.
- Easterlin, R. (1974). Does economic growth improve the human lot? Some empirical evidence. In P. A. David & W. Reider (Eds.), *Nations and households in economic growth: Essays in honor of Moses Abramowitz*. New York, NY: Academic Press.

## Part II: Chapter 12

- Harwood Group (1995). Yearning for balance: Views of Americans on consumption, materialism, and the environment. (Prepared for the Merck Family Fund).
- Holzer, H. (2009). The labor market and young black men: Updating Moynihan's perspectives. *Annals of the American Academy of Political and Social Science*, 621, 47-69.
- Institute of Medicine. (2006). Sleep disorders and sleep deprivation: An unmet public health problem. Consensus Report, Board on Health Sciences Policy.
- Kaufmann, D., Kraay, A. & Mastruzzi, M. (2009). *Governance Matters VIII: Aggregate and Individual Governance Indicators, 1996-2008*. World Bank Policy Research, Working Paper No. 4978.
- Kelman, S. (2007). Public administration and organization studies. *The Academy of Management Annals*, 1(1), 225-267.
- Kessler, R. C., et al. (2003). The epidemiology of major depression disorder. *Journal of the American Medical Association*, 289(23), 3095-3099.
- Ladd, E. C., & Bowman, K. H. (1998). *What's wrong: A survey of American satisfaction and complaint*. Washington, DC: The AEI Press.
- McLanahan, S., & Sandefur, G. (1994). *Growing up with a single parent: What hurts, what helps*. Cambridge, MA: Harvard University Press.
- Ng, W., Diener, E., Aurora, R., & Harter, J. (2009). Affluence, feelings of stress, and well-being. *Social Indicators Research*, 94 (2), 257-271.
- Ott, J. C. (2010a). Good governance and happiness in nations, technical quality precedes democracy and quality beats size. *Journal of Happiness Studies*, 11(3), 353-368.
- Ott, J.C. (2010b). Government and happiness in 130 nations: Good governance fosters higher level and more equality of happiness. *Social Indicators Research*, 102(1), 3-22.
- Reddy, B. (2006). The epidemic of unrelieved chronic pain. *Journal of Legal Medicine*, 27(4), 427-442.
- Rothstein, B., & Uslaner, E. M. (2005). All for all: Equality, corruption, and social trust. *World Politics*, 58(1), 41-72.
- Ryan, R. M., & Deci, E. L. (2000). Self-determination theory and the facilitation of intrinsic motivation, social development and well-being. *American Psychologist*, 55(1), 68-78.
- Schor, J. B. (1998). *The overspent American: Why we want what we don't need*. New York, NY: HarperCollins.
- Veenhoven, R. (2011). *States of Nations: Data file to be used for the cross-national analysis of happiness*, World Database of Happiness, Erasmus University Rotterdam, The Netherlands. Retrieved January 2011, from [http://worlddatabaseofhappiness.eur.nl/statnat/statnat\\_fp.htm](http://worlddatabaseofhappiness.eur.nl/statnat/statnat_fp.htm).
- Wang, P. S., Simon, G., & Kessler, R. C. (2003). The economic burden of depression and the cost-effectiveness of treatment. *International Journal of Methods in Psychiatric Research*, 12 (1), 22-33.
- Wentholt, R. (1980). *Motivation-theory*. Unpublished reader, Erasmus University Rotterdam, The Netherlands.
- Western, B., & Wildeman, C. (2009). The black family and mass incarcerations. *Annals of the American Academy of Political and Social Science*, 621, 221-242.
- Wilson, J. (2002). *The marriage problem: How our culture has weakened families*. New York, NY: HarperCollins.





# **Part III**

## **Happiness and government**



## Chapter 13

### Good governance and happiness in nations: technical quality precedes democracy and quality beats size\*

#### Abstract

Average happiness differs markedly across nations and there appears to be a system in these differences. This paper considers the role of quality of governance, and in particular the role of technical quality as opposed to democratic quality. A comparison of 127 nations in 2006 shows strong correlations between the quality of governance and average happiness of citizens. The correlation between technical quality and happiness is +0.75 and the correlation between democratic quality and happiness is +0.60. Technical quality correlates with happiness in rich and poor nations, while democratic quality only correlates with happiness in rich nations. The quality of governance appears to be more important for happiness than the size of governments: the relation between quality and happiness is independent of size, while the relation between size and happiness fully depends on quality. The correlation between technical quality and happiness appears to be independent of culture; it exists not only in western nations, but also in Eastern Europe, Latin America, the Middle East, Asia and Africa. This indicates that technically good governance is a universal condition for happiness, and not just a western ideology. Democratic quality adds substantially to the positive effects of technical quality once technical quality has reached some minimal level.

#### Keywords

Happiness • Utilitarianism • Good governance • Voice and accountability • Political stability • Government effectiveness • Regulatory quality • Rule of law • Control of corruption • Size of governments • Wealth • Gender equality

#### 13.1 Introduction

According to utilitarian moral philosophy, governments have the duty to promote “the greatest happiness for the greatest number”. This classic view is gaining ground in modern times. A contemporary advocate is economist Richard Layard, who wants to shift the direction of public policy away from economic goals like wealth, to wider “well-being” and “happiness”. Layard (2005) advocates an evidence-based utilitarian policy approach and demonstrates how the insights of happiness science, can be incorporated in governments policies.

In this line a vivid discussion is going on about what governments should do to create greater happiness for a greater number. Utilitarians like Layard (2005) and Paul Martin

---

\* Originally published as: Ott, J. C. (2010). Good governance and happiness in nations: technical quality precedes democracy and quality beats size. *Journal of Happiness Studies*, 11(3), 353-368.

(2005) follow Richard Easterlin (1974) in his assessment that economic growth in wealthy nations is no longer contributing to happiness. They want governments to discourage people from getting involved in a useless rat race, by raising taxes for those working more than a specified number of hours of paid work. In the “Well-being manifesto for a flourishing society” by the New Economic Foundation (2004) similar proposals are further developed. Other scientists have different priorities; e.g., Veenhoven (1999) prioritizes freedom and individual autonomy.

A somewhat neglected issue in such discussions is the quality of governments “as such”, apart from the actual policies that are to be pursued. Some specific aspects of quality have received considerable attention, like democracy and corruption, but general quality of governance in nations is not a common subject in research. The complexity of defining and measuring quality, in a systematic and value-free manner, has probably acted as deterrent in this field. In the last 10–15 years this quality has received more political attention; in particular as a key factor for the effectiveness of development aid and economic growth in general. In this context, the World Bank has developed indicators of good governance, and on the basis of these data experts estimate that a nation improving the quality of its governance from a relatively low level to an average level, can almost triple income per capita in the long term, and similarly reduce infant mortality and illiteracy. Kaufmann (2005, myth 4) makes the following observation about causality: *“In fact, the evidence points to the causality being in the direction of better governance leading to higher economic growth. A number of emerging economies, including the Baltic states, Botswana, Chile and Slovenia, have shown that it is possible to reach high standards of governance without yet having joined the ranks of wealthy nations”*.

The spectacular impact of the quality of governance on wealth suggests that the quality of governance may also have a positive impact on happiness, since wealth is important for happiness, but also since governments can provide for additional conditions, like safety, healthcare and a minimal level of social equality and justice. At this point Bruno Frey (2008) makes an interesting distinction between two sources of happiness: “outcome utility” and “procedural utility”. “Outcome utility” is created by instrumental goods and services, often defined in monetary terms and in particular by income. Frey defines procedural utility as *“... the well-being gained from living and acting under institutionalized processes that also contribute to a positive sense of self and address the innate needs for autonomy, relatedness, and competence”*. The quality of governments is obviously an important factor, not just for outcome utility but also for procedural utility.

### 13.1.1 Earlier research

Research on the impact of governance on happiness has been done by Helliwell and Huang (2008). In an article “How’s Your Government? International Evidence Linking Good Government and Well-being”, they compared data about life-satisfaction in 75 nations from the World Values Surveys (Inglehart et al. 2004) in the years 1981–2000, with data about

good governance from the World Bank for the years 1996–2004. They used an average of six World Bank-indicators as an index of good governance and found a strong linear correlation between this indicator and average life-satisfaction in nations. Next Helliwell and Huang (2008) constructed two specific sub-indicators. *GovDem* (a) as the average of “Voice and Accountability” and “Political Stability”, which reflects the operation of the democratic process. *GovDo* (b) is the average of the other four components: “Government Effectiveness”, “Regulatory Quality”, “Rule of Law”, and “Control of Corruption”. *GovDo* is related to the delivery of government services and providing the institutional framework within which individuals, enterprises and communities connect. Helliwell and Huang (2008) found that the “GovDo-elements” are relatively more important for poor nations, while the “GovDem-elements” are relatively more important for wealthier nations. They assume that democracy becomes interesting and important only once government has reached a reasonable level of technical quality.

### 13.1.2 Further steps

In this paper I will expand on this research line in the followings ways: Firstly, I will check the robustness of the above findings, replicating the analysis of Helliwell and Huang for a larger set of nations and using another measure of happiness. Secondly, I will assess how universal this relationship is, by assessing the impact of culture and wealth on this relation. Thirdly, I will inspect to what extent the effect of quality of governance on happiness depends on the size of government. Finally, I will explore some of the ways in which good governance can affect happiness.

### 13.1.3 Research questions

In this paper the following questions are addressed:

- a Does good governance go together with greater happiness of citizens? Can the results of Helliwell and Huang be replicated in a larger sample of nations and using a different measure of happiness?
- b Are technical and democratic aspects of governance equally strongly related to happiness?
- c Does higher quality increase uniformly with greater happiness, or are there indications of diminishing or increasing utility?
- d Are the relations universal, or do they exist only in western cultures or in wealthy nations?
- e Do the correlations depend on the size of governments in nations?
- f How about causality? Does good governance produce greater happiness? If so, how?

### 13.1.4 Plan of this paper

The concept of good governance, its measurement and available data on that matter, are discussed in Sect. 13.2. Happiness is similarly discussed in Sect. 13.3. The answers to each of the above mentioned research questions are discussed in Sect. 13.4. The results are discussed in Sect. 13.5 and conclusions are presented in Sect. 13.6.

## 13.2 Good governance in nations

### 13.2.1 Concept

I follow Helliwell and Huang and use the terms governance and government as equivalents. This is acceptable since both terms are very broad, including administration by governments and their legislation and jurisdiction.

The World Bank defines governance as follows: “governance consists of the traditions and institutions by which authority in a country is exercised. This includes the process by which governments are selected, monitored and replaced; the capacity of the government to effectively formulate and implement sound policies; and the respect of citizens and the state for the institutions that govern economic and social interactions among them” (Kaufmann et al. 2009). The following aspects of good governance are discerned.

*Voice and Accountability* The extent to which a country’s citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.

*Political Stability and Absence of Violence* Perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including domestic violence and terrorism.

*Government Effectiveness* The quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government’s commitment to such policies.

*Regulatory Quality* The ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.

*Rule of Law* The extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, the police, and the courts, as well as the likelihood of crime and violence.

*Control of Corruption* The extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as “capture” of the state by elites and private interests.

### 13.2.2 Measurement

To assess the above mentioned aspects of quality of governments the World Bank collects data from independent sources produced by different organizations. These data sources consist of

surveys of firms and individuals, the assessments of commercial risk rating agencies, non-governmental organizations, and a number of multilateral aid agencies and other public sector organizations.<sup>1</sup> Data were sourced from 33 different sources from 30 different organizations<sup>2</sup> for 2006. Scores on these sub-indicators for nations have been constructed and monitored since 1996.

#### **13.2.2.1 Data source**

All these data, background information included, is available at the site of the World Bank; Governance Matters VIII: Aggregate and Individual Governance Indicators for 1996–2008; as published in “World Bank Policy Research Working Paper 4978, 2009”<sup>3</sup> (Kaufmann et al. 2009).

#### **13.2.2.2 Validity**

To check the validity of the data for technical quality I compared it with the “Failed State Index” (Foreign Policy Magazine 2007). Attributes of state failure are loss of physical control of territory, loss of monopoly on the legitimate use of force, erosion of legitimate authority to make collective decisions, and inability to provide reasonable public services and the inability to interact with other states as a full member of the international community. The concepts of technical quality and state failure are similar and scores for technical quality and the “Failed State Index”, are highly correlated ( $r = +0.92$  in 2006). To check the validity of the data for democratic quality I compared these data with data of the Political Rights Index (Freedom house 2007). The index measures the degree of freedom in the electoral process, political pluralism and participation, and functioning of government. The concepts democratic quality and political rights are very similar, and scores for democratic quality and political rights are also highly correlated ( $r = +0.71$  in 2006). Such high correlations are indications of validity, even if we keep in mind that the World Bank used political rights data to measure democratic quality, in particular voice and accountability.

### **13.3 Happiness in nations**

#### **13.3.1 Concept**

Following Veenhoven (1984) I define happiness as ‘the degree to which an individual judges the overall quality of his or her life as a whole favourably’; in other words ‘how much one likes the life one lives’.

#### **13.3.2 Measurement**

Since happiness is defined as something that an individual has in mind, it can be measured using questions. Many different questions are used; for an overview see the item bank in the World Database of Happiness (Veenhoven 2008a). The present analysis draws on responses to a survey question, developed by Cantril (1965), which reads as follows:

Suppose we say that the top of the ladder represents the best possible life for you and the bottom of the ladder represents the worst possible life for you. Where on this ladder do you feel you personally stand at the present time? Please use this card to help you with your answer.



The formulation “*best and worst possible life*” invites respondents to take into account all relevant domains of their life, like social relations, work, housing, leisure and so on. This question invites to a comparative appraisal of life and measures the cognitive dimension of happiness in the first place. As such it is classified as an indicator of “contentment” in the Item Bank of the World Database of Happiness (Veenhoven 2008a). The question used by Helliwell and Huang is different, and asks how “satisfied” one is with one’s own life as a whole. In the item bank this question is classified as an indicator of “overall happiness” (item type 122).

**13.3.2.1 Data source**

The question developed by Cantril has figured in many national surveys and has been used since 2006 in the Gallup World Poll. All findings gathered with this question are brought together in the collection “Happiness in Nations” under item type 31 (Veenhoven 2008b). This analysis draws on that source and uses all the findings for the year 2006.

**13.3.2.2 Validity**

Previous research has shown that questions about overall contentment and life-satisfaction produce adequate information in terms of validity and reliability (Schyns 2003).

**13.4 Good governance and happiness in nations**

**13.4.1 Happier with good governance?**

The first question (a) is whether the earlier found positive correlation between good governance and average happiness in nations observed by Helliwell and Huang, is replicated in this larger sample of nations and using a different measure of happiness. This appears to be the case. The relationship is clearly positive and quite strong. See Figs. 1 and 2, which show a clear pattern with few outliers. The relationship between governance and happiness is quite robust.

**13.4.2 Are technical and democratic aspects of government equally strongly related to happiness?**

Average happiness appears to be more connected with the technical quality of governance than with its democratic quality (question b). The zero-order correlation<sup>4</sup> between average

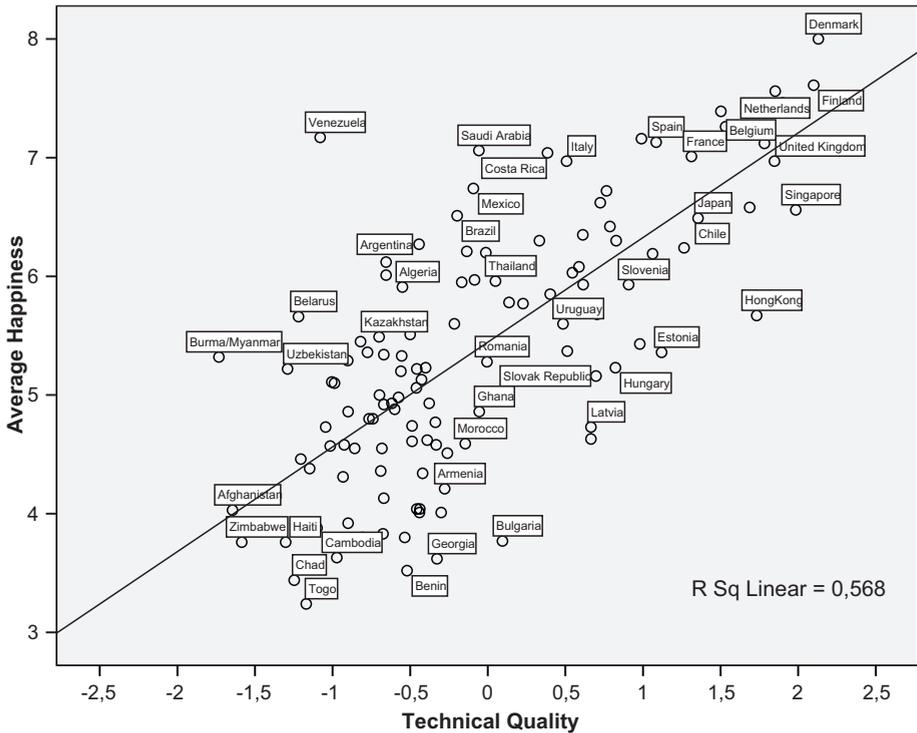


Figure 1. Technical quality of governance and average happiness in nations in 2006

happiness and technical quality is  $+0.75$ , but this correlation is lower for democratic quality:  $r = +0.60$ . The partial correlation<sup>5</sup> between happiness and technical quality remains high, if controlled for democratic quality ( $r_p = +0.58$ ), while the partial correlation between happiness and democratic quality becomes negative ( $r_p = -0.17$ ), if controlled for technical quality.

### 13.4.3 Are the relationships linear?

The relations between happiness and technical and democratic quality are presented in Figs. 1 and 2 respectively (question c). For technical quality we see in Fig. 1 a linear pattern<sup>6</sup>; there is no clear pattern of diminishing or increasing returns of technical good governance. Consequently a quadratic function does not fit the data substantially better than a linear one.<sup>7</sup>

The relation between happiness and democratic quality is presented in Fig. 2. There is a clear pattern of increasing returns of democracy. Consequently a quadratic function creates a better fit than a linear one.<sup>8</sup>

In the right top sections of Figs. 1 and 2 we also see better correlations than in the bottom left sections, i.e., scores are closer to the fit-lines. These differences are quantified in Table 1, in which correlations are presented in groups with comparable numbers of nations at different levels of technical governance.<sup>9</sup> The correlations are substantially weaker in the group of 43 nations with the lowest scores on technical quality. The correlations are higher and become

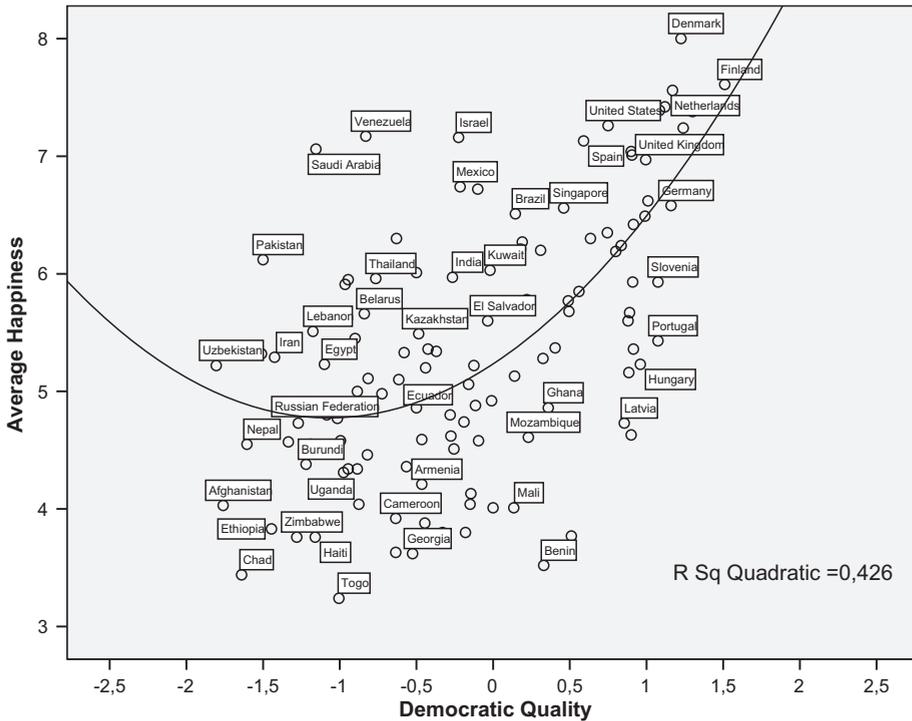


Figure 2. Democratic quality of governance and average happiness in nations in 2006

substantial in groups of nations with higher levels of technically good governance. Nations seem to need some minimal level of technical competence when it comes to governance before their qualities can develop any substantial correlations with happiness. This minimal level is somewhat higher for democratic quality than for technical quality. Once this minimal level for democracy is reached, both qualities have positive correlations with happiness. The increasing returns of democracy are probably an outcome of interaction effects between technical quality and democracy. In a metaphor: technical quality is the engine of governments and democracy is a steering mechanism. The engine has to start first but together they achieve the best outcomes for happiness.

**13.4.4 Are the correlations universal?**

To test the assumption that good governance is only important within the context of a “western culture” (question d), I compared the correlations between good governance and average happiness in groups of nations in different parts of the world with different cultures. The results are presented in Table 2. There is some variation in the correlations, but all the correlations point in the same direction: better government goes together with greater happiness. The correlation is apparently independent of culture. In most subsamples technical quality shows the highest correlations, only in Eastern Europe this is reversed, but not dramatically.

Table 1. Correlations between good governance and average happiness at different levels of technical quality, 127 nations in 2006

Government quality	Correlations between government qualities and average happiness		
	Level of technical quality		
	High	Medium	Low
<i>N</i>	41	43	43
Technical quality	+0.71**	+0.51**	+0.27
Democratic quality	+0.32*	+0.07	+0.13

*High* standardized score > +0.50, *medium* z-score < +0.50 and ≥ -0.55, *low* z-score < -0.55; \*  $p < 0.05$ ; \*\*  $p < 0.01$

Table 2. Correlations between good governance and average happiness in different parts of the world, 127 nations in 2006

Part of the world	<i>N</i>	Correlations between government qualities and average happiness	
		Technical quality	Democratic quality
Western nations	21	+0.70**	+0.45*
Eastern Europe	23	+0.40*	+0.46*
Latin America	23	+0.51*	+0.48*
Middle East	11	+0.71*	+0.27
Asia	22	+0.73**	+0.65**
Africa	26	+0.52**	+0.39*
All nations (above +1 in Pacific)	127	+0.75**	+0.60**

\*  $p < 0.05$ ; \*\*  $p < 0.01$

Table 3. Correlations between good governance and average happiness in 56 poor and 56 rich nations in 2006

Poor and rich nations	<i>N</i>	Correlations between government qualities and average happiness	
		Technical quality	Democratic quality
Poor nations <sup>a</sup>	56	+0.39**	+0.06*
Rich nations <sup>b</sup>	56	+0.62**	+0.46**

\*  $p < 0.05$ ; \*\*  $p < 0.01$

<sup>a</sup> Poor < 7,000 USD purchasing parity per capita in 2006

<sup>b</sup> Rich > 7,000 USD purchasing parity per capita in 2006

To test whether the correlation depends on the wealth of nations I compared the correlations in poor and rich nations, see Table 3. The outcomes support the conclusion of Helliwell and Huang that technical quality is relatively more important in poor nations and democratic

Table 4. Correlations between good governance and average happiness, zero-order and controlled for aspects of size, 127 nations in 2006

Aspects of size, partialled out	N	Correlations between government qualities and average happiness	
		Technical quality	Democratic quality
Zero-order correlation	127	+0.75**	+0.60**
Government consumption partialled out	113	+0.72**	+0.56**
Transfers and subsidies partialled out	96	+0.67**	+0.46**
Government enterprises partialled out	110	+0.68**	+0.45**
Tax rate partialled out	97	+0.74**	+0.60**

\*  $p < 0.05$ ; \*\*  $p < 0.01$

quality is relatively more important in rich nations. I can even specify their assessment: in all nations there is a substantial correlation between happiness and technical quality, but only in rich nations is there a substantial correlation between happiness and democratic quality. The technical quality of governance is not only the most connected to happiness, its relation to happiness is also the most universal.

In a nutshell: the correlations between government qualities and happiness do not depend on culture. The correlation between technical quality and happiness does not depend on wealth either, but the correlation between democratic quality and happiness is limited to relatively rich nations. Technical quality of governance apparently precedes democracy.

### 13.4.5 Do the correlations depend on size of government?

Having established that people are happier in countries with better governments, the next question is whether this relation depends on the size of government (question e). Size of government is a complex concept. The Fraser Institute makes a distinction between four aspects and applies separate sub-indicators to measure these aspects. The four aspects are:

- General government consumption and spending, as a percentage of total consumption
- Transfers and subsidies as a percentage of GDP
- Government enterprises and investment as a percentage of total investment
- Top marginal tax rate and income threshold at which it applies

The zero-order and partial correlations<sup>10</sup> between government qualities and average happiness, after controlling for the four aspects of the size of governments, are presented in Table 4. We see that the correlations remain high. Apparently, the correlation between government qualities and average happiness are independent of aspects of size.

It is informative to answer the reversed question as well: Do the relationships between aspects of size and happiness depend on the quality of government? The zero-order correlation between “government enterprises and investments” and happiness is very negative ( $r = -0.55$ ) but the other correlations are positive (+0.44, +0.53 and +0.25, see Table 5). Yet,

Table 5. Correlations between size of government and average happiness in 127 nations 2006

Aspects of government size	N	Correlations between aspects of size and average happiness		
		Zero-order	Technical quality partialled out	Democratic quality partialled out
Government consumption	113	+0.44**	+0.14	+0.28*
Transfers and subsidies	96	+0.53**	+0.15	+0.27
Government enterprises and investments	110	-0.55**	-0.19	-0.26
Top marginal tax rate	97	+0.25**	+0.05	+0.05

\*  $p < 0.05$ ; \*\*  $p < 0.01$

these correlations are much reduced after control for government quality.<sup>11</sup> Only the partial correlation between government consumption and happiness remains at a substantial level if controlled for democratic quality. This is another indication that democratic quality is less influential compared to technical quality in its association with happiness.

In sum: the relations between quality of government and average happiness do not depend on size of government, while the relations between size of government and happiness fully depend on the quality of government. Quality of government clearly beats size of government in its association with average happiness.

#### 13.4.6 How about causality?

There are three possible explanations for the positive correlation between government quality and happiness (question f):

##### 13.4.6.1 Spurious correlation?

In this explanation, there is no causal relation between good governance and happiness, but are both variables dependent on a third variable. ‘Wealth’ and ‘social trust’ could be such variables since they are likely to affect both average happiness and the quality of government in a nation. Yet this cannot be the whole story since the correlations between government quality and happiness does not completely disappear if the effects of wealth or social trust are accounted for first.<sup>12</sup> More such factors may be involved, but for the time being at least part of the correlation seems to be due to a causal relationship.

##### 13.4.6.2 Effect of happiness?

In this explanation happiness affects quality of government rather than vice versa. Various effects can be involved: e.g., happy citizens being more apt to vote for investment in public good and less apt to obstructive behavior. Such explanations fit the literature on benefits of happiness (Lyubomirsky et al. 2005). Still, this is unlikely to be the whole story, for

instance because good governance roots in historical developments, which were not always particularly happy.<sup>13</sup>

#### **13.4.6.3 Effect of government quality?**

The last explanation is that better government makes happier citizens and this explanation appeals most to common sense. There must be some truth in this explanation, since the above mentioned alternative explanations are insufficient to explain the correlation completely. If so, how does good governance add to average happiness? The data cannot tell us as yet, but we can discern some possible direct and indirect effects.

*Possible Direct Effects* Good governance can be a source of happiness in itself. It makes a difference if citizens are treated carefully and respectfully. As pointed out by Frey and Stutzer (2005) participation in elections (voice) contributes to happiness, independent of the outcomes. These direct effects are examples of ‘procedural utility’ (Frey 2008).

*Possible Indirect Effects* Good governments will be more effective in creating conditions that contribute to average happiness in the country, such as material prosperity, good education and safety in the streets. Likewise, competent and democratic governments can create individual freedom, by maintaining stable and predictable conditions that enable people to make their own decisions in life (Veenhoven 1999). This is what Frey (2008) refers to as ‘output utility’.

As yet, we cannot really prove that things work that way. Still, path analysis in this set of 127 nations shows that the factors wealth, i.e. purchasing power per capita, gender equality, as measured by the Gender Development Index, and physical safety and healthcare,<sup>14</sup> may serve as mediating variables in the relation between good governance and happiness.<sup>15</sup> This interpretation fits much of the earlier research on societal conditions for happiness (e.g. Ott 2005).

### **13.5 Discussion**

The prime aim of this paper was to check whether average happiness is higher in nations where the quality of government is good. I could replicate this earlier finding of Helliwell and Huang in a larger set of nations and using another indicator of happiness. So we can take this relationship as an established fact. What else does the data tell us and what do the findings teach us?

#### **13.5.1 Additional findings**

Helliwell and Huang found that the technical quality of government is relatively more important for poor nations, while democratic quality is relatively more important for wealthier nations. They assume that democracy becomes interesting and important only when government has

reached a minimal level of technical quality. I agree with these conclusions and can add that the relationship between technical quality of government and happiness is also more universal. Technical quality is important in all nations, while democracy is only important in rich nations, but even in rich nations it is less connected to happiness than technical quality. Both qualities need a minimal level of technical quality to develop a relation with happiness, but democratic quality needs a higher level than technical quality. Once democracy works, both qualities contribute to average happiness with positive interaction effects.

Another additional finding is that the relation between quality of government and happiness is independent of the size of government, and that the relation between size of government and happiness depends fully on these qualities.

These additional findings were facilitated by the availability of more data. I could use a bigger sample of nations which included more poor nations, and data about happiness as contentment with life instead of happiness as life-satisfaction. Data about happiness as contentment have a somewhat higher correlation with objective conditions like wealth (Bjørnskov 2010).

### **13.5.2 Further research**

Further research, using different measures for happiness and bigger and even more representative samples, is needed to check the general validity of the conclusions presented here. The World Bank has data about government quality in 212 nations and regions, but for happiness there are only data for about 130 nations. Bigger samples provide for better possibilities to distinguish between nations, like western nations and nations with a colonial or communist history. Cross sectional research for specific groups of nations and individuals should create a better understanding of general and specific interactions between government qualities, average happiness, wealth and social trust. In addition, longitudinal research is needed. Such research requires a systematic and prolonged collection of data in accessible data-bases, such as the World Database of Happiness.

### **13.5.3 Relevance of findings**

The differences in average happiness in nations are impressive and alarming, in 2006 they ranged from 3.24 in Togo to 8.00 in Denmark. Governments play a dominant role in creating such differences. In discussions about this role there has always been a lot of attention for the actual policies to be pursued: what governments should do to create optimal conditions for (subjective) well-being. Governments that aim at greater happiness for a greater number, however, should not only focus on what they do, but they should also focus on how they function.

The technical and democratic qualities of governance appear to be more important for happiness than the size of a government. The impact of these qualities is independent of size while the impact of size depends on these qualities. This last point is important for discussions about the optimal size of governments and optimal levels of government spending. See

for instance the contributions by NG and Ho (2006) and Bjørnskov et al. (2007). In NG's assessment public expenditures are too low because people underestimate the utility of public goods. Bjørnskov et al empirically found a negative association between happiness and the size of governments. These authors seem to underestimate the crucial role of government qualities for the relation between size and happiness.

This all underlines the importance of technical and democratic government quality in general, and in particular the importance of technical quality of governance for happiness in poor nations. This is interesting because improving the technical quality of governance is probably less controversial than increasing or decreasing the size of a government, or changing the rules for democracy. There are many ways to improve the technical quality of governments<sup>16</sup> and the World Bank and other international organizations like the UN, the IMF and the OECD, provide practical guidelines and support. Each nation, however, will have to improve the quality of its own governance in ways that fit its specific problems and opportunities.

### **13.6 Conclusion**

People live happier in well governed nations and this seems to be at least partly due to a causal effect of good governance on happiness. Investment in quality of government is therefore a good way to create greater happiness for a greater number.

### **Notes**

- 1 For a recent discussion see "Governance Indicators: Where Are We, Where Should We Be Going?", by Kaufmann and Kraay (2008).
- 2 The World Bank transforms this information into scores for each of the six sub-indicators with a mean of 0 and a standard deviation of 1 in the original sample of 212 nations and regions (standardized z-scores, approximately between -2.5 and +2.5; indicating relative positions in a specific year, in my sample in 2006).
- 3 I will consider the data on governance as "external data", or as a starting point, without making any effort to explain differences. One observation, however, deserves some attention. We can observe that western nations get the highest scores for government qualities (see Figs. 1, 2). We may speculate that the principle of the separation of three independent powers for legislation, administration and jurisdiction provide for an explanation. This principle of the "Trias Politica" was introduced by Montesquieu in 1748 before the American and French revolution. Since then this principle has had a positive impact on nation building and institutionalization in western nations. It has contributed directly to regulatory quality and rule of law, and, more indirectly, to political stability and control of corruption. In most other nations in the world the struggle against repression by some social class, or a colonial power, has been an alternative driver for nation building and institutionalization. In many nations this has eventually led to the formation of one political party with a very dominant position. In such nations the separation of powers is obviously problematic. Many nations are still in such situations, or in their aftermath.
- 4 A zero-order correlation is the correlation between two variables "as such", without taking into account the effect of any other variable(s). A partial correlation measures the correlation between two variables with the effects of one (or more) variable(s), interaction effects included, controlled or removed.

- 5 See footnote 4.
- 6 The qualification “linear” is somewhat debatable since one might argue about the level of happiness as a statistical variable: Is it just ordinal or is it interval? Linearity only makes sense if we see happiness as a variable at interval level. I follow this line; knowing that using a 0–10-scale supports this approach.
- 7 A linear function explains 57% of the variance ( $R$  squared) in average happiness, a quadratic function 58%.
- 8 A linear function explains 36% of the variance ( $R$  squared) in average happiness, a quadratic function 43%.
- 9 I do report the significance in the tables (\*  $p < 0.05$ ; \*\*  $p < 0.01$ ). This is however somewhat debatable. Significance is the chance that the correlation observed in the sample does not correspond with the correlation in the population from which the sample was drawn. My set of nations is not a random sample of all nations; nations were included if the required data was available. I report the significance as produced by SPSS only to facilitate the assessment of differences.
- 10 See footnote 4.
- 11 I can make the same point by comparing the relation between aspects of size and happiness at different levels of technical quality (same groups as in Table 1). The relation between taxation and happiness is positive at a high level (+0.32) but negative at a low level (−0.21). The relation between government consumption and happiness is positive at the high level (+0.26) but disappears at the low level (+0.05).
- 12 The correlation between technical quality and happiness of 0.75 is reduced to +0.70, and +0.11, if controlled for social trust and wealth respectively. For democratic quality the correlation of 0.60 is reduced to 0.58 and −0.01. The partial correlations remain higher for technical quality and this is an additional indication that the impact of technical quality is more “autonomous”, and, as a consequence, more universal.
- 13 See footnote 3.
- 14 These factors provide for a reasonable explanation of the differences in average happiness in 127 nations in 2006. If these factors are used as independent factors in a linear regression they explain 72% of the variance (adjusted  $R$ -square). Adding more factors, like economic freedom, economic openness, social trust, or education, does not substantially improve the explanatory value of the regression.
- 15 The correlation between wealth and happiness is +0.80 and between wealth and technical and democratic quality +0.92 and +0.80 respectively. For gender equality these correlations are +0.80, +0.76, and +0.67. For life-expectancy, as an indicator for safety and healthcare, these correlations are +0.73, +0.65, and +0.52.
- 16 Three interesting “down-to-earth” options for poor nations are:
- a. The registration of property rights, in particular for real estate, i.e., have a land registry. As has been demonstrated by De Soto (2000) this is an important condition for economic development.
  - b. To register people, i.e., set up registrar’s offices, as a necessary condition to organise adequate public education and health services.
  - c. To develop and implement general principles of good governance, to achieve decent and respectful relations between government institutions and citizens.

## References

- Bjørnskov, C. (2010). How comparable are the Gallup world poll life satisfaction data? *Journal of Happiness Studies*, 11(1), 41-60.
- Bjørnskov, C., Dreher, A., & Fischer, J. (2007). The bigger the better? Evidence of the effect of government size on life satisfaction around the world. *Public Choice*, 130(3/4), 267-292.
- Cantril, H. (1965). *The pattern of human concerns*. New York, NY: New Brunswick.
- De Soto, H. (2000). *The mystery of capital: Why capitalism triumphs in the west and fails everywhere else*. London, UK: Bantam Press.
- Easterlin, R. (1974). Does economic growth improve the human lot? Some empirical evidence. In P. A. David & M.

### Part III: Chapter 13

- W. Reder (Eds.), *Nations and households in economic growth: Essays in honour of Moses Abramovitz*. New York, NY: Academic Press.
- Foreign Policy Magazine. (2007). *The Failed State Index*. Carnegie Endowment for International Peace, Washington D.C., USA.
- Freedom House (2007). *Freedom in the World*.
- Frey, B. S. (2008). *Happiness, a revolution in economics*. Cambridge, MA: The MIT Press.
- Frey, B. S., & Stutzer, A. (2005). Beyond outcomes: Measuring procedural utility. *Oxford Economic Papers*, 57, 90-111.
- Gwartney, J. D., & Lawson, R. A. (2006). *Economic freedom of the world*. Annual report. Fraser Institute, Vancouver, Canada. Data available: [www.freetheworld.com/206/2006dataset.xls](http://www.freetheworld.com/206/2006dataset.xls).
- Helliwell, J., & Huang, H. (2008). How's your government? International evidence linking good government and well-being. *British Journal of Political Science*, 38, 595-619.
- Inglehart, R. et al. (2004). *World Values Surveys and European Values Surveys, 1981-1984, 1990-1993, 1995-1997 and 1999-2001* [Computer file]. ICPSR version. Ann Arbor, MI: Institute for Social Research [producer], 2002. Ann Arbor, MI: Inter-university Consortium for Political and Social Research (distributor), 2004.
- Kaufmann, D. (2005). Back to basics, 10 Myths about governance and corruption. *Finance & Development*, 42(3).
- Kaufmann, D., & Kraay, A. (2008). Governance indicators: Where are we, where should we be going? *World Bank Research Observer*, 23(1), 1-30.
- Kaufmann, D., Kraay, A. & Mastruzzi, M. (2009). *Governance Matters VIII: Aggregate and Individual Governance Indicators, 1996-2008*. World Bank Policy Research, Working Paper No. 4978.
- Layard, R. (2005). *Happiness: Lessons from a new science*. New York, NY: The Penguin Press.
- Lyubomirsky, S., Diener, E., & King, L. (2005). The benefits of frequent positive affect: Does happiness lead to success? *Psychological Bulletin*, 131(6), 803-855.
- Martin, P. (2005). *Making happy people: The nature of happiness and its origins in childhood*. London, UK: Fourth Estate, HarperCollins.
- New Economics Foundation. (2004). *Well-being manifesto for a flourishing society*.
- Ng, Y., & Ho, L. S. (Eds.). (2006). *Happiness and public policy*. New York, NY: Palgrave MacMillan.
- Ott, J. C. (2005). Level and equality of happiness in nations: Does greater happiness of a greater number imply greater inequality in happiness? *Journal of Happiness Studies*, 6(4), 397-420.
- Schyns, P. (2003). *Income and life satisfaction; Chapter 2: Life satisfaction: the concept, its measurability and cross-national comparability*. Delft, The Netherlands: Eburon.
- Veenhoven, R. (1984). *Conditions of happiness*. Dordrecht, The Netherlands: Kluwer Academic Publishers.
- Veenhoven, R. (1999). Quality of life in individualistic society, a comparison of 43 nations in the early 1990's. *Social Indicators Research*, 48, 157-186.
- Veenhoven, R. (2008a). *Measures of Happiness*, World Database of Happiness, Erasmus University Rotterdam, The Netherlands. Retrieved March 2009, from [http://www.worlddatabaseofhappiness.eur.nl/hap\\_quer/hqi\\_fp.htm](http://www.worlddatabaseofhappiness.eur.nl/hap_quer/hqi_fp.htm)
- Veenhoven, R. (2008b). *Happiness in Nations*, World Database of Happiness, Erasmus University Rotterdam, The Netherlands. Retrieved March 2009, from [http://www.worlddatabaseofhappiness.eur.nl/hap\\_nat/nat\\_fp.php](http://www.worlddatabaseofhappiness.eur.nl/hap_nat/nat_fp.php)

## Chapter 14

### Greater happiness for a greater number, some non-controversial options for governments\*

#### Abstract

There are dramatic differences in average happiness across nations ranging from 3.24 in Togo to 8.00 in Denmark on a 0–10-points scale. These differences are an indication that collective conditions in nations are important for happiness. Can governments play a role in the creation of such conditions? This question is addressed in an analysis of average happiness in 131 nations in 2006. The following sub-questions are considered. (1) Is there a positive correlation between average happiness in nations and the quality or the size of governments? (2) Can we explain a positive correlation in terms of causality? (3) Can we specify causality by discerning direct and indirect effects? (4) What about governments and inequality in happiness? (5) What can governments do to increase happiness intentionally? The conclusion is that the technical quality of governments is an important cause for average happiness in nations, and this causality can be specified to some extent. Good governments also reduce inequality of happiness in nations eventually. The implication is that governments can increase average happiness, and in due time reduce inequality in happiness, and that they have some non-controversial options to do so on purpose.

#### Keywords

Happiness • Utilitarianism • Good governance • Democratic quality • Technical quality • Size of governments

#### 14.1 Introduction

Utilitarians believe that governments should have the ambition to create the greatest happiness for the greatest number by legislation, jurisdiction and administration. This point of view raises two different questions: can governments increase happiness, and should they do so if they can. I try to answer the first empirical question, but the answers are relevant for discussions about the second ethical one. In the discussion, at the end of the last section, I make some personal remarks about a possible relationship between the two.

Many people are sceptical or even suspicious about governments, because they associate governments with bureaucracy, high taxes and inefficiency. Some of them can vividly report about government agencies making funny ‘Kafkaesque’ decisions, without adequate options to correct them.<sup>1</sup> Since the break-down of communism there is more faith in free markets as

---

\* Originally published as: Ott, J. C. (2010). Greater Happiness for a greater number: Some non-controversial options for governments. *Journal of Happiness Studies*, 11(5), 631-647.

a source of well-being. The financial crises in 2008 made people more aware of the need to control and supervise markets, but did not boost their love for governments. Many people are unwilling to accept a strong or big government, always watching and acting as a ‘big brother’, because they are afraid they will lose their personal autonomy and freedom. But what can we conclude about the relationship between government and happiness, if we analyze the available data? In this contribution I will assess the potential importance of governments for happiness, but not by evaluating the impact of specific policies. I will do so by an evaluation of the relations between the quality and the size of governments and happiness. I discussed some aspects of these relations earlier (Ott 2010).

### **14.1.1 Research questions**

1. What are the correlations between the quality and the size of governments and average happiness?
2. Are these correlations consequences of causality?
3. Can we specify a possible causal impact in terms of direct and indirect effects?
4. What about governments and inequality in happiness?
5. What can governments do to increase happiness intentionally?

### **14.1.2 Plan of this paper**

I will discuss the concept of happiness first in Sect. 14.2, including its measurement and available data. The qualities and the size of government are discussed in Sects. 14.3 and 14.4. The answers to the research questions are presented in Sects. 14.5, 14.6, 14.7, 14.8 and 14.9, respectively. The conclusions are summarized and discussed in Sect. 14.10.

## **14.2 Happiness in nations**

### **14.2.1 Concept**

Following Veenhoven (1984) I define happiness as ‘the degree to which an individual judges the overall quality of his or her life as a whole favourably’; in other words ‘how much one likes the life one lives’. This is close to what Jeremy Bentham had in mind when he defined happiness as ‘the sum of pleasures and pains’ (Bentham 1780).<sup>2</sup> Happiness, life-satisfaction, personal utility, and subjective well-being are treated here as identical concepts, all referring to the subjective appreciation or enjoyment of life.

### **14.2.2 Measurement**

Since happiness is defined as something that an individual has in mind, it can be measured using questions. Many different questions are used; for an overview see the item bank in the World Database of Happiness (Veenhoven 2009a). The present analysis draws on responses to a survey question, developed by Cantril (1965), which reads as follows:

*Suppose we say that the top of the ladder represents the best possible life for you and the*

*bottom of the ladder represents the worst possible life for you. Where on this ladder do you feel you personally stand at the present time? Please use this card to help you with your answer.*



The formulation ‘*best and worst possible life*’ invites respondents to take into account all relevant domains of their life, like social relations, work, housing, leisure and so on. This question invites a comparative appraisal of life and measures the cognitive dimension of happiness in the first place. As such it is classified as an indicator of ‘contentment’ in the Item Bank of the World Database of Happiness.

### 14.2.3 Data source

The question developed by Cantril has figured in many national surveys and has been used since 2006 in the Gallup World Polls. The samples used in these international studies, with usually around 1,000 respondents per nation but more for nations like India and China, are representative for the general population aged 15 and older. All findings gathered with this question, the Gallup-data included, are brought together in the collection ‘Happiness in Nations’ under item type 31 (Veenhoven 2009b). This analysis draws on that source and uses the available data for the year 2006 for 131 nations. I use the mean as an indicator for level of happiness (average) and the standard deviation (sd) as an indicator for inequality of happiness, since this is an appropriate measure for this concept (Kalmijn and Veenhoven 2005). A low standard deviation indicates low inequality; a high standard deviation indicates high inequality.

In recent years the supply of data has been growing steadily. Around 2000 data about happiness was available for 78 nations, in particular for relatively rich and developed nations. For the year 2006 there are data for 131 nations, not just rich nations but also relatively poor and less developed nations. Such changes, in the composition of the samples of nations to be analyzed, have consequences for the outcomes. One example is discussed in Sect. 14.8. There are 195 nations, so more data about happiness in more nations will be available in the future.

### 14.2.4 Reliability and validity of self-reported happiness

The reliability and validity of self-reported happiness deserves some additional attention. The reliability of the individual answers on happiness questions is limited. There is some instability in the answers and the answers are not invulnerable to contextual factors, like the sequence of the questions in the survey, the interviewer and the weather. Much of these ‘random errors’ usually offset each other in the average happiness in nations.

The above-mentioned question on life-satisfaction has evident face validity; the question clearly addresses happiness as defined. Previous research has also shown high internal validity

as expressed in consistency in responses to this question, when asked in different ways, such as in written questionnaires, face to face interviews or interrogation by professional psychologists (Wessman and Ricks 1966; Oswald and Wu 2010). External validity appears in logical correlations with various factors that are likely to be related to happiness.

#### 14.2.5 Complications

To answer happiness questions people have to balance the good and bad things of their life. A positive answer does not exclude serious problems, and a negative answer does not exclude positive emotions about specific issues. This is not a problem in terms of reliability or validity, but the implication is that self-reported happiness is not always a comprehensive indicator for an individual or collective state of mind. Another complication is that people may be positive or negative about their lives without much justification in actual conditions. Individually or collectively they can be happy in bad conditions, because they expect a better life, or because their conditions are better than what they expected. They can also be unhappy in good conditions because they expect misery, or because their conditions are worse than expected. This is again not a problem in terms of reliability or validity, but the implication is that the relation between happiness and actual 'objective' conditions can be somewhat loose in specific situations.

### 14.3 Quality of governments in nations

#### 14.3.1 Concept

I follow Helliwell and Huang (2008) and use the terms governance and government as equivalents. This is acceptable since both terms are very broad, including administration by governments and their legislation and jurisdiction.

The World Bank defines governance as follows: "governance consists of the traditions and institutions by which authority in a country is exercised. This includes the process by which governments are selected, monitored and replaced; the capacity of the government to effectively formulate and implement sound policies; and the respect of citizens and the state for the institutions that govern economic and social interactions among them" (Kaufmann et al., 2009). The following aspects of good governance are discerned.

*Voice and Accountability*: the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.

*Political Stability and Absence of Violence*: perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including domestic violence and terrorism.

*Government Effectiveness*: the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.

Table 1. Correlations between government indicators around 138 nations, data source: World Bank 2006

	Voice + Acc.	Political stability	Gov. effective	Regulatory quality	Rule of law
Voice + accountability	X				
Political stability	0.69	X			
Government effectiveness	0.81	0.77	X		
Regulatory quality	0.85	0.75	0.95	X	
Rule of law	0.80	0.78	0.97	0.94	X
Control of corruption	0.79	0.77	0.96	0.91	0.98

All correlations in this Table and in the next Tables are based on a pair-wise comparison of variables. The correlations are comparable because they are still related to practically the same sets of nations. I do not report the significance. Significance is the chance that the correlation observed in the sample does not correspond with the correlation in the population from which the sample was drawn. My set of nations is not a random sample of all nations; nations were included if the required data was available

*Regulatory Quality:* the ability of the government to formulate and implement sound policies and regulations that permits and promotes private sector development.

*Rule of Law:* the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, the police, and the courts, as well as the likelihood of crime and violence.

*Control of Corruption:* the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as ‘capture’ of the state by elites and private interests.

The six aspects of governance are all highly correlated, but the correlations between the first two, and between the first two and the last four, are somewhat lower (see Table 1). There is also a conceptual difference: the first two have to do with the political situation and the remaining four have to do with the institutional quality and effectiveness. I follow Helliwell and Huang (2008) who discern these types of quality and call them GovDem (average of the first two) and GovDo (average of the last four). I will call them democratic and technical quality. The correlations between the four components of the technical quality are always very high (>0.90 for 2006), which is an indication that we are dealing with one consistent concept. The correlation between the two components of democratic quality is relatively low (0.69 in 2006). In general political stability goes together with a good score for voice and accountability, but stability can also be the outcome of repression without much voice and accountability. Democratic quality as a concept is therefore less homogeneous than technical quality. It is an alternative to use ‘voice and accountability’ as a single indicator for democratic quality, but this approach does not produce substantially different results.

### 14.3.2 Measurement

To assess the above mentioned aspects of quality of governments the World Bank collects data from independent sources produced by different organizations. These data sources consist of surveys of firms and individuals, the assessments of commercial risk rating agencies, non-governmental organizations, and a number of multilateral aid agencies and other public sector organizations.<sup>3</sup> For 2006 data were used from 33 different sources from 30 different organizations.<sup>4</sup>

### 14.3.3 Data source

All these data, background information included, is available at the site of the World Bank; Governance Matters VIII: Aggregate and Individual Governance Indicators for 1996–2008; as published in ‘World Bank Policy Research Working Paper 4978, 2009’ (Kaufmann et al.; World Bank 2009).

## 14.4 Size of governments in nations

### 14.4.1 Concept

The phrase ‘size of government’ suggests quantitative exactness, but this is misleading. It would be more realistic, but somewhat long winded, to use the more qualitative phrase ‘the relative importance of the level of government activities in society’. This is usually what it is all about, and this is what I mean if I use the term ‘size of governments’. This size of governments is about the level of all government activities taken together, and not just the level of specific activities, like military activities, social security, police, public health services, and so on. The popularity of this subject, whatever the phrase, is understandable. In every society we can make a distinction between horizontal and vertical relations between people or organizations (parties/agents). Horizontal relations are based on equality and free will, while vertical relations are based on hierarchy, power and authority. The typical juridical arrangement for horizontal relations is a contract based on consensus. For vertical relations it is an order, a legal decree, or a decision; in democratic nations eventually based on legislation, but not on consensus. The size of governments determines the relative importance of vertical relations in societies.

The distinction between horizontal and vertical relations is important because it runs parallel with the distinction between individual and collective responsibility. People have a clear and full individual responsibility in horizontal relations, but in vertical relations their responsibility is rather limited. The nature of this distinction also explains many negative feelings about governments: it is very difficult to defend yourself against misbehavior by governments; the juridical steps do so are usually complicated, expensive, long-winded, and very unpleasant. This background, plus the consequences in terms of regulation and taxation, explains the importance of the size of governments as a political issue.

Table 2. Zero-order and partial correlations between qualities and size of governments and happiness in nations (around 125 nations)

Government characteristics	Zero-order	Control technical quality	Control democratic quality	Control size of government	Control wealth
Technical quality	+0.75	X	+0.58	+0.68	+0.14
Democratic quality	+0.61	-0.17	X	+0.50	+0.04
Size of government	+0.46	+0.10	+0.30	X	+0.03

*Data source:* States of Nations (Veenhoven 2009c)

#### 14.4.2 Measurement

I will use Government Consumption as a percentage of total national consumption as an indicator for size. Government Expenditures, as a percentage of GDP, is a more comprehensive indicator for the financial importance of governments, but Government Consumption is more informative for the level of actual activities.

#### 14.4.3 Data source

Data about Government Consumption are obtained from the Fraser Institute (Gwartney and Lawson 2006).

### 14.5 Correlation between quality and size of government and average happiness

#### 14.5.1 Quality

In previous research (Ott 2010) with 127 nations I found high correlations between happiness, and democratic and technical quality, but higher for technical quality. Both correlations are independent of culture. The correlation between technical quality and happiness does not depend on wealth either, but the correlation between democratic quality and happiness is limited to relatively rich nations. I get the same results in my sample of 131 nations. Average happiness appears to be more connected with the technical quality than with democratic quality; the zero-order-correlations<sup>5</sup> are +0.75 and +0.61, respectively. The technical quality is apparently the most dominant quality, with higher and more autonomous correlations (see Table 2). For this reason I will concentrate on the relation between technical quality and happiness.

The relation between technical quality and average happiness is visible in Fig. 1. The relationship is clearly positive and quite strong. The relationship is apparently linear; there is no clear pattern of diminishing or increasing returns. Consequently a quadratic function does not fit the data substantially better than a linear one.<sup>6</sup>

In the right top section of Fig. 1 the correlation is higher than in the bottom left section, i.e. scores are closer to the fit-line. Nations seem to need some minimal level of technical

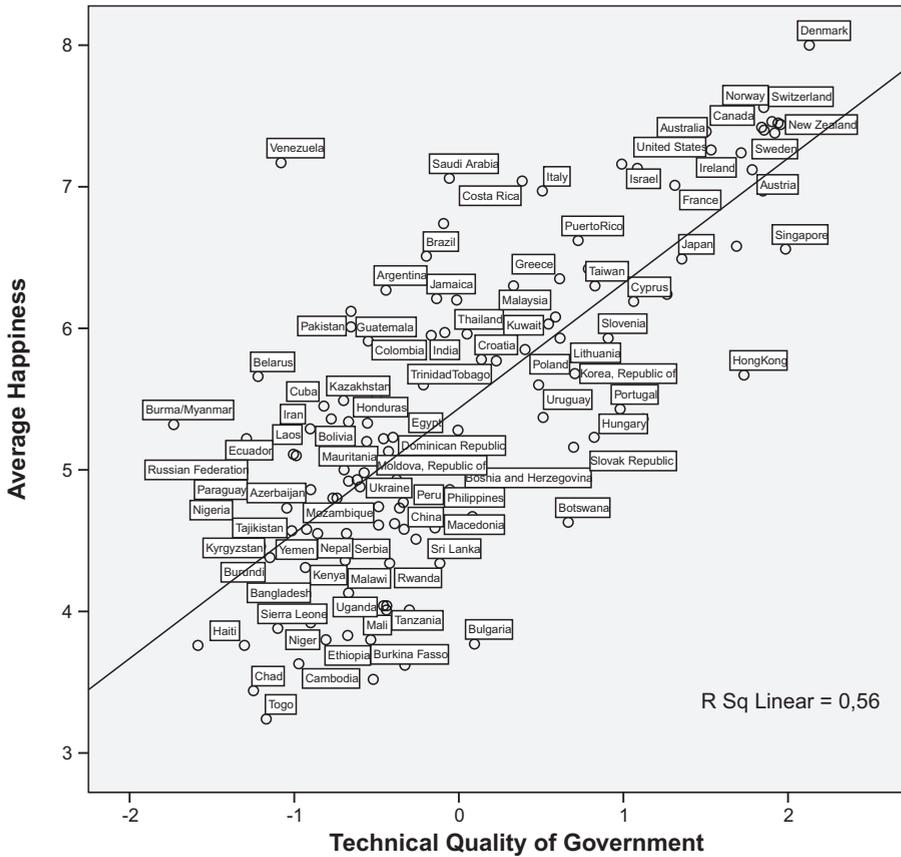


Figure 1. Technical quality of governance and average happiness in nations in 2006

competence when it comes to governance, before their quality can develop a substantial correlation with happiness. An additional explanation for the low correlations at the left sides is ‘natural resources’. Some governments can collect and distribute a lot of money by the exploitation of natural resources. Even if their qualities are at a low level, they can still contribute to average happiness.

**14.5.2 Size**

As concluded in my previous research the relation between the quality of governments and happiness is independent of their size, while the relation between size and happiness depends fully on the quality. The zero-order correlation between quality (+0.75) and happiness remains at a high level (+0.68) if accounted for size, while the zero-order correlation between size and happiness (+0.46) almost disappears (goes to +0.10) if accounted for quality (Table 2).

## 14.6 What about causality?

The correlation between happiness and the technical quality is high and rather independent of other factors. This is no surprise since the technical quality is defined and measured in a very broad way. In some respects the technical quality of governments is even comparable to the institutional quality in nations in general. Such a high correlation is however not necessarily a matter of any causal impact of technical quality on happiness. As explained in previous research (Ott 2010) we can discern three possible explanations for the correlation between technical quality and happiness.

### 14.6.1 Spurious correlation?

In this explanation, there is no causal relation between good technical governance and happiness, but both variables are dependent on a third variable. Wealth could be such a variable since it is likely to affect both happiness and the quality of government. Yet this cannot be the whole story since the correlations between technical quality and happiness does not completely disappear if the effect of wealth is accounted for first (Table 2). In addition to that good technical governance is important for wealth and wealth contributes to happiness. In other words: technical quality can have a causal impact on happiness in several ways, directly, and indirectly with intervening factors in between. Wealth is obviously a key candidate to play such an intervening role (see next section).

### 14.6.2 Causality: impact of happiness on government quality?

In this explanation happiness affects quality of government rather than vice versa. Various effects can be involved: e.g. happy citizens being more apt to vote for investment in the public good, more willing to participate in government, and less apt to obstructive behavior. Such explanations fit the literature on benefits of happiness (Lyubomirsky et al. 2005; Guven 2011). Still, this is unlikely to be the whole story, for instance because government qualities have roots in historical developments, which were not always particularly happy.<sup>7</sup>

### 14.6.3 Causality: impact of government quality on happiness?

The last explanation is that better government makes happier citizens and this explanation appeals most to common sense. There must be some truth in this explanation, since alternative explanations are insufficient to explain the correlation completely.

## 14.7 Specification of causality: direct and indirect effects

The causal impact of technical quality on happiness can be explained in two ways. There can be a direct or an indirect impact. This distinction is similar to the distinction between ‘procedural utility’ and ‘output utility’, as developed by Frey and Stutzer (2005). Referring to

Table 3. Correlations between socio-economic conditions and happiness in the second column, and between these conditions and technical quality of governments in the third column

Conditions	Correlations with average happiness	Correlations with technical quality	Partial correlation technical quality average happiness
Wealth	+0.80	+0.89	+0.14
Gender equality	+0.79	+0.75	+0.39
Safety and health	+0.75	+0.70	+0.47
Gross school enrollment-ratio	+0.73	+0.70	+0.49
Economic freedom	+0.62	+0.79	+0.53
Unemployment	-0.40	-0.26	+0.73
Income-inequality (gini)	-0.29	-0.41	+0.72

In the last column the partial correlations between technical quality and happiness, after controlling for these conditions. Variables and data sources described in the Appendix. Around 110 nations

Deci and Ryan (2000) they define procedural utility as “... the well-being gained from living and acting under institutionalized processes that also contribute to a positive sense of self and address the innate needs for autonomy, relatedness, and competence”. The perceived fairness of procedures, and opportunities to participate, are important conditions for procedural utility. It obviously makes a difference if people can participate and are treated professionally, respectfully and carefully, and without too much bureaucracy and delay. Frey and Stutzer have shown that democratic quality has a direct impact on happiness, even if people dislike the outcomes of democratic procedures. We may assume however that technical quality, as determined by effectiveness, regulatory quality, rule of law and control of corruption, are also important in direct contacts. In the context of rule of law adequate procedures are obviously indispensable to correct misbehavior by government agencies.

The indirect impact of quality, and of technical quality in particular, is probably also substantial. If governments are at an optimal quality level they will be more effective in the realization of conditions that contribute to happiness. Such conditions can operate as intermediate or intervening factors between government and happiness. Some conditions are frequently put forward as important factors for average happiness.

In the second column of Table 3 the zero-order correlations are presented between average happiness and seven living conditions; and in the third column the zero-order correlations between technical quality and these conditions. These correlations are high for the first five conditions. In the last column the partial correlations are presented between technical quality and average happiness after controlling for these conditions. This is the usual test to assess the importance of intervening factors. The zero-order correlation of +0.75, between technical quality and average happiness, goes down to +0.14; +0.39; +0.47; +0.49, and +0.53 if controlled for wealth, gender equality, safety and health, gross school-enrollment, and economic freedom. The implication is that wealth in particular is an important intervening variable between technical

quality and average happiness, and the other four at a somewhat lower level. Unemployment and income-inequality are not very important as intervening variables, because the original correlation of 0.75 is not really reduced if controlled for these variables. This might be due to complications in the measurement of unemployment and income-inequality (see Appendix).

Combinations of the first five conditions can explain the differences in average happiness quite well. The explained variance in happiness goes up to 72 percent, if all these conditions are used as independent variables in a linear regression to explain average happiness in nations. The importance of individual conditions ‘in general’ is however difficult to assess, because of their intensive interaction, resulting in high mutual correlations (statistical multicollinearity).<sup>8</sup>

## 14.8 Good governance and inequality in happiness in nations

Increasing average happiness is a logical way to promote happiness for the greatest number, since there are no evident reasons to prioritize the happiness of specific groups. One traditional dilemma however is the relative importance of average happiness and inequality in happiness. In this section I will discuss the correlation between the technical quality of governments and inequality in happiness.

### 14.8.1 Less inequality with technical good governance?

In Fig. 2 we see the relationship between technical good governance and inequality in happiness as expressed in the standard deviation. There is a low negative correlation ( $-0.18$ ,  $N = 128$ ), suggesting that a higher technical quality goes together with less inequality. But this correlation is misleading because the relation is not linear. Inequality goes up first with higher technical quality and goes down if a certain level is reached ( $z$ -score close to 0, = average score in 2006). Consequently a quadratic function creates a better fit than a linear one.<sup>9</sup> We see a positive correlation with inequality in happiness ( $+0.29$ ,  $N = 78$ ) for nations with a low level of technical quality ( $z$ -score  $< 0$ ) and a substantial negative correlation with inequality in happiness ( $-0.64$ ,  $N = 50$ ) for nations with a high technical quality ( $z$ -score  $> 0$ ). The correlation between democratic quality and inequality is similar, but at lower levels.

The causal impact of technical quality on happiness suggests an explanation for this relation between technical quality and inequality in happiness. If technical quality is at a low level, and the government starts to improve this quality and to develop some grip on happiness, there will be an increase in average happiness. But even if governments are not corrupt, some groups in society will benefit disproportionately, and there will be more inequality in happiness. If government quality goes up further, governments will be able to pay more attention to people who stay behind and will be more effective in creating collective conditions that contribute to happiness. Such conditions, e.g. in terms of public safety, healthcare and education, also reduce inequality in happiness by reducing the impact of income-inequality on the quality of life. This explanation is obviously interesting in ethical discussions about the promotion of average happiness and equality in happiness.

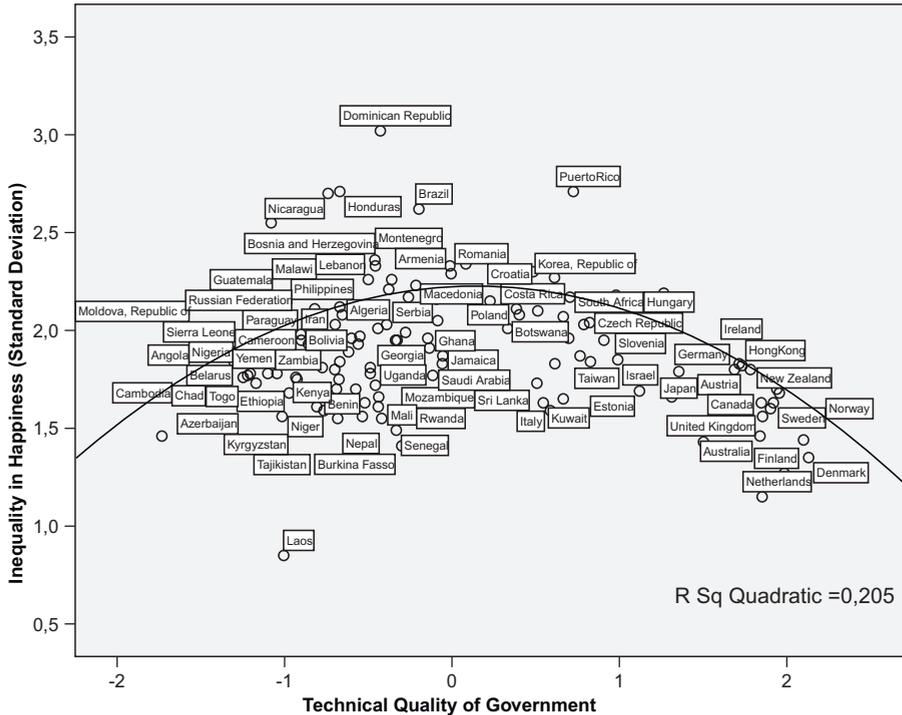


Figure 2. Technical quality of governments and inequality in happiness in 2006

If we compare Figs. 1 and 2 we see that the conclusion of Ott in earlier research (2005), that there is in general a positive relation between average happiness and equality in happiness, is not replicated. This is clearly a consequence of a difference in the composition of the samples of nations that were analyzed. The sample Ott used for the years around 2000 consisted of 78 nations with relatively high levels of government qualities. The sample now used consists of 131 nations, including nations with relatively low levels of government qualities. In other words: the left side in Fig. 2 is ‘quite new’.

**14.8.2 Size of government and inequality?**

We concluded in Sect. 5 that the relation between size of governments and average happiness depends on the qualities of governments, and in particular on technical quality. The same is true for the relation between the size of governments and inequality in happiness. This is very visible in Table 4: in the sample of nations with a low technical quality the correlation between size and inequality is very low but positive: bigger governments go together with more inequality. In the sample of nations with a high technical quality the correlations is substantially negative: bigger governments go together with less inequality.

Table 4. Correlations between size of government and inequality in happiness (standard deviation) for all nations, nations with a low government quality and nations with a high technical government quality number of nations in italics

All nations	Technical quality < 0	Technical quality > 0
-0.23	+0.02	-0.46
<i>116</i>	<i>69</i>	<i>47</i>

*Data source:* States of Nations (Veenhoven 2009c)

### 14.9 What governments can do to increase average happiness: some non-controversial options

The fact that the technical quality of governments has a substantial impact on happiness is important. The implication is that governments can increase happiness by improving their technical quality. This can be achieved by improving government effectiveness, regulatory quality, rule of law, and control of corruption. There are many options<sup>10</sup> and the World Bank and other international organizations, like the UN, the IMF and the OECD, provide practical guidelines and support. Governments can select the best options after an inventory of their specific weaknesses and opportunities. This conclusion is interesting because the improvement of technical quality is usually not a controversial issue; most people will agree that improving the technical quality is perfectly all right, even if they have different political priorities otherwise. Improving the democratic quality or changing the size of governments will be more problematic and controversial, because such alternatives are more likely to have consequences for the distribution of power.

One additional non-controversial way to increase happiness is by carefully discerning three methods to assess happiness or subjective well-being.

1. Governments can analyze the behavior and the decisions of citizens, to find out what they want. In other words: they can observe their ‘revealed preferences’. This is common practice in economics and leads to a high priority for economic growth. Unfortunately revealed preferences depend on the actual supply of goods and services, the knowledge and disposable budgets of consumers, the honesty of producers, and the transparency of markets in general.
2. Governments can analyze the ‘stated preferences’ of people, as they express them explicitly in inquiries, referenda, polls and elections. The weakness of stated preferences is that they also depend on the knowledge and imagination of respondents, and that they are not binding. People can say whatever they like without personal consequences.
3. Governments can analyze the conditions that make people happy, by comparing the conditions of people at different levels of happiness. People can adequately report about

their own happiness, and this self-reported happiness is not directly dependent on their imagination, or on their knowledge of available products and services. A practical problem is the fact that happiness depends on many conditions, which makes it difficult to assess the importance of specific conditions. Happiness research requires a lot of data to reach meaningful conclusions, but the collection of this data is relatively easy and cheap.

Most governments and political parties only use the first and second approach and neglect the third. Their assessments of happiness or subjective well-being are therefore unbalanced, and the measurement and analysis of self-reported happiness can help to overcome this problem (Ott 2009). In addition to maximizing their technical quality, governments should therefore facilitate such efforts by stimulating the collection and analysis of happiness data. This would improve the assessments of subjective well-being, and such improved assessments would be valuable input for political debates and democratic decision-making.

## **14.10 Conclusions and discussion**

### **14.10.1 Correlations**

The technical quality of governments is assessed by the average score of four government indicators, as measured by the World Bank: government effectiveness, regulatory quality, rule of law and control of corruption. It is a broad concept but the correlations between the four components are high. The democratic quality is assessed by the average score of two government indicators: voice and accountability and political stability. The correlation between these components is somewhat lower. Both qualities are in a positive way correlated with average happiness in nations, but the correlation between the technical quality and average happiness is the highest and the most independent. The qualities, and in particular the technical quality, are also important for inequality in happiness but in a different fashion. In a sample of nations with a low level of technical quality there is a positive correlation with inequality: more quality implies more inequality. Above a certain level, in 2006 a level close to the average, the correlation becomes substantially negative: more quality implies less inequality.

### **14.10.2 Causality**

The correlations between technical quality and happiness are, at least to some extent, a consequence of causality. We can discern a direct and an indirect causality. The quality 'as such' is probably appreciated by citizens and creates 'procedural utility'. Quality also creates 'output utility', because better qualified governments are more effective in creating conditions that contribute to happiness. Such conditions can be perceived as intermediate or intervening factors between government qualities and happiness. The actual importance of such intermediate factors will be different in nations, and even in one nation it is difficult to assess the importance of individual conditions, because of their intensive interaction.

Gender equality, wealth, economic freedom, education, and safety and health are examples of ‘positive’ intermediates.

### **14.10.3 Causality and inequality**

If technical quality is at a low level, and the government starts to improve this quality and to develop some grip on happiness, there will be an increase in average happiness. But even if governments are not corrupt, some groups in society will benefit disproportionately, and there will be more inequality in happiness. If government quality goes up further, governments will be able to pay more attention to people who stay behind and will be more effective in creating favourable collective conditions. Collective conditions, e.g. in terms of public safety, healthcare and education, contribute to equality in happiness, also by reducing the impact of income-inequality on the quality of life.

### **14.10.4 Some non-controversial options to increase happiness**

Governments can increase happiness by improving their technical quality. They can do this by improving government effectiveness, regulatory quality, rule of law, and control of corruption. There are many options, and governments can select the best options after an inventory of their specific weaknesses and opportunities. This conclusion is interesting because the improvement of technical quality is usually not a controversial issue; most people will agree that improving the technical quality is perfectly all right, even if they have different political priorities otherwise. In addition to that governments can facilitate the collection and analysis of self-reported happiness data, to make the assessments of happiness, life satisfaction, utility, or subjective well-being, less dependent on revealed and stated preferences. Such improved assessments are valuable input for political debates and democratic decision-making.

### **14.10.5 Discussion: should governments increase happiness?**

The conclusion that governments can increase happiness leads us to the next question: should governments increase happiness intentionally? In my view this is very acceptable in some respects. Happiness is measurable and widely appreciated in different cultures as a social value (Veenhoven 1984; Oswald and Wu 2010). Even if people focus not on happiness, but on other goals, they can still appreciate happiness as a positive ‘by-product’. Happiness has also some appreciated consequences. It has a positive impact on health (Veenhoven 2008) and happy people are more willing to participate in government and are less apt to obstructive behavior (Guvan 2011). And in research no serious structural tensions have been found between happiness and alternative values, like personal autonomy, justice, solidarity and freedom (Duncan 2010; Layard 2005; Diener & Seligman 2004). In my view governments should nevertheless primarily respect the personal autonomy of citizens, and as a consequence they should work within the context of democracy. I do not believe that governments should ever apply some general ideology as a substitute for democracy, or as an excuse for paternalism. The implication is that governments can always promote happiness directly by maintaining

law and order and creating ‘procedural utility’, but, apart from that, they can only promote happiness intentionally, if they are entitled to do so by legitimate democratic decisions. In most nations it will be rather easy however, to achieve consensus about the non-controversial options just mentioned: improving the technical quality of the government and facilitating the collection and analysis of happiness data.

**Appendix: Additional Information About Variables Related to Socio-Economic Living Conditions**

1. Wealth. Purchasing power parity per capita (in 2007-international dollars) (HDI 2006; UNDHP, HDR 2008).
2. Gender Equality as measured by the Gender Development Index (GDI 2007; UNDHP, HDR 2009).
3. The expected life-time at birth is used here as an indicator for objective safety and health, because there is no adequate alternative information available (HDI 2006; UNDHP, HDR 2008).
4. Gross School-Enrolment Ratio: % of population in primary, secondary and tertiary education (HDI 2006; UNDHP, HDR 2008).
5. Economic freedom. The freedom to make economic decisions; average score of five aspects of economic freedom as measured by the Fraser Institute: size of governments, legal structure and security of property rights, access to sound money, freedom to trade internationally, regulation of credit, labor and business (Economic Freedom of the World, Fraser Institute 2006).
6. Unemployment (% unemployed of labor force (CIA, The World Fact Book 2009, most data collected in the years 2002–2009)).
7. Income-equality. The Gini-index of the family-income distribution (CIA, The World Fact Book, 2009, most data collected in the years 2002–2009).

The measurement of the last two variables, unemployment and income-inequality, is complicated. In many nations there are extensive informal sectors, and it is difficult to collect economic-data for such sectors. On top of that there are substantial differences in the definitions of unemployment and income.

**Notes**

- 1 One typical Dutch example: a civil servant is fired, even though everybody agrees he is an excellent worker. He wants to continue his work and there is a serious shortage of staff. He is fired because of his age. This is prohibited by law, but it was impossible nevertheless to redress this decision, made by the Dutch Ministry of Justice!
- 2 In Bentham’s view such pleasures and pains are more than just simple positive or negative emotions. In chapter three of ‘The principles of Morals and Legislation’, ‘of the four Sanctions or Sources of Pain and Pleasure’, he

- discerns four origins of pleasures and pain: the physical, the political, the moral, and the religious. This is an indication that such emotions can derive from complex cognitive states of mind.
- 3 For a discussion see 'Governance Indicators: Where Are We, Where Should We Be Going?' by Daniel Kaufmann and Aart Kraay (Kaufmann et al. 2008).
  - 4 The World Bank transforms this information into scores for each of the six sub-indicators with a mean of 0 and a standard deviation of 1 in the original sample of 212 nations and regions (standardized z-scores, approximately between -2.5 and +2.5; indicating relative positions in a specific year, in my sample in 2006).
  - 5 A zero-order correlation is the correlation between two variables 'as such', without taking into account the effect of any other variable(s). A partial correlation measures the correlation between two variables with the effects of one (or more) variable(s), interaction effects included, controlled or removed.
  - 6 A linear function explains 56% of the variance ( $R$  squared) in average happiness, a quadratic function 57%.
  - 7 Data about the quality of governments are considered as 'external' and are not explained. We may speculate however that the principle of the separation of three independent powers for legislation, administration and jurisdiction; provide for an explanation. This principle of the 'Trias Politica' was introduced by Montesquieu in 1748 before the American and French revolution. Since then this principle has had a positive impact on nation building and institutionalization in western nations. It has contributed directly to regulatory quality and rule of law, and, more indirectly, to political stability and control of corruption. In most other nations in the world the struggle against repression by some social class, or a colonial power, has been an alternative driver for nation building and institutionalization. In many nations this has eventually led to the formation of one political party with a very dominant position. In such nations the separation of powers is obviously problematic. Many nations are still in such situations, or in their aftermath.
  - 8 As a consequence (of this multicollinearity) it is not fruitful to apply more sophisticated statistical tests like path-analysis.
  - 9 A linear function explains 3% of the variance ( $R$  squared) in the inequality of happiness, a quadratic function 21%.
  - 10 Three more specific but interesting 'down-to-earth' options to improve the technical quality are:
    - a. the registration of property rights, in particular for real estate, i.e. have a land registry. As has been demonstrated by De Soto (2000) this is an important condition for economic development.
    - b. to register people, i.e. set up registrar's offices, as a necessary condition to organise adequate public education and health services.
    - c. to develop and implement general principles of good governance, to achieve decent and respectful relations between government institutions and citizens. This is really important because people can get very angry and upset by unfair government-decisions. Well-known examples of such principles are: carefulness and accuracy of decisions, respecting all interests, accounting for decisions, fair-play and equality (equal situations are treated equally), respect for reasonable expectations, no 'de'tournement de pouvoir' (powers have to be used in accordance with their legal background), proportionality (no disproportional consequences for citizens, relative to public interests).

## References

- Bentham, J. (1780). *The Principles of Morals and Legislation* (Republished 1988). New York, NY: Prometheus Books.
- Cantril, H. (1965). *The Pattern of Human Concerns*. New York, NY: New Brunswick.
- De Soto, H. (2000). *The mystery of capital; Why capitalism triumphs in the west and fails everywhere else*. London, UK: Bantam Press.
- Deci, E. L., & Ryan, R. M. (2000). The 'what' and 'why' of goal pursuits: Human needs and the self-determination of behavior. *Psychological Inquiry*, 11(4), 227-268.

### Part III: Chapter 14

- Diener, E., & Seligman, M. E. P. (2004). Beyond Money: Toward an economy of well-being. *Psychological Science in the Public Interest*, 5(1), 1-31.
- Duncan, D. (2010). Should happiness maximization be the goal of government? *Journal of Happiness Studies*, 11(2), 163-178.
- Frey, B. S., & Stutzer, A. (2005). Beyond outcomes: Measuring procedural utility. *Oxford Economic Papers*, 57, 90-111.
- Güven, C. (2011). Are happier people better citizens? *Kyklos*, 64 (2), 178-192.
- Gwartney, J. D., & Lawson, R. A. (2006). *Economic freedom of the world*. Annual report. Fraser Institute, Vancouver, Canada. Data available: [www.freetheworld.com/206/2006dataset.xls](http://www.freetheworld.com/206/2006dataset.xls).
- Helliwell, J., & Huang, H. (2008). How's your government? International evidence linking good government and well-being. *British Journal of Political Science*, 38, 595-619.
- Kalmijn, W. M. & Veenhoven, R. (2005). Measuring inequality in happiness in nations. In search for proper statistics. *Journal of Happiness Studies*, 6(4), 357-396.
- Kaufmann, D., & Kraay, A. (2008). Governance indicators: Where are we, where should we be going? *World Bank Research Observer*, 23(1), 1-30.
- Kaufmann, D., Kraay, A. & Mastruzzi, M. (2009). *Governance Matters VIII: Aggregate and Individual Governance Indicators, 1996-2008*. World Bank Policy Research, Working Paper No. 4978.
- Layard, R. (2005). *Happiness: Lessons from a new science*. New York, NY: The Penguin Press.
- Lyubomirsky, S., Diener, E., & King, L. (2005). The benefits of frequent positive affect: Does happiness lead to success? *Psychological Bulletin*, 131(6), 803-855.
- Oswald, A.J., & Wu, S. (2010). Objective confirmation of subjective measures of human well-being: Evidence from the USA. *Science*, 327(5965), 576-579.
- Ott, J.C. (2005). Level and equality of happiness in nations: Does greater happiness of a greater number imply greater inequality in happiness? *Journal of Happiness Studies*, 6(4), 397-421.
- Ott, J.C. (2009). Happiness, economics and public policy, a critique. *Journal of Happiness Studies*, 11(1), 125-130.
- Ott, J.C. (2010). Good governance and happiness in nations, technical quality precedes democracy and quality beats size. *Journal of Happiness Studies*, 11(3) 353-368.
- Veenhoven, R. (1984). *Conditions of happiness*. Dordrecht, The Netherlands: Kluwer Academic Publishers.
- Veenhoven, R. (2008). Healthy happiness: Effects of happiness on physical health and the consequences for preventive healthcare. *Journal of Happiness Studies*, 9(3) 449-469.
- Veenhoven, R. (2009a). *Measures of Happiness*, World Database of Happiness, Erasmus University Rotterdam, The Netherlands. Retrieved October 2009, from [http://www.worlddatabaseofhappiness.eur.nl/hap\\_quer/hqi.htm](http://www.worlddatabaseofhappiness.eur.nl/hap_quer/hqi.htm).
- Veenhoven, R. (2009b). *Happiness in Nations*, World Database of Happiness, Erasmus University Rotterdam, The Netherlands. Retrieved October 2009, from [http://www.worlddatabaseofhappiness.eur.nl/nat\\_hap/nat\\_fp.php](http://www.worlddatabaseofhappiness.eur.nl/nat_hap/nat_fp.php).
- Veenhoven, R. (2009c). *States of nations: Data file to be used for the cross-national analysis of happiness*, World Database of Happiness, Erasmus University Rotterdam, The Netherlands. [http://worlddatabaseofhappiness.eur.nl/statnat/statnat\\_fp.htm](http://worlddatabaseofhappiness.eur.nl/statnat/statnat_fp.htm).
- Wessman, A. E., & Ricks, D. F. (1966). Winn, a case study of a happy man. *Journal of Humanistic Psychology*, 6(1), 2-16.

## Chapter 15

### Government and happiness in 130 nations: good governance fosters higher levels and more equality of happiness\*

#### Abstract

There are substantial differences in happiness in nations. Average happiness on scale 0–10 ranges in 2006 from 3.24 in Togo to 8.00 in Denmark and the inequality of happiness, as measured by the standard deviation, ranges from 0.85 in Laos to 3.02 in the Dominican Republic. Much of these differences are due to quality of governance and in particular to ‘technical’ quality. Once a minimum level is reached, rising technical quality boosts average happiness proportionally. Good governance does not only produce a higher level of happiness, but also lowers inequality of happiness among citizens. The relation between good governance and inequality of happiness is not linear, but follows a bell shaped pattern, inequality of happiness being highest in nations where the quality of government is at a medium level. The relation between the size of government and average happiness depends heavily on the quality of government; good-big government adds to happiness but bad-big government does not. Possible explanations of these findings are discussed.

#### Keywords

Happiness • Life satisfaction • Inequality • Kuznets curve • Inequality trap • Good governance • Technical quality • Democratic quality • Size of government

#### 15.1 Introduction

People tend to believe that the impact of government on their happiness is low. Headey and Wearing (1992) found that people estimate that governments contribute less to happiness than any other potential source. Such beliefs are understandable since people are primarily confronted with - and interested in individual differences in happiness within their own nations. Such differences are not related to common or collective conditions, but to individual differences in terms of employment, income, personality, education, gender, social relations and age.

Perhaps views on government would be different if people were more familiar with differences across nations in average happiness and inequality in happiness. In 2006 average happiness ranged from 3.24 in Togo to 8.00 in Denmark on a 0–10-scale and the inequality, as measured by the standard deviation, ranged from 0.85 in Laos to 3.02 in the Dominican Republic (see “Annex”). Such differences are largely due to institutional factors, such as economic development and political freedom (Ott 2005). Governments can play a role at that point.

---

\* Originally published as: Ott, J.C. (2010). Government and happiness in 130 Nations: Good governance fosters higher level and more equality of happiness. *Social Indicators Research*, 102(1), 3-22.

In earlier research it was found that the quality of government has a substantial impact on average happiness, the level of happiness being higher in well governed nations (Helliwell and Huang 2008; Ott 2010). As yet there is hardly any research about the impact of good government on the *inequality* of happiness in nations. In this paper I explore the impact of government on both average happiness and *inequality* in happiness in nations. I will consider both *quality* and the *size* of governments. Since I am only interested the broad picture I will pay no attention to specific policies, nor to the impact of government on specific groups or at an individual level.

I will furthermore pay attention to the problem of an ‘inequality trap’ as described by Rothstein and Uslaner (2005). They find strong interdependencies between socio-economic equality, good governance and trust. On that basis they argue that nations can get locked up in a paralyzing inequality trap: a high level of inequality, without any social trust, can make it impossible for governments to be effective, and to get out of this vicious circle.

This paper builds on an earlier cross-national study in which I found that higher levels of average happiness go together with more equality in the distribution (Ott 2005). This research was based on data about happiness in 78 relatively rich nations around 2000. Now we have data on happiness in 130 rich and poor nations around 2006. These new data allow a more profound analysis of the impact of government on happiness.

### 15.1.1 Research questions

1. What is the relation between the *quality* of government and *average* happiness in nations?
2. What is the relation between the *quality* of government and *inequality* in happiness in nations?
3. What is the relation between the *size* of government and *average* happiness in nations?
4. What is the relation between the *size* of government and *inequality* in happiness in nations?

### 15.1.2 Plan of this paper

I will start with a discussion of concepts and measures. The concept of happiness and its measurement is discussed in Sect. 15.2. The quality of government is discussed in Sect. 15.3, and the size of governments in Sect. 15.4. Next the answers to the research questions are discussed in Sects. 15.5, 15.6, and 15.7 respectively. The findings are discussed in Sect. 15.8. The conclusions are presented in Sect. 15.9.

## 15.2 Happiness in nations

### 15.2.1 Concept

Following Veenhoven (1984) I define happiness as ‘the degree to which an individual judges the overall quality of his or her life as a whole favorably’; in other words ‘how much one likes the life one lives’.

### 15.2.2 Measurement

Since happiness is something that an individual has in mind, it can be measured using questions. Many different questions are used; for an overview see the collection of Happiness Measures that is part of the World Database of Happiness (Veenhoven 2010a). The present analysis draws on responses to a survey question, developed by Cantril (1965), which reads as follows:

*Suppose we say that the top of the ladder represents the best possible life for you and the bottom of the ladder represents the worst possible life for you. Where on this ladder do you feel you personally stand at the present time? Please use this card to help you with your answer.*

0	1	2	3	4	5	6	7	8	9	10
<i>Bottom of the ladder</i>					<i>Top of the ladder</i>					

The formulation *best and worst possible life* invites respondents to take into account all relevant domains of their life, like social relations, work, housing, leisure and so on. This question invites a comparative appraisal of life and measures the cognitive dimension of happiness in the first place. As such it is classified as an indicator of ‘contentment’ in the Item Bank of the World Database of Happiness (Veenhoven 2010a).

### 15.2.3 Reliability and validity of self-reported happiness

The reliability of the individual answers on happiness questions is limited. There is some instability in the answers and the answers are vulnerable to contextual bias, like the sequence of the questions in the survey, characteristics of the interviewer and the weather. Much of these ‘random errors’ usually offset each other in the average happiness in nations. The assessment of average happiness in a nation is therefore less vulnerable to measurement bias than the assessment of individual happiness. The distribution of happiness appears to be rather stable in most nations in subsequent surveys (Time Trends in the World Database of Happiness, Veenhoven 2010c). The above mentioned question on life-satisfaction has evident face validity; the question clearly addresses happiness as defined. Previous research has also shown high congruent validity as expressed in consistency in responses to this question, when asked in different ways, such as in written questionnaires, face to face interviews or interrogation by professional psychologists (Wessman and Ricks 1966; Oswald and Wu 2010). External validity appears in logical correlations with various conditions that are likely to be related to average happiness, such as wealth, economic freedom, gender equality and life-expectancy.

### 15.2.4 Data source

The question developed by Cantril has figured in many national surveys and has been used since 2006 in the Gallup World Polls. All findings gathered with this question are

brought together in the collection ‘Happiness in Nations’ which is part of the World Database of Happiness, and coded as responses to question type 31 (Veenhoven 2010b). This analysis draws on that source and uses all the findings for the year 2006. I use the mean as an indicator for the *level* of happiness and the standard deviation (SD) as an indicator for *inequality* of happiness, following Kalmijn and Veenhoven (2005). A low standard deviation indicates low inequality; a high standard deviation indicates high inequality.

### 15.3 Quality of governments in nations

#### 15.3.1 Concept

I follow Helliwell and Huang (2008) and use the terms *governance* and *government* as equivalents. Both terms include administration by governments and their legislation and jurisdiction.

The World Bank defines governance as follows: “governance consists of the traditions and institutions by which authority in a country is exercised. This includes the process by which governments are selected, monitored and replaced; the capacity of the government to effectively formulate and implement sound policies; and the respect of citizens and the state for the institutions that govern economic and social interactions among them” (Kaufmann et al. 2009). The following aspects of good governance are discerned.

*Voice and Accountability* The extent to which a country’s citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.

*Political Stability and Absence of Violence* Perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including domestic violence and terrorism.

*Government Effectiveness* The quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government’s commitment to such policies.

*Regulatory Quality* The ability of the government to formulate and implement sound policies and regulations that permits and promotes private sector development.

*Rule of Law* The extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, the police, and the courts, as well as the likelihood of crime and violence.

Table 1. Correlations between indicators of government quality in 138 nations around 2005

	Voice + Acc.	Political stability	Gov. effective	Regulatory quality	Rule of law
Voice + accountability	X				
Political stability	0.69	X			
Government effectiveness	0.81	0.77	X		
Regulatory quality	0.85	0.75	0.95	X	
Rule of law	0.80	0.78	0.97	0.94	X
Control of corruption	0.79	0.77	0.96	0.91	0.98

Data: World Bank 2006

*Control of Corruption* The extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as capture of the state by elites and private interests.

### 15.3.2 Democratic and technical quality

The six aspects of governance are all highly correlated, but the correlations between the first two and the remaining four are somewhat lower (Table 1<sup>1</sup>). There is also a conceptual difference: the first two have to do with the political situation and the remaining four have to do with the institutional quality and effectiveness. I follow Helliwell and Huang (2008) who discern these types of quality and call them *GovDem* (average of the first two) and *GovDo* (average of the last four). I will call them democratic and technical quality of government.

### 15.3.3 Measurement

To assess the above mentioned aspects of quality of governments the World Bank collects data from independent sources produced by different organizations. These data sources consist of surveys among firms and individuals, assessments by commercial risk rating agencies, non-governmental organizations, and a number of multilateral aid agencies and other public sector organizations.<sup>2</sup> For 2006 data were derived from 33 different sources from 30 different organizations.<sup>3</sup>

### 14.3.4 Data source

All these data, background information included, are available at the website of the World Bank; Governance Matters VIII: Aggregate and Individual Governance Indicators for 1996–2008; as published in World Bank Policy Research Working Paper 4978 (Kaufmann et al. 2009).

To check the validity of these data I compared the World Bank ratings about technical quality of government with the “Failed State Index” (Foreign Policy 2007). Attributes of state failure are loss of physical control of territory, loss of monopoly on the legitimate use

of force, erosion of legitimate authority to make collective decisions, inability to provide reasonable public services and inability to interact with other states as a full member of the international community. The concepts of technical quality and state failure are similar and scores for technical quality and the “Failed State Index”, are highly correlated ( $r = +0.92$  in 2006). To check the validity of the data for democratic quality I compared these ratings with the Political Rights Index (Freedom House 2007) which measures the degree of freedom in the electoral process, political pluralism and participation, and functioning of government. The concepts democratic quality and political rights are also very similar, and scores for democratic quality and political rights are also highly correlated ( $r = +0.71$  in 2006).

## **15.4 Size of governments in nations**

### **15.4.1 Concept**

The size of government is interpreted here as the relative importance of all government activities in society taken together. In every society we can make a distinction between horizontal and vertical relations between people or organizations (agents). Horizontal relations are based on equality and free will, while vertical relations are based on hierarchy, power and authority. The typical juridical arrangement for horizontal relations is a contract based on consensus. For vertical relations it is an order, a legal decree, or a decision; in democratic nations eventually based on legislation. The distinction between horizontal and vertical relations is important because it runs parallel with the distinction between individual and collective responsibility. People have a clear and full individual responsibility in horizontal relations, but in vertical relations their responsibility is rather limited. The size of governments determines the relative importance of vertical relations in societies. This, and the additional consequences in terms of regulation and taxation, explains the importance of the size of governments as a political issue.

### **15.4.2 Measurement**

There are many ways to measure the size of governments. Here I use two financial indicators: the relative importance of government consumption and the relative importance of total government expenditures. Government Consumption is measured as a percentage of total national consumption, and Government Expenditures as a percentage of GDP. Government Expenditures is a comprehensive indicator for the financial importance of governments. Government Consumption is more informative for the importance of actual activities.

### **15.4.3 Data source**

Data about Government Consumption are obtained from the Fraser Institute (Gwartney and Lawson 2006) and data about Government Expenditures from the Heritage Foundation (2010).



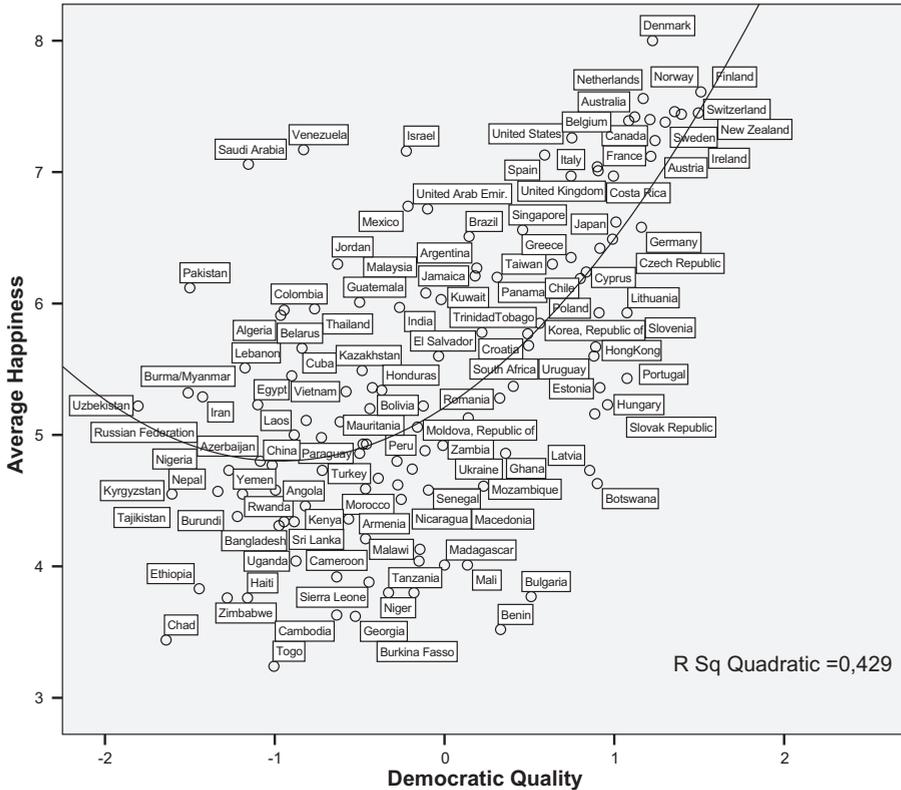


Figure 2. Democratic quality of government and average happiness in 2006

not fit the data substantially better than a linear one.<sup>6</sup> The correlation is higher in the right top section; this will be discussed in Sect. 15.5.3.

**15.5.2 Average happiness higher with democratic good governance?**

Average happiness is also connected with the democratic quality of governance, but the positive correlation is somewhat lower: +0.60. The technical quality is apparently the dominant type of government quality and the partial correlations (see footnote 4) support this finding: the partial correlation between happiness and technical quality remains high, if controlled for democratic quality ( $r_p = +0.58$ ), while the partial correlation between happiness and democratic quality becomes low and negative ( $r_p = -0.17$ ), if controlled for technical quality. The relation between happiness and democratic quality is presented in Fig. 2. There is a pattern of increasing returns of democracy and a quadratic function creates a better fit than a linear one.<sup>7</sup> The correlation is again higher in the right top section; this will be discussed in Sect. 15.5.3

### 15.5.3 Quality and average happiness in a nutshell

The correlations are higher in the right top sections of Figs. 1 and 2 than in the bottom left sections, i.e. scores are closer to the fit-lines. Government qualities seem to need some minimal level to develop correlations with happiness. An additional explanation for the lower correlations at the left sides is natural resources. Some governments can collect a lot of money without taxation by the exploitation of natural resources. Even if their qualities are at a low level, they can still contribute to average happiness. The increasing returns of democracy might be an outcome of interaction effects between technical quality and democracy. In a metaphor: technical quality is the engine of governments and democracy is a steering mechanism. The engine has to start first, but together they achieve the best outcomes for happiness.<sup>8</sup> Helliwell and Huang (2008) argue that technical quality precedes democracy because democracy is only worthwhile and interesting if governments have some minimal power.

## 15.6 Good governance and inequality in happiness in nations

Research question 2 is about the relation between the quality of government and *inequality* in happiness. In Sect. 15.6.1 I will consider that question for *technical* quality and in Sect. 15.6.2 for *democratic* quality. The findings are summarized in Sect. 15.6.3.

### 15.6.1 Less inequality with technical good governance?

In Fig. 3 we see the relationship between technical good governance and inequality in happiness as expressed in the standard deviation. There is a negative correlation ( $-0.18$ ) but this statistic is not very informative because the relation is not linear. Inequality goes up first with higher technical quality and goes down if a certain level is reached ( $z$ -score close to 0, = average score in 2006). Consequently a quadratic function creates a better fit than a linear one.<sup>9</sup> We see a low but positive correlation with inequality in happiness ( $+0.29$ ) for nations with a low level of technical quality ( $z$ -score  $< 0$ ) and a substantial negative correlation with inequality in happiness ( $-0.64$ ) for nations with a high technical quality ( $z$ -score  $> 0$ ).

### 15.6.2 Less inequality with democratic good governance?

Inequality in happiness is in a similar way connected with the democratic quality of governance<sup>10</sup> (Fig. 4), but the correlations are lower ( $-0.06$ , for all nations;  $+0.21$  for nations with a low level of democratic quality; and  $-0.24$  for nations with a high quality of democratic quality). Such correlations are not impressive but it is still interesting that the correlation is again positive at low quality levels and negative at high quality levels. The technical quality is apparently also the dominant type of government quality in relation to inequality in happiness. This finding is interesting since one might have expected a stronger relationship between democracy and (in)equality.

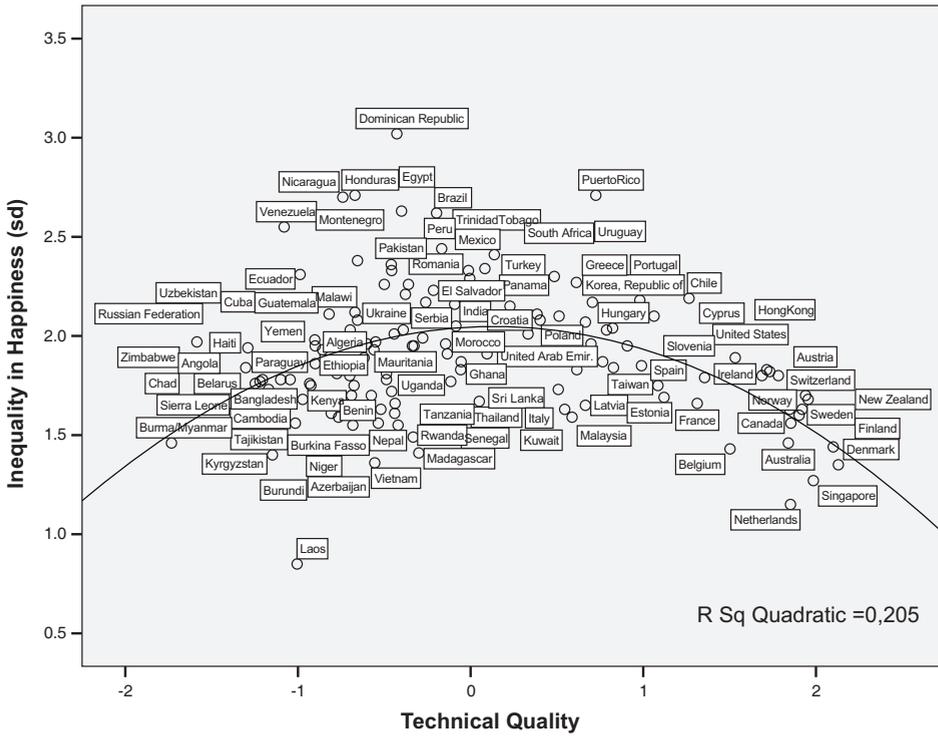


Figure 3. Technical quality of government and inequality in happiness in 2006

### 15.6.3 Quality and inequality in happiness in a nutshell

Quality-improvements at low levels seem to go together with more inequality, while quality-improvements at -already- high levels seem to go together with less inequality. This relationship will be discussed in Sect. 15.8.2

If we compare Figs. 3 and 4 with Figs. 1 and 2 we see that the conclusion of Ott (2005), that there is in general a positive relation between average happiness and equality in happiness, is not replicated. This is clearly a consequence of a difference in the composition of the samples of nations which were analyzed. The sample in 2004 consisted of 78 nations with relatively high levels of government qualities. The sample now used consists of 130 nations, including nations with relatively low levels of government qualities. In other words: the left sides in Figs. 3 and 4 are ‘quite new’.

### 15.7 Size of governments and happiness in nations

Research questions 3 and 4 are about the relation between the size of government and average happiness and between the size of government and inequality in happiness. The link with

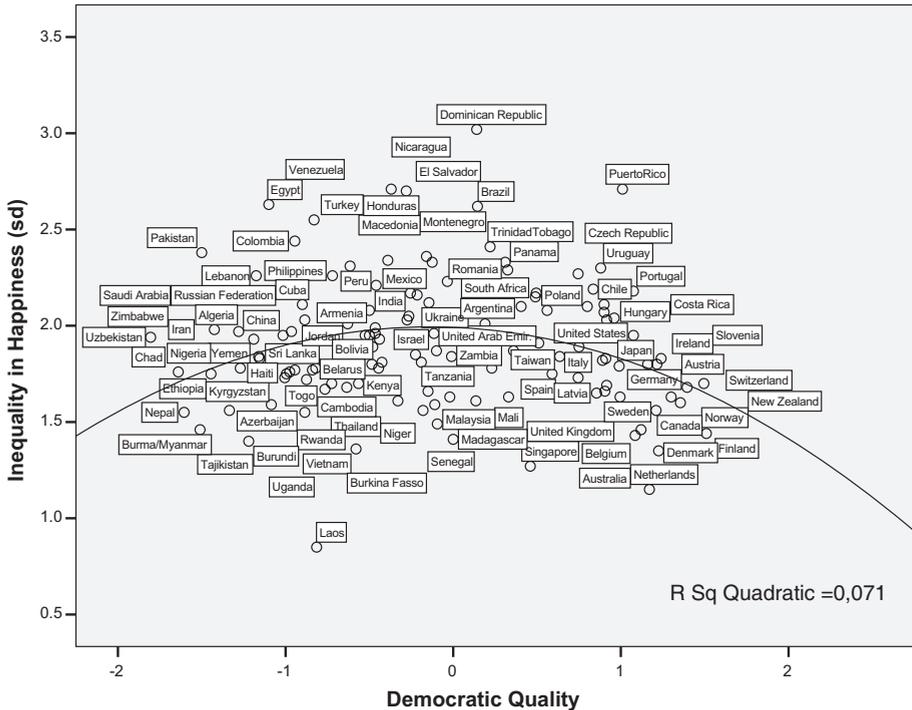


Figure 4. Democratic quality of government and inequality in happiness in 2006

average happiness will be considered in Sect. 15.7.1 and with *inequality* in happiness in Sect. 15.7.2. The findings are summarized in Sect. 15.7.3.

### 15.7.1 Size of government and average happiness

There appears to be a positive correlation between the size of governments and average happiness in nations. In the general sample of 130 nations: the zero-order-correlations are moderate but positive: +0.46 and +0.51 for Government Consumption and Expenditures. Bigger governments go together with a higher average happiness. The partial correlations however, if controlled for quality, are still positive but much lower, and in particular if controlled for technical quality (Table 2).

We may conclude that the correlation between size of governments and average happiness depends heavily on the quality of government, and in particular on technical quality.

### 15.7.2 Size of government and inequality in happiness

There appears to be a negative but low correlation between the size of governments and the standard deviation in happiness. The zero-order-correlations are  $-0.23$  and  $-0.09$  for government consumption and government expenditures. Such correlations are too low to be meaningful.

Table 2. Correlations between size of government and average happiness, Zero-order and partial correlations, controlled for technical and democratic quality

Government size	Correlations between the size of government and average happiness in nations			
	N	Zero-order correlation	Partial correlation controlled for technical quality of government	Partial correlation controlled for democratic quality of government
Government consumption	116	+0.46	+0.14	+0.30
Government expenditures	125	+0.51	+0.17	+0.28

**15.7.3 Size and happiness in a nutshell**

The quality of governance appears to be more important for happiness than the size of a government. The correlation of quality of government with happiness is independent of size. Size has only some correlation with average happiness and this correlation depends heavily on the quality of government, and in particular on technical quality. Big government by itself does not go together with greater happiness for a greater number, but good + big government does.

**15.8 Discussion**

There is a high correlation between the quality of government and average happiness in nations, with technical quality as the leading aspect. The correlation between the quality of government and inequality in happiness is lower, in particular for democratic quality. It is interesting however that inequality is apparently at a maximum at medium quality levels, and lower at any other levels.

How can we explain the correlation between the quality of government and happiness? Is it a matter of causality, or are there alternative explanations? A causal relation can explain the positive relation with average happiness, but if there is such a causal relation we still need some additional explanation for the bell shaped relation with inequality in happiness. A third question is about the possibility of an inequality trap as posited by Rothstein and Uslaner (2005): how can governments stay out, or get out, of an inequality trap? The first two questions will be addressed in Sects. 15.8.1 and 15.8.2; the third question in Sect. 15.8.3.

**15.8.1 Causality: does good governance make us happier?**

There are three possible explanations for the observed correlation between government quality and happiness. In the absence of adequate longitudinal data we can only compare their plausibility at face-value.

### **15.8.1.1 Spurious correlation?**

In this explanation, there is no causal relation between good governance and happiness, but both variables are dependent on a third variable. Wealth could be such a variable since wealth is likely to affect both happiness and the quality of government. At first sight this seems to be the case: when income per capita is controlled the correlation between average happiness and technical quality of government drops from +0.75 to +0.14 and with democratic quality it drops from +0.60 to +0.10. Yet this leaves still some correlation independent of wealth. Moreover, wealth of the nation depends obviously to a great extent on quality of government and this is not reflected in the partial correlations. There is a large literature on the effect of institutional quality on economic growth and the experts of the World Bank estimate that a nation improving the quality of its governance from 'low' to 'average' can almost triple income per capita in the long term. In that line Kaufmann (2005, myth 4) makes the following observation about causality:

*In fact, the evidence points to the causality being in the direction of better governance leading to higher economic growth. A number of emerging economies, including the Baltic States, Botswana, Chile and Slovenia, have shown that it is possible to reach high standards of governance without yet having joined the ranks of wealthy nations.*

### **15.8.1.2 Impact of happiness on government?**

In this explanation happiness affects quality of government rather than vice versa. Various effects can be involved: e.g. happy citizens being more apt to vote for investment in public goods, more willing to participate in government, and less apt to obstructive behavior. Such explanations fit the literature on benefits of happiness (Lyubomirsky et al. 2005; Guven 2011). Still, this is unlikely to be the whole story, for instance because good governance roots in historical developments, which were not always particularly happy.

### **15.8.1.3 Causality: effect of government quality?**

The last explanation is that better government makes happier citizens and this explanation appeals most to common sense. There must be some truth in this explanation, since alternative explanations are insufficient to explain the correlation completely. The fact that governance is by definition an intentional activity supports this vision. If so, how does good governance add to average happiness? The data cannot tell us as yet, but we can discern some possible direct and indirect effects. It is worth noting that these effects are independent of the opinions people may have about their government, and independent of their trust in government.

*Possible direct effects* Good governance can be a source of happiness in itself. It makes a difference if citizens are treated carefully and respectfully. As pointed out by Frey and Stutzer participation in elections (voice) contributes to happiness, independent of the outcomes. These direct effects are examples of 'procedural utility' (Frey and Stutzer 2005).

*Possible indirect effects* Good governments will be more effective in creating conditions that contribute to average happiness, such as wealth, economic freedom, gender equality, healthcare and safety.<sup>11</sup> Likewise, good governments can create individual freedom, by maintaining stable and predictable conditions that enable people to make their own decisions in life (Veenhoven 1999). This is what Frey and Stutzer (2005) refer to as ‘output utility’.

### 15.8.2 Why is the relationship with inequality of happiness a bell shaped curve?

An unexpected result of this study is the bell-shaped relationship between government quality and inequality in happiness (Figs. 3, 4), suggesting that a gradual improvement of government qualities, starting at a low level, will lead to more inequality first and less inequality later. This suggestion is plausible, if we may assume that there is indeed some causality between the quality of government and happiness. Even if governments are not corrupt it is inevitable that specific groups will benefit in a disproportional way in the first stages of such developments. In later stages governments can reduce inequality by paying more attention to people who stay behind, and by improving collective goods and services that will reduce the impact of socio-economic inequality on the quality of life. This pattern is comparable to the ‘Kuznets-curve’. Kuznets (1955) discovered that socio-economic inequality increases over time, while a country is developing. Then after a certain wealth is attained income-inequality begins to decrease. Economic growth is the principal factor behind this development. The theory behind this curve is however rather complicated and not very convincing<sup>12</sup>, and there is some inconsistency with actual empirical facts. Since the rise of economic neo-liberalism, as defended by M. Thatcher and R. Reagan, socio-economic inequality has increased, at least in the UK and the USA, in combination with high levels of economic growth. This is inconsistent with the Kuznets-theory. Perhaps the bell-shaped Kuznets-curve is more adequate as a model for the relation between government quality and inequality in happiness. The theory is at least more plausible. Unfortunately we have no empirical data to check this theory, because data about the quality of governments is only available since 1998.

Even if we accept the theory it is still difficult to predict what will happen in the future, because the actual developments in the world are on balance not clearly positive or negative. As Kaufmann et al. (2008, p. 1) put it:

*In assessing trends over time, we find that 31 percent of countries experience significant changes over the decade 1998–2007 in at least one of the six indicators (roughly evenly divided between significant improvements and deteriorations). This highlights the fact that governance can and does change even over relatively short periods such as a decade. This should both provide encouragement to reformers seeking to improve governance, as well as warn against complacency in other cases as sharp deteriorations in governance are possible.*

There are no decisive arguments yet for optimism or pessimism. One potential reason for pessimism is the possibility of an inequality caused by the interdependencies between socio-economic inequality, trust, and good governance.

### 15.8.3 Can happiness help governments out of an 'Inequality Trap'?

Rothstein and Uslaner (2005) find, with references to the socio-economic histories in Scandinavian countries, that honest and effective governments can create more socio-economic equality. This leads to more social trust, and trust is an important condition for good governance. These interdependencies between equality, good governance, and trust imply however that nations can also get locked up in a paralyzing inequality trap. As Rothstein and Uslaner (*ibid*, p. 45) put it:

*While equality and honest government come first, the reciprocal effects we posit make it difficult (at best) for countries to escape the inequality trap.*

How can governments overcome this socio-economic inequality trap? The interdependencies between socio-economic inequality, governance and trust are, first of all, not complete. Every one of these variables can, up to a point, be manipulated independently of the other two. Socio-economic inequality can be reduced by trade unions, selective foreign aid and non-governmental organizations, independently of government and trust. Governance can be improved by technical advice and support from international organizations like the World Bank, IMF and OECD.<sup>13</sup> And last but not least: trust can go up by cooperation, common interests and solidarity. In that respect there are ample opportunities to avoid deadlocks, or to get out of them.

A more specific additional option is the promotion of happiness. Happiness is probably less vulnerable for socio-economic inequality than trust. The impact of socio-economic inequality on happiness is relatively low (Veenhoven 2005).<sup>14</sup> As discussed in the previous sections happiness depends heavily on the quality of governments, but there is also a positive impact of happiness on governance and trust. As Guven puts it (2011):

*Happy people have a higher desire to vote, perform more volunteer work, and more frequently participate in public activities. They also have a higher respect for law and order, hold more association memberships, are more attached to their neighborhood, and extend more help to others.*

The promotion of happiness is therefore an interesting additional option to stay away from the inequality trap as posited by Rothstein and Uslaner. In many nations average happiness has increased through developments like economic growth, emancipation, individualization and life-style differentiation (Veenhoven 1999). Some minorities have successfully pressed for equal opportunities, in particular women, handicapped people, homosexuals, black people and the elderly. Governments can support and stimulate such developments. This is an additional option for governments to stay away or to get out of a socio-economic inequality trap. Obviously this additional option is unfeasible if there is a visible and appalling economic inequality, beyond any moral standards. Then social trust will evaporate and the government will be paralyzed indeed by the unwillingness of people to cooperate.

## 15.9 Conclusions

There is a positive relation between the quality of government, the technical quality in particular, and average happiness in nations. There is a bell shaped relation with inequality in happiness. The relations are up to a point based on causality. These findings suggest that improvement of the technical quality will usually lead to a higher average happiness. Starting at a low level this improvement will also lead to more inequality in happiness firstly and to less inequality later. The relation between the size of government and average happiness depends on the quality of governments; big government adds to happiness only when its quality is good.

It seems plausible therefore that government can promote happiness, and reduce inequality eventually, by improving their quality and their technical quality in particular. This conclusion is interesting because the improvement of technical quality is usually not a controversial issue. Most people will agree that improving the technical quality is perfectly all right, even if they have different political priorities otherwise.

## Annex

*Average happiness:* (0–10-scale, worst/best possible life).

*Inequality in happiness:* standard deviation happiness in nations (low/high inequality).

*Data source happiness:* Veenhoven (2010b).

*Technical quality of governments:* average standardized scores (low–high) for: government effectiveness, regulatory quality, rule of law and control of corruption.

*Democratic quality of governments:* average standardized scores (low–high) for: voice and accountability and political stability.

*Data source quality of governments:* World Bank Kaufmann et al. (2008).

*Government consumption:* percentage of government consumption in total national consumption (reversed to 0–10-scale, high-low level of government consumption).

*Data source:* Fraser Institute, Gwartney and Lawson (2006).

*Government expenditures:* percentage of government expenditures in GDP (reversed to 0–100-scale, high-low levels of government expenditures).

*Data source:* Heritage Foundation & Wall Street Journal (2010).

Data 2006

	Average happiness	Inequality happiness	Technical quality	Democratic quality	Government consumption	Government expenditures
Albania	4.74	1.81	-0.49	-0.19	9.11	75.6
Algeria	5.91	1.97	-0.55	-0.97	4.02	74.4
Angola	4.46	1.78	-1.21	-0.82	1.69	40.1
Argentina	6.27	2.01	-0.44	0.19	6.66	81.5
Armenia	4.21	1.99	-0.28	-0.47	7.76	90.7
Australia	7.42	1.46	1.84	1.12	4.64	62.2
Austria	7.12	1.80	1.78	1.22	4.57	23.2
Azerbaijan	4.80	1.59	-0.77	-1.09	5.91	77.8
Bangladesh	4.31	1.76	-0.93	-0.98	9.72	94.4
Belarus	5.66	1.77	-1.22	-0.84		33.2
Belgium	7.39	1.43	1.50	1.09	2.96	26.8
Benin	3.52	1.63	-0.52	0.33	7.75	86.6
Bolivia	5.36	1.81	-0.78	-0.43	6.21	68.1
Bosnia & H.	5.06	2.36	-0.46	-0.16	5.59	47.8
Botswana	4.63	2.07	0.67	0.90	0.00	50.5
Brazil	6.51	2.62	-0.20	0.15	4.46	71.7
Bulgaria	3.77	1.91	0.10	0.51	5.86	49.8
Burkina F.	3.80	1.56	-0.54	-0.18	5.55	87.3
Burma/My.	5.32	1.46	-1.73	-1.51		97.3
Burundi	4.38	1.40	-1.15	-1.22	4.61	62.6
Cambodia	3.63	1.68	-0.97	-0.64		90.9
Cameroon	3.92	1.86	-0.90	-0.64	8.02	93.0
Canada	7.40	1.56	1.86	1.21	4.24	53.4
Chad	3.44	1.76	-1.25	-1.64	8.90	85.2
Chile	6.24	2.19	1.27	0.84	7.21	87.5
China	4.77	1.95	-0.34	-1.02	3.72	86.0
Colombia	5.95	2.44	-0.17	-0.95	5.16	68.3
Costa Rica	7.04	2.11	0.39	0.90	6.68	85.2
Croatia	5.77	2.15	0.23	0.49		23.2
Cuba	5.45	2.11	-0.82	-0.90	3.99	0.0
Cyprus	6.19	2.10	1.06	0.80	5.17	48.3
Czech R.	6.42	2.03	0.79	0.92	2.73	36.8
Denmark	8.00	1.35	2.13	1.23	1.63	9.3
Dom. R.	5.13	3.02	-0.43	0.14	9.45	90.1
Ecuador	5.10	2.31	-0.99	-0.62	7.52	84.5
Egypt	5.23	2.63	-0.40	-1.10	7.41	72.1
El Salvador	5.60	2.23	-0.22	-0.04	9.05	92.2
Estonia	5.36	1.69	1.12	0.92	4.64	57.4
Ethiopia	3.83	1.75	-0.68	-1.45	7.93	61.3
Finland	7.61	1.44	2.10	1.51	3.04	24.4
France	7.01	1.66	1.31	0.91	3.11	11.2
Georgia	3.62	1.95	-0.33	-0.53	6.97	90.8
Germany	6.58	1.80	1.69	1.16	4.72	31.7
Ghana	4.86	1.87	-0.06	0.36	7.55	74.8

continued

	Average happiness	Inequality happiness	Technical quality	Democratic quality	Government consumption	Government expenditures
Greece	6.35	2.27	0.61	0.75	6.69	53.9
Guatemala	6.01	2.08	-0.66	-0.5	9.82	94.6
Haiti	3.76	1.84	-1.30	-1.16	9.13	93.2
Honduras	5.34	2.71	-0.67	-0.37	7.34	78.5
Hong Kong	5.67	1.82	1.73	0.89	8.10	87.9
Hungary	5.23	2.04	0.82	0.96	7.83	27.1
India	5.97	2.05	-0.09	-0.27	6.84	74.6
Indonesia	4.98	1.70	-0.58	-0.73	8.21	86.0
Iran	5.29	1.98	-0.90	-1.43	5.51	85.1
Ireland	7.24	1.83	1.72	1.24	4.00	64.7
Israel	7.16	1.85	0.99	-0.23	2.09	28.3
Italy	6.97	1.73	0.51	0.75	4.26	29.1
Jamaica	6.21	1.91	-0.14	0.18	6.13	54.4
Japan	6.49	1.79	1.36	0.99	4.82	58.3
Jordan	6.30	2.01	0.33	-0.63	5.94	58.3
Kazakhstan	5.49	1.80	-0.70	-0.49	6.38	83.9
Kenya	4.36	1.70	-0.69	-0.57	6.48	82.6
Korea. R.	5.68	2.17	0.71	0.50		77.6
Kosovo	4.97	1.94				
Kuwait	6.03	1.63	0.55	-0.02	1.98	57.1
Kyrgyzstan	4.58	1.75	-0.93	-1.00	6.96	81.3
Laos	5.11	0.85	-1.01	-0.82		89.4
Latvia	4.73	1.65	0.67	0.86	5.71	51.0
Lebanon	5.51	2.26	-0.50	-1.18		54.6
Lithuania	5.93	1.83	0.62	0.91	5.40	63.9
Macedonia	4.51	2.17	-0.26	-0.26	6.14	65.1
Madagascar	4.01	1.41	-0.30	0.00	8.77	88.6
Malawi	4.13	2.12	-0.67	-0.15	7.24	60.0
Malaysia	6.08	1.59	0.59	-0.11	5.59	75.1
Mali	4.01	1.61	-0.44	0.14	7.99	84.8
Mauritania	5.20	1.93	-0.56	-0.44	4.56	70.0
Mexico	6.74	2.16	-0.09	-0.22	7.42	82.1
Moldova. R.	4.93	1.89	-0.62	-0.48	6.95	66.1
Montenegro	5.22	2.33	-0.46	-0.13	6.02	
Morocco	4.59	1.96	-0.15	-0.47	4.47	72.8
Mozambique	4.61	1.78	-0.49	0.23	8.00	73.4
Nepal	4.55	1.55	-0.68	-1.61	8.52	92.3
The Netherlands	7.56	1.15	1.85	1.17	1.49	29.1
New Zealand	7.44	1.68	1.96	1.40	4.69	54.8
Nicaragua	4.80	2.70	-0.74	-0.28	8.29	78.1
Niger	3.80	1.61	-0.81	-0.33	6.08	90.9
Nigeria	4.73	1.78	-1.05	-1.27	0.91	56.9
Norway	7.46	1.60	1.90	1.36	2.29	34.9
Pakistan	6.12	2.38	-0.66	-1.50	8.07	89.5

continued

	Average happiness	Inequality happiness	Technical quality	Democratic quality	Government consumption	Government expenditures
Palestine	4.78	2.32				
Panama	6.20	2.33	-0.01	0.31	7.42	88.0
Paraguay	4.86	1.95	-0.90	-0.50	8.26	90.8
Peru	4.93	2.21	-0.38	-0.46	7.81	75.6
Philippines	4.73	2.26	-0.36	-0.72	8.18	88.9
Poland	5.85	2.08	0.40	0.56	4.89	39.5
Portugal	5.43	2.18	0.98	1.08	4.70	29.7
Puerto Rico	6.62	2.71	0.73	1.01		
Romania	5.28	2.29	-0.01	0.33	7.15	68.9
Russian F.	5.00	2.03	-0.70	-0.89	3.98	63.5
Rwanda	4.34	1.55	-0.42	-0.89	7.73	82.6
Saudi Arabia	7.06	1.83	-0.06	-1.16		69.3
Senegal	4.58	1.49	-0.33	-0.10	8.57	84.4
Serbia	4.62	2.03	-0.39	-0.28	5.52	
Sierra L.	3.88	1.78	-1.10	-0.45	7.86	68.9
Singapore	6.56	1.27	1.99	0.46	5.29	89.6
Slovak R.	5.16	1.96	0.70	0.89	4.36	52.5
Slovenia	5.93	1.95	0.91	1.08	4.03	44.3
South Africa	5.37	2.10	0.51	0.41	4.79	78.6
Spain	7.13	1.75	1.09	0.59	4.79	50.5
Sri Lanka	4.34	1.77	-0.12	-0.95	8.56	83.1
Sweden	7.38	1.63	1.92	1.30	1.12	2.2
Switzerland	7.45	1.70	1.94	1.50	7.13	61.1
Taiwan	6.30	1.84	0.83	0.64	6.67	84.0
Tajikistan	4.57	1.56	-1.02	-1.34		89.1
Tanzania	4.04	1.66	-0.44	-0.15	6.11	88.1
Thailand	5.96	1.67	0.05	-0.77	6.72	92.1
Togo	3.24	1.73	-1.17	-1.01	9.09	94.4
Trinidad Tob.	5.78	2.41	0.14	0.22	5.75	81.1
Turkey	4.67	2.34	0.08	-0.39	6.91	68.1
Uganda	4.04	1.72	-0.46	-0.88	7.09	83.7
Ukraine	4.88	1.96	-0.60	-0.12	4.70	75.8
United Arab Emirates	6.72	1.87	0.77	-0.10	6.62	76.1
United Kingdom	6.97	1.63	1.85	1.00	4.17	43.5
United States	7.26	1.89	1.53	0.75	6.32	61.1
Uruguay	5.60	2.30	0.49	0.88	7.91	45.8
Uzbekistan	5.22	1.94	-1.29	-1.81		52.2
Venezuela	7.17	2.55	-1.08	-0.83	6.17	76.8
Vietnam	5.33	1.36	-0.56	-0.58	9.25	74.8
Yemen	4.55	1.93	-0.86	-1.19		56.2
Zambia	4.92	1.84	-0.67	-0.01	7.44	71.0
Zimbabwe	3.76	1.97	-1.59	-1.28	2.98	82.7

## Notes

- 1 I do not report the significance. Significance is the chance that the correlation observed in the sample does not correspond with the correlation in the population from which the sample was drawn. My set of nations is not a random sample of all nations; nations were included if the required data was available.
- 2 For a discussion see Governance Indicators: Where Are We, Where Should We Be Going?, by Kaufmann and Kraay (2008).
- 3 The World Bank transforms this information into scores for each of the six sub-indicators with a mean of 0 and a standard deviation of 1 in the original sample of 212 nations and regions (standardized  $z$ -scores, approximately between -2.5 and + 2.5; indicating relative positions in a specific year, in my sample in 2006).
- 4 A zero-order correlation is the correlation between two variables as such, without taking into account the effect of any other variable(s). A partial correlation measures the correlation between two variables with the effects of one (or more) variable(s), interaction effects included, controlled or removed.
- 5 This stability of happiness, government qualities and size of governments over the years is visible in the different datasets mentioned in the references.
- 6 A linear function explains 56% of the variance ( $R$  squared) in average happiness, a quadratic function 57%.
- 7 A linear function explains 36% of the variance ( $R$  squared) in average happiness, a quadratic function 43%.
- 8 The correlations between the technical quality of government and happiness, not just in terms of average happiness but in terms of inequality as well, are independent of culture, wealth, and the size of governments. For democratic quality the correlations are more dependent: partial correlations are lower if controlled for such factors. The technical quality is therefore not only the most dominant in its relation to happiness, but also the most universal.
- 9 A linear function explains 3% of the variance ( $R$  squared) in the inequality of happiness, a quadratic function 21%.
- 10 A linear function explains less than 1% of the variance ( $R$  squared) in the inequality of happiness, a quadratic function 7%.
- 11 These factors provide for a reasonable explanation of the differences in average happiness in 2006. If these factors are used as independent factors in a linear regression, with life-expectancy as a proxy for healthcare and safety, they explain 72% of the variance (adjusted  $R$ -square). Apparently there is a strong relation between subjective happiness and actual conditions.
- 12 Theory states that in early stages of development, when investment in physical capital like land is the main mechanism of economic growth, inequality encourages growth by allocating resources towards those who save and invest the most. In mature economies human capital takes the place of physical capital as a source of growth and inequality will decline. First, a rise of mass education movement may open opportunity for all and reduce the gap in income inequality. Second, social policy put forth by the government as a nation becomes rich may explain a decline in inequality, as the government provides transfers, welfare, retirement pension, and public health care.
- 13 Three interesting down-to-earth options for poor nations are:
  - a. the registration of property rights, in particular for real estate, i.e. have a land registry. As has been demonstrated by De Soto (2000) this is an important condition for economic development.
  - b. to register people, i.e. set up registrar's offices, as a necessary condition to organise adequate public education and health services.
  - c. to develop and implement general principles of good governance, to achieve decent and respectful relations between government institutions and citizens. Well-known examples are: carefulness and accuracy of decisions, respecting all interests, accounting for decisions, fair-play and equality (equal situations are treated equally), respect for reasonable expectations, no *de'tournement de pouvoir* (powers have to be used in accordance

with their legal background), proportionality (no disproportional consequences for citizens, relative to public interests).

- 14 The correlation between socio-economic inequality and happiness is also lower than the correlation between socio-economic inequality and trust: around 2006 -0.25 and -0.36 respectively.

## References

- Cantril, H. (1965). *The pattern of human concerns*. New York, NY: New Brunswick.
- De Soto, H. (2000). *The mystery of capital: Why capitalism triumphs in the west and fails everywhere else*. London, UK: Bantam Press.
- Foreign Policy Magazine. (2007). *The Failed State Index*. Carnegie Endowment for International Peace, Washington D.C., USA.
- Freedom House (2007). *Freedom in the World*.
- Frey, B. S., & Stutzer, A. (2005). Beyond outcomes: Measuring procedural utility. *Oxford Economic Papers*, 57, 90-111.
- Güven, C. (2011). Are happier people better citizens? *Kyklos*, 64 (2), 178-192.
- Gwartney, J. D., & Lawson, R. A. (2006). *Economic freedom of the world*. Annual report. Fraser Institute, Vancouver, Canada. Data available: [www.freetheworld.com/206/2006dataset.xls](http://www.freetheworld.com/206/2006dataset.xls).
- Headey, B., & Wearing, A. (1992). *Understanding happiness: A theory of subjective well-being*. Melbourne, Australia: Longman Cheshire Pty Limited.
- Helliwell, J., & Huang, H. (2008). How's your government? International evidence linking good government and well-being. *British Journal of Political Science*, 38, 595-619.
- Heritage Foundation & Wall Street Journal (2010). *Index of Economic Freedom*. <http://www.heritage.org/Index/>.
- Kalmijn, W. M., & Veenhoven, R. (2005). Measuring inequality in happiness in nations. In search of proper statistics. *Journal of Happiness Studies*, 6(4), 357-396.
- Kaufmann, D. (2005). Back to basics, 10 myths about governance and corruption. *Finance & Development*, 42(3).
- Kaufmann, D., & Kraay, A. (2008). Governance indicators: Where are we, where should we be going? *World Bank Research Observer*, 23(1), 1-30.
- Kaufmann, D., Kraay, A. & Mastruzzi, M. (2008). Governance Matters VII: Aggregate and Individual Governance Indicators, 1996-2007. World Bank Policy Research, Working Paper No. 4654.
- Kaufmann, D., Kraay, A. & Mastruzzi, M. (2009). *Governance Matters VIII: Aggregate and Individual Governance Indicators, 1996-2008*. World Bank Policy Research, Working Paper No. 4978.
- Kuznets, S. (1955). Toward a theory of economic growth. In R. Lekachman (Ed.), *National policy for economic welfare at home and abroad*. Garden City, NY: Doubleday & Co.
- Lyubomirsky, S., Diener, E., & King, L. (2005). The benefits of frequent positive affect: Does happiness lead to success? *Psychological Bulletin*, 131(6), 803-855.
- Oswald, A. J., & Wu, S. (2010). Objective confirmation of subjective measures of human well-being: Evidence from the USA. *Science*, 327(5965), 576-579.
- Ott, J. C. (2005). Level and equality of happiness in nations: Does greater happiness of a greater number imply greater inequality in happiness? *Journal of Happiness Studies*, 6(4), 397-421.
- Ott, J. C. (2010). Good governance and happiness in nations: Technical quality precedes democracy and quality beats size. *Journal of Happiness Studies*, 11(3) 353-368.
- Rothstein, B., & Uslaner, E. M. (2005). All for all: Equality, corruption, and social trust. *World Politics*, 58(1), 41-72.
- Veenhoven, R. (1984). *Conditions of happiness*. Dordrecht, the Netherlands: Kluwer Academic Publishers.
- Veenhoven, R. (1999). Quality of life in individualistic society: A comparison of 43 nations in the early 1990's. *Social Indicators Research*, 48, 157-186.
- Veenhoven, R. (2005). Return of inequality in modern society? Test by dispersion of Life-satisfaction across time

### Part III: Chapter 15

and nations. *Journal of Happiness Studies*, 6(4) 457-487.

Veenhoven, R. (2010a). *Measures of Happiness*, World Database of Happiness, Erasmus University Rotterdam, The Netherlands. Retrieved January 2010, from [http://www.worlddatabaseofhappiness.eur.nl/hap\\_quer/hqi\\_fp.htm](http://www.worlddatabaseofhappiness.eur.nl/hap_quer/hqi_fp.htm).

Veenhoven, R. (2010b). *Happiness in Nations*, World Database of Happiness, Erasmus University Rotterdam, The Netherlands. Assessed January 2010 from [http://www.worlddatabaseofhappiness.eur.nl/hap\\_nat/nat\\_fp.php](http://www.worlddatabaseofhappiness.eur.nl/hap_nat/nat_fp.php).

Veenhoven, R. (2010c). *Trends in Nations*, World Database of Happiness, Erasmus University Rotterdam, The Netherlands. Retrieved January 2010 from <http://www.worlddatabaseofhappiness.eur.nl/trendnat/framepage.htm>.

Wessman, A. E., & Ricks, D. F. (1966). Winn: A case study of a happy man. *Journal of Humanistic Psychology*, 6(1), 2-16.

# Summary



## Summary

### Summary Part I: Happiness as a goal

*What is happiness? Objections against happiness as a goal, with comments. The advantages of happiness as a goal. Happiness as a dominant or even the only goal? Practical usefulness of happiness as a goal. People know how happy they are, but they don't know why. The differences between utility in economics and happiness in real life.*

#### What is happiness?

Happiness is defined in terms of people's appreciation of their own lives as a whole, and this can be assessed by asking questions. This appreciation can be based on average mood, or on a more rational assessment by reason. This may produce different outcomes, but these differences are limited because there is an intensive interaction between feelings and cognition. Individual happiness is a popular object of research and many efforts are directed at explaining individual differences within nations. This dissertation is primarily directed at explaining differences between nations in average happiness and in inequality in happiness. The quality of government is an important underlying factor in this context.

#### Objections against happiness as a goal

*Objection: happiness may be immoral*

Individual happiness can be a consequence of immoral or criminal behaviour. This risk is lower with average happiness, since immoral behaviour will usually have a negative impact on this average if other people suffer as a consequence. Even a high average of happiness can be immoral however, e.g. a high average in a nation can be a consequence of immoral behaviour towards individuals or groups, within or outside this nation, or towards animals or future generations. Individual or average happiness is not by definition good or desirable.

*Comments: Immorality is exceptional, but the morality has to be checked regularly*

In older philosophies happiness was an outcome of the 'right' life or the 'good' life. This made morality an indispensable ingredient of happiness. Nowadays happiness and morality have been disconnected and this disconnection has made it easier to make happiness an object of empirical research, and to assess the relations between happiness and alternative goals. Because of that we now know that there are usually positive relations between happiness and other general goals or values, like justice, altruism, solidarity and freedom. It is nevertheless necessary to check the morality of actual happiness regularly.

## Summary

### *Objection: happiness can go together with serious problems*

There are also some more technical arguments that criticise about happiness as a goal. Happiness is the appreciation of one's life as a whole. This appreciation can be positive on balance, while there are simultaneously serious problems to deal with. On top of that, many people are inclined to adopt a positive attitude about everything, their own life included. A positive attitude makes sense, because it can provoke positive effects, but the implication is that the relation between happiness and actual living conditions becomes somewhat loose. The same effect can be created by positive or negative expectations. People can be happy because they are optimistic about their future, or unhappy because they are pessimistic. In such situations happiness can be just an idea 'between the ears', without any substantial relation with the actual environment. A low level of happiness is therefore an indication that there are serious problems, but a high or reasonable level of happiness is no guarantee that such problems are absent.

### *Comments: there is nevertheless a very substantial relation between happiness and living conditions*

Happiness may depend partially on attitudes and expectations, but there is nevertheless a very substantial statistical relation between happiness and actual living conditions. Differences in such actual conditions explain about 72 percent of the differences (variance) in average happiness in nations. This makes average happiness an interesting goal for citizens, politicians and policy-makers. The explanation of individual differences within nations is more problematic; only a maximum of about 25 percent of such differences can be explained.

### *Objection: is happiness a goal for a short-term perspective or a long-term perspective?*

If we want to use happiness as a goal we have to decide whether we do so with a short- or long-term perspective in mind; only till the next birthday party, till the next elections, or also for future generations?

### *Comments: this is indeed the difficult logistical question!*

Setting priorities and strategies for the short-or long-term is always an interesting challenge, just like deciding about spending money for consumption, saving or investments. Specific circumstances, needs, and considerations are important to deal with such dilemmas. It is difficult to be consistent because people make mistakes about the factors that determine their happiness. The fact that these factors change when people get older is an additional complication.

## **Advantages of happiness as a goal**

### *Happiness can be investigated*

If people grow up they think about their lives and they develop some appreciation. When they are willing to answer questions about this appreciation, provided they can

do so anonymously, happiness can be investigated relatively easily, and more so than other popular goals like loyalty, honesty, justice, altruism and freedom. There are more differences in the interpretation of these alternative goals. Researchers have to select specific interpretations. Their interpretations are not always consistent with the interpretations of people who are invited to evaluate these goals, in terms of priorities and accomplishment. The relevance of the findings is limited by this choice for specific interpretations.

*Happiness as a goal is compatible with alternative goals*

As far as alternative goals have been investigated, positive relations are found between these goals and happiness. Happiness is frequently a consequence of efforts directed at alternative goals, like achievements in commercial enterprise, sports, arts, or politics. Actual happiness can also contribute to the realization of alternative goals. Happy people are in general healthier (Veenhoven 2008), and more prepared to help other people and to promote the public good (Guyen 2011).

*Happiness as a goal respects individual autonomy and is not paternalistic*

Using happiness as a goal is consistent with respect for individual autonomy. People's appreciation of their own lives is accepted as a fact without any conditions. Happiness as a goal is not paternalistic.

*Average happiness as a goal respects the equality of citizens*

Average happiness as a goal also respects the equality of citizens, because the happiness of each citizen gets the same weight. At this point democracy and happiness are similar in their respect for equality and individual convictions.

**Happiness as a dominant goal, or even the only goal?**

In the utilitarian philosophy, as developed by J. Bentham (1789), happiness is depicted as a dominant goal or even as the only goal. Opponents posit that this might imply that individual happiness may be sacrificed in favour of the average happiness of some group, and that the rights of minorities may be violated for the same reason. The utilitarians may argue that individual autonomy, rule of law and respect for minorities are indispensable conditions for sustainable happiness. Rule of law, for example, creates predictability and makes it interesting and worthwhile to make plans for the future. This counterargument has some force, but does not take away the fact that there can be tensions between happiness and alternative goals at specific moments. It is therefore not realistic to consider happiness a priori as a dominant or even the only goal (see also Veenhoven 2002).

## Summary

### **Practical usefulness of happiness as a goal**

Happiness can be promoted in very different ways and with short- or long term perspectives. On top of that it is impossible, and will never be possible, to predict the effect of all actions and decisions on happiness. The implication is that happiness as a goal can never determine every action and decision, neither in personal life nor in politics. Happiness research produces generalizations about the determinants of happiness, but these generalizations have to be interpreted and specified to be applicable for individuals and politicians. After interpretation and specification these generalizations can be helpful for individuals in making decisions with long-term happiness effects, like decisions about social relations, education, jobs, voluntary work, leisure, and life-style in general.

In politics the applicability of generalizations is somewhat easier, because political decisions may be directed at 'the greatest happiness for the greatest number'. Provided that the rights of individuals and minorities are respected!

### **People know how happy they are, but they don't know why**

People make mistakes about what makes them happy or what could make them happy. They overestimate the positive or negative effects of specific events, and they put too much priority on status and possessions. One underlying reason is that they are too concerned about their relative position, within groups and within society. Improvements in relative positions go together with deteriorations in the positions of other individuals or groups. A reduction in the priority put on relative positions, e.g. by creating a high level of collective provisions, might be a better way to promote happiness. A lower priority for relative positions is fine, but there is no need to be negative about the impact of competition on happiness in general. The relation between competition and happiness will be discussed in Part II.

### **The difference between utility in economics and happiness in real life**

Happiness is not the same as utility, a central concept in economics. Utility is the value of goods and services as expressed in the prices people are willing to pay. Put the other way around: the prices depend on the utility people expect, or the expected utility. The gross domestic product of a nation (GDP) indicates the level of utility produced in a nation in a year. In economic theory human needs are supposed to be unlimited, and there will always be some scarcity. For that reason people will always want a higher personal income and a higher national GDP, and this will always create more utility. Utility is unlimited.

Happiness on the other hand is the appreciation of life as a whole. Attitudes and expectations may play a role but happiness is primarily based on actual experience related to actual conditions. Human needs are supposed to be limited and happiness is therefore

supposed to be limited by a maximum. One central finding in happiness research is that economic growth, or a higher GDP, no longer contributes to happiness in rich nations.

How substantial are these differences? Perhaps less substantial than they seem to be at first sight, but still substantial! Human needs may be limited, but one of these needs is using and developing capabilities (intrinsic motivation). People need challenges. The difference between economics and happiness research is that in economics the creation of goods and services, to be sold on free markets, is the only goal or at least very dominant. In happiness research this is just one option – and in rich nations it is no longer an effective one – for increasing happiness. Put differently: utility or GDP (wealth) is no longer an acceptable indicator for subjective well-being or happiness in rich nations.

Economics and happiness research can complement each other. Happiness research can contribute in particular to the assessment of ‘external effects’; levels or mutations in well-being not expressed in prices, and therefore difficult to analyse in economics.

## Summary Part II: Happiness and free market-economy

*Is free market-economy bad for happiness? Is competition bad for happiness? What is the relation between stress and happiness? A high average or more equality, a dilemma?*

### Is free market-economy bad for happiness?

In the US Robert Lane (2000) has presented a new theory positing that happiness has been diminished by the development of the free market-economy. Income per capita has increased and the impact of additional income on happiness has decreased. Americans did not adapt their lifestyle, however, and now they spend too much time in making money and not enough time on social contacts with relatives and friends. This has a negative effect on their ability to cope with stress.

This theory is interesting but the evidence is problematic. Between 1972 and 1994 there was indeed a strong economic growth with a substantial increase in average income. Average happiness was stable in this period and did certainly not decrease. It is plausible however that there was a negative impact on happiness by a devaluation of emotionally important social relations, but that the negative impact may have been compensated for by positive effects as a consequence of different dynamics, like improvements in racial equality and sexual freedom. If this is correct then the Americans could have been happier than they actually were, and perhaps this is still a possibility.

Richard Layard (2005) has presented a comparable vision of happiness in a free market-economy. He also believes that the quality of social relations has suffered, just like the importance of local communities and altruism. He believes that social comparison, fuelled by omnipresent commercial advertising, has become a negative factor. In his view this advertising has created a rat-race, with disproportionate attention to relative positions and negative effects on happiness.

### Is competition bad for happiness?

An interesting question in this context is how much competition we need for happiness. In Francesco Duina's view Americans are obsessed by competition and he favours a more critical attitude. His view may be supplemented with the observation that competition can have a positive impact on happiness, because it encourages people to be active and to use and develop their capabilities. This has a positive impact on happiness in general, with three comments: *a.* People can also be stimulated in different ways, e.g. by cooperation or by a self-imposed challenge, *b.* competition has to be limited to avoid disproportionate stress, and *c.* competition should not be exclusively directed at an unlimited production of goods and services, to be sold somehow for money.

In view of the analyses by Lane and Layard competition is less favourable if it is about the creation of a subsistence minimum, such as having a paid job as a condition to earn a minimal

Table 1. Correlation between stress and happiness (averages) in democratic nations<sup>1</sup>

Stress-level <sup>2</sup>	<i>N</i>	Correlation Stress/Happiness <sup>3</sup>	Correlation Stress/Positive Feelings <sup>4</sup>
Low $\leq 20$	35	+0,15	+0,12
Medium $>20; \leq 30$	43	+0,24	+0,16
High $>30$	40	-0,05	+0,03
All	118	+0,27	+0,26

*N* = number of nations

income and to raise children. This creates a disproportionate level of stress, which is difficult to cope with and has negative effects on happiness. It follows that there has to be a distinction between competition for fun and competition to survive. The necessity to compete to survive should be somewhat moderated, while competition for fun may be beneficial.

### How is the relation between stress and happiness?

Lane and Layard observe an impaired capability in the US to cope with stress. Derek Bok (2010) has a somewhat different approach. He observes several problems in the US, causing negative feelings, not just stress but also depression, sadness, anger and worry.

He observes that Americans frequently suffer from insecurity about their financial situation. They can lose their job unexpectedly and if so it will be unpredictable how soon they will find another, and they can be faced with very high expenditure for medical care. Older Americans are afraid they will have to go to a nursing home, where they will lose all their savings. Or they are afraid their savings will be insufficient if they live longer than expected.

With the exception of stress the impact on happiness of these negative feelings is always negative. The relation between stress and happiness is more complicated. Up to a certain level the impact of stress on happiness is positive because it stimulates people to be active and to develop their capabilities. Stress is negative however if it surpasses a certain level and becomes problematic to cope with. Within nations there is a negative relation between individual stress and individual happiness.

There is, however, simultaneously a positive relation between average happiness in nations and average stress. The explanation is that individual stress goes together with more creativity and productivity. People who are somewhat less happy as a result of stress, contribute more than proportionately to the happiness of other people. The negative impact on their happiness is compensated, by a positive impact on average happiness on balance.

This compensation is only sufficient if average stress remains below a certain level, if this level is surpassed the positive relation between average stress and average happiness disappears (see Table 1). For the US and some other nations this is indeed the case. Those nations have reasonable scores for happiness, but lower than nations with lower levels of

## Summary

stress. It is plausible that financial insecurity, and job insecurity in particular, is an important underlying factor.

These findings are primarily based on research in the US, but they are relevant for all nations with a free market-economy. In most of these nations average stress is still relatively low, but this can change through international competition and the financial crises.

### **A high average or more equality, a dilemma?**

A well-known issue in political discussions is: what deserves more priority: a higher average happiness or more equality in happiness? Research-findings can help nowadays to check whether there is a real dilemma at this point. This dilemma appears to be very specific and limited. In nations with a reasonable government a higher average goes together with more equality. Factors that contribute to average happiness also contribute to more equality. This is the case for factors like purchasing power, the quality of government, the role of government in terms of government consumption and financial transfers, economic freedom and gender equality. Only income-inequality has an opposite effect: it goes together with a higher average and with less equality. The dilemma over priorities is only relevant for income policies. This specific dilemma will be discussed in Part III.

## Summary Part III: Happiness and government

*How important are the quality and the size of government for happiness? In what ways does government have an impact on average happiness and inequality in happiness? What options are there for governments to promote happiness deliberately? Is it acceptable for a government to adopt the promotion of happiness as a goal?*

### How important are the quality and the size of government for happiness?

People assume that their government has only a very limited impact on their happiness (Heady & Wearing, 1992). This is probably because they are not familiar with the substantial differences in average happiness between nations, varying from three to eight on a scale from zero to ten. These differences are closely related to the quality of government.

The quality of government of nations is assessed each year by the World Bank (Kaufmann et al. 2009), discerning six aspects: voice and accountability, political stability, effectiveness, rule of law, regulatory quality, and control of corruption. We can make a distinction between democratic and technical quality; the democratic quality is the average score for the first two aspects (voice & accountability, and political stability), and technical quality is the average score for the last four aspects.

There is a strong correlation between the technical quality of government and average happiness of citizens. This correlation is independent of alternative factors like wealth, culture, and the size of governments.<sup>5</sup> The correlation between democratic quality and happiness is somewhat weaker, and only visible for nations with a reasonable level of technical quality.

The quality of government is more important for happiness than the size of government. The size has been assessed by government-consumption and government-expenditures as percentages of total national consumption and GDP respectively. The relation between happiness and government consumption, and between happiness and government expenditures, is positive if the technical quality is good, but zero or negative if this quality is bad. The level of taxation is another indicator for the size of government. If the technical quality is good there is a positive relation between taxation and happiness, if this quality is bad there is a clear negative relation. In terms of happiness there are no arguments in favor of either 'small' or 'big' government.

These findings are interesting against the background of strong anti-government sentiments in many nations. Such anti-sentiments are understandable because the relations between citizens and government-agencies are 'vertical', with a higher hierarchical level for such agencies, and a lower level for citizens. The implication is that the contacts are not dependent on consensus and free will, as in horizontal relations among citizens and private organizations. Government agencies can impose their will on citizens and this is never appreciated. The quality of the government is therefore not just important for the creation of favourable living conditions, but also for the creation of favourable direct contacts between government agencies and citizens.

### **In what ways does government have an impact on average happiness?**

A statistical correlation is not always a consequence of causality. It is nevertheless plausible that the quality of government is a determinant of happiness in nations. There are no alternative explanations, and in many nations government policies are implicitly or explicitly directed at the promotion of contentment, well-being, and happiness. The evidence will be stronger if more data become available about the interaction between government quality and happiness in longer periods.

The quality of government has an impact in two ways: direct and indirect. In direct contacts it is important for any government to treat citizens carefully and respectfully. This impact can be qualified as 'procedural utility' (Frey & Stutzer, 2005), just implicating that citizens want to be treated in a decent way, whether they get everything they want or not.

The quality of the government is also indirectly important for happiness, because a good government can create conditions that contribute to happiness. It depends on the specific circumstances which circumstances are the most effective. Statistical analysis for the years 2000 and 2006 suggests that in those years the following circumstances played an important role for happiness: gender equality, wealth, economic freedom, safety, and healthcare. Differences in such circumstances explain about 72 percent of the differences (variance) in average happiness in nations. These 'indirect impacts' by the creation of favourable circumstances can be qualified as 'output utility'.

There are obviously specific priorities for specific nations. The importance of additional wealth for happiness is more substantial for poor nations than for rich nations. So there is no general recipe, but it is possible to develop some interesting checklists.

### **In what ways does government have an impact on inequality in happiness?**

The relation between the quality of government and average happiness is linear but this is different for the relation between the quality of government and inequality in happiness. There is a low level of inequality if the quality of government is low or high, but a high level of inequality if this quality is at a medium level. Here again we need more data to assess this relation more accurately.

There is however a plausible explanation. If the quality of the government is bad and gets better, specific individuals and groups will benefit first and perhaps disproportionately; average happiness goes up but with more inequality. If the quality of the government goes up further more attention will be paid to people who stay behind. Average happiness will keep going up but now inequality in happiness will be reduced. It appears that happiness in nations can develop from a low level of inequality, to a high level, and then to a low level again if the quality of government keeps rising.

As discussed in Part II factors that contribute to happiness contribute to a reduction of inequality in happiness as well. The only exception is income-inequality, which goes together

with more happiness and more inequality in happiness. The fact that inequality in happiness is nevertheless reduced in many nations, while inequality in income has increased substantially, is an indication that the impact of income-inequality has been compensated for by alternative factors.

Collective provisions, accessible for everybody independent of income, probably play a role at this point. The dilemma discussed in Part II, priority for average happiness or inequality in happiness, can be solved by the creation of such collective provisions, e.g. in education and medical care. Collective provisions can also reduce the risk that children suffer disproportionately by the poverty of their parents.

### **What options are there for governments to promote happiness deliberately?**

1. Governments can organize the availability of adequate information about the happiness of citizens and the underlying dynamics. This information can be used in several ways. Some examples: a. in political discussions and in setting priorities, b. in organizing advice for citizens who want to be happier, c. in consultation procedures for local government, d. by representatives of customers of commercial and other organizations who deliver feedback and comments on the management of such organizations.<sup>6</sup>
2. Governments can ensure, more specifically, that government officials, in their meetings with lobbyists, are acquainted with the happiness of citizens and the underlying dynamics. This will give them better opportunities to intervene if there are tensions between the promotion of specific interests and democracy.
3. Governments can improve their own technical and democratic quality, for example by developing and adhering to principles of good governance. This is in particular important for the contacts between citizens and government agencies that impose their decisions unilaterally on citizens.
4. Governments can reduce the impact of income-inequality on happiness by the creation of adequate collective provisions. This is also important to avoid substantial disadvantages for children resulting from poverty of their parents. This approach will make it easier to accept income-inequality, as a possible consequence of free market-economy.
5. Governments can ensure that citizens are not faced with serious risks that are wholly outside their control, whatever they do or try. Such a policy will help citizens to learn, and never to unlearn, how to make their own decisions about their lives. The implication is that stress will be manageable and that the impact of stress on happiness will remain positive.

These options are primarily facilitating and hardly controversial. They have the potential to increase average happiness and reduce inequality in happiness. How this potential will be used is a political question. Politicians have to be critical. Happiness can be immoral and a high average can go together with serious problems, or with the threat of future problems. Politics can use the findings of happiness research, but this research is no substitute for politics!

## Summary

### Is it acceptable for a government to adopt the promotion of happiness as a goal?

A government is not entitled to be paternalistic and has hardly any room to pursue goals independent of political realities. Governments, or authoritative advisory institutions for the government, nevertheless recognize certain goals as acceptable for government policies. In the Netherlands the Social Economic Council, as an example, has adopted three goals (SER 2012).

- a balanced economic growth, consistent with the promotion of sustainable development;
- an optimal participation in employment;
- a reasonable income-distribution.

The recognition of such goals can stimulate and facilitate discussions and consultations about more specific policy issues. The question is whether the promotion of happiness may be recognized as an additional central goal. This is obviously a very political question, but there are some strong arguments to do just that. Happiness is a popular goal, consistent with alternative goals and relatively easy to investigate. The quality of government is already an important factor for happiness; a good government is indeed a ‘happiness machine’. The recognition of happiness as a central goal would be a useful acknowledgement of an actual reality. For the Netherlands such an acknowledgement would make it easier to specify some qualifications in the existing goals, like ‘balanced’, ‘optimal’ and ‘reasonable’.

## Notes

- 1 Nations with a standardized (z-)score  $> +0,5$  for democratic quality. This is the average score for ‘voice and accountability’ and ‘political stability’ in 2006. (Data World Bank)
- 2 Stress: % people in a nation who suffered from stress a substantial part of the previous day (Data Gallup World Poll). In Januari 2012 Gallup presented more information about the high level of stress and financial worry in the US. In 2012 51% of Americans worry about keeping up their standard of living, 43% are concerned about their ability to pay for their medical expenses, and 34% are concerned about the risk that they will lose their job within 12 months. In 2004 these percentages were 34, 32 and 21 respectively. This information supports the importance of the analysis of Derek Bok.
- 3 Average happiness in nations (0-10-scale, worst-best possible life, cognitive type). (Data World Database of Happiness, Veenhoven 2011)
- 4 Positive Feelings: % people who report having experienced specific positive feelings the previous day. The percentage is the average for 8 explicitly mentioned positive feelings. (Data Gallup World Poll)
- 5 The correlation between technical quality and happiness is independent of wealth, since this correlation is substantial in poor and rich nations alike. This does not change the fact that wealth is important as an intermediate factor between government and happiness. Firstly because this technical quality probably contributes to wealth, and secondly because this quality amplifies the impact of wealth on happiness. The democratic quality will also contribute to this amplification. This explains the correlation between technical quality and happiness in poor and rich nations.

- 6 This option refers to a book by Albert Hirschman (1970). He posits that clients have two options if they are discontent about the products or services of some organization. They can ‘vote with their feet’ by no longer buying or using these products or services. This is known as the ‘exit-option’. They can also try to discuss their discontent with the managers of this organization, trying to make things better. This is known as the ‘voice-option’. The ‘voice-option’ is in particular valuable if the discontent is about complicated products or services, or if competition is not effective for some other reason, e.g. if organizations are subsidized. In the ‘voice option’ information about the happiness of clients and the underlying factors can play a useful role.

## References

- Bentham, J. (1789). *Introduction to the principles of morals and legislation* (Republished 1988). New York, NY: Prometheus Books.
- Bok, D. (2010). *The Politics of Happiness; what governments can learn from the new research on well-being*. Princeton and Oxford: Princeton University Press.
- Duina, F. (2011). *Winning; Reflections on an American Obsession*. Princeton, Oxford: Princeton University Press
- Frey, B. S., & Stutzer, A. (2005). Beyond outcomes: Measuring procedural utility. *Oxford Economic Papers*, 57, 90-111.
- Güven, C. (2011). Are happier people better citizens? *Kyklos*, 64 (2), 178-192.
- Headay, B. & Wearing, A. (1992). *Understanding Happiness; A theory of subjective well-being*. Melbourne, Australia: Longman Cheshire Pty.
- Hirschman, A.O. (1970). *Exit, voice, and loyalty; Responses to decline in firms, organizations and states*. Cambridge, MA: Harvard University Press.
- Kaufmann, D., Kraay, A. & Mastruzzi, M. (2009). *Governance Matters VIII: Aggregate and Individual Governance Indicators, 1996-2008*. World Bank Policy Research, Working Paper No. 4978.
- Lane, R. (2000). *The loss of happiness in market democracies*. New Haven, London: Yale University Press.
- Layard, R. (2005). *Happiness: Lessons from a new science*. New York, NY: The Penguin Press.
- SER (2012). The Social Economic Council, *Een eerste kennismaking*.
- Veenhoven, R. (2002). Het grootste geluk voor het grootste aantal; Geluk als richtsnoer voor beleid. Inaugural lecture. Erasmus University Rotterdam (31 May 2002). *Sociale Wetenschappen*, 4, 1-43.
- Veenhoven, R. (2008). Healthy happiness: effects of happiness on physical health and the consequences for preventive healthcare. *Journal of Happiness Studies*, 9 (3) 449-469.
- Veenhoven, R. (2011). *States of Nations: Data file to be used for the cross-national analysis of happiness*, World Database of Happiness, Erasmus University Rotterdam, The Netherlands. Retrieved January 2011, from [http://worlddatabaseofhappiness.eur.nl/statnat/statnat\\_fp.htm](http://worlddatabaseofhappiness.eur.nl/statnat/statnat_fp.htm)



# Conclusions



## Conclusions

1. Happiness is an appropriate goal for citizens and governments. It is attractive as a value and suitable as an object of empirical research. Actual happiness can be immoral, but empirical research suggests that this is rather exceptional. Happiness should nevertheless be assessed regularly and critically, to find out whether it could be a cause or consequence of immoral behaviour.
2. The pursuit of goals other than happiness contributes to happiness and happiness contributes to the successful pursuit of other goals. For that reason happiness can still be a goal if people prefer or equally appreciate alternative goals, whether as a matter of principle or only at specific moments. Happiness can therefore function as an additional goal together with alternative goals.
3. Happiness is the appreciation of one's own life as a whole. This appreciation is based on feelings and cognitive considerations. This appreciation is influenced by positive or negative attitudes and by individual or collective optimistic or pessimistic expectations. Happiness nevertheless depends heavily on actual living conditions. Differences in actual living conditions explain about 72 percent of the very substantial differences in average happiness in nations.
4. There are no indications that the free market-economy in democratic nations has a negative impact on average happiness. Competition and some stress have in general a positive impact. There are however indications that the level of competition and stress is too high in some rich nations, making this impact negative. Financial uncertainty is a probable cause.
5. Since 1998 the World Bank has evaluated six aspects of the quality of governments every year. In this dissertation the average score for four aspects, effectiveness, regulatory quality, rule of law and control of corruption, is used as a measure of the technical quality. There is a solid positive and linear relation between this technical quality and average happiness in nations. The relation is rather independent of the democratic quality, the size of government and culture.
6. In this dissertation the average score for the other two aspects, voice and accountability and political stability and the absence of violence, is used as a measure of the democratic quality. There is a positive relation between this democratic quality and average happiness in nations. This relation is rather independent of the size of governments and culture, but is stronger in rich nations and requires a minimal level of technical quality.
7. There is a positive relation between the size of government and average happiness if the

## Conclusions

quality of government is high, and there is no relation, or a negative one, if this quality is low. In terms of happiness there is no argument in favor of 'big' or 'small' government.

8. There is a non-linear relation between the technical quality of government and inequality in happiness. Inequality is at a low level if this quality is low, goes up if this quality goes up and declines again if this quality keeps going up. It is plausible that a minority of citizens will become happier first through better government, and that the other citizens will become happier if the improvements continue.
9. Governments have an impact on the happiness of their citizens in two ways: in direct contacts and by creating favourable conditions. In direct contacts it is important for government agencies to behave respectfully and carefully. The application of principles of decent governance can be helpful. In creating favourable conditions it is important for governments to set priorities correctly. Setting priorities should be dependent on specific situations. Statistical analysis of data related to the years 2000 and 2006 suggests that in those years the following conditions were important: gender equality, wealth, economic freedom, safety and healthcare.
10. Governments can accept the happiness of their citizens as an additional goal and promote it deliberately with the following options. These options are primarily facilitating and politically hardly controversial; they create possibilities to promote happiness but how this has to be done is a political question, which must be answered through democratic decision-making.
  1. Governments can organize the availability of adequate information about the happiness of citizens and the underlying dynamics. This information can be used in several ways. Some examples: *a.* in political discussions and in setting priorities, *b.* in organizing advice for citizens who want to be happier, *c.* in consultation procedures for local government, *d.* by representatives of customers of commercial and other organizations who deliver feed-back and comments on the management of such organizations.
  2. Governments can ensure, more specifically, that government officials, in their meetings with lobbyists, are acquainted with the happiness of citizens and the underlying dynamics. This will give them better opportunities to intervene if there are tensions between the promotion of specific interests and democracy.
  3. Governments can improve their own technical and democratic quality, for example by developing and adhering to principles of good governance. This is in particular important for the contacts between citizens and government agencies that impose their decisions unilaterally on citizens.

4. Governments can reduce the impact of income-inequality on happiness by the creation of adequate collective provisions. This is also important to avoid substantial disadvantages for children resulting from the poverty of their parents. This approach will make it easier to accept income-inequality, as a consequence of free market-economy.
  
5. Governments can ensure that citizens are not faced with serious risks that are wholly outside their control. Such a policy will help citizens to learn, and never to unlearn, how to make their own decisions about their lives. The implication is that stress will be manageable and that the impact of competition and stress on happiness will remain positive.

## **Curriculum Vitae Jan Cornelis Ott (April-12-1949)**

Jan Ott studied sociology and law at the Erasmus University Rotterdam (EUR). He specialized in social economic policy, constitutional law, and public administration. He worked as a policy adviser for the Ministry of Social Affairs and Employment from 1984 to 2004. He was involved in the promotion of entrepreneurship and employability, the reduction of labour market discrepancies, and the evaluation of public bodies. He participated as a government representative in conferences of the International Labour Organization (ILO) on “Tripartite consultation” and “Job creation in small and medium sized enterprises”. Since 2004 he has worked as a social researcher at the Faculty of Social Sciences of the EUR. In his research on the livability of nations he has paid particular attention to the quality of governments. The information in the World Database of Happiness played an important role in his research.

# Propositions

Related to the dissertation “An eye on happiness” by J.C. Ott.

1. Happiness is morally acceptable and has valued consequences. It can be investigated and this is also true for the factors and conditions that contribute to happiness.
2. Happiness depends on personality and on optimism or pessimism. This does not change the fact that actual conditions explain about 72 percent of the substantial differences in average happiness in nations.
3. The relation between happiness and the size of government depends on the quality of government: positive if this quality is good, negative if this quality is bad.
4. The inequality of happiness in nations is at a maximum if the quality of governments is at a medium level.
5. People know how happy they are, but their assessment of determinants is poor (Gilbert 2007; Nettle 2005). Happiness research can help to improve this assessment.
6. Happiness research can help economists to develop a realistic concept of welfare, by pointing out the differences between expected utility and experienced utility.
7. Institutionalization of voluntary work, as a third option alongside working as an employee or as an entrepreneur, can increase happiness and can make happiness less dependent on the state of the market. The importance of money can be reduced.
8. Since additional economic growth and additional income in rich nations hardly contribute to greater happiness, citizens and governments can reconsider their priorities. This freedom is not yet recognized sufficiently. (Easterlin 1974; Lane 1999; Layard 2005).
9. Adversity and crises often have a positive impact on long term happiness, because they can mobilize psychological and social resources and they can put an end to situations with negative effects on happiness (Haidt 2006).
10. The explanation of observed differences in a phenomenon is only the beginning of the explanation of the phenomenon itself.
11. People who watch soaps on television a lot are probably more able to assess how happy they are, but are probably less happy than other people.

## References

- Easterlin, R. (1974). Does economic growth improve the human lot? In P. A. David & W. Reder (Eds.), *Nations and households in economic growth: Essays in honor of Moses Abramowitz*. New York, NY: Academic Press.
- Gilbert, D. (2007). *Stumbling on happiness*. New York, NY: Vintage Books, Random House.
- Haidt, J. (2006). *The happiness hypothesis; Putting ancient wisdom to the test of modern Science*. Random House, London.
- Lane, R. (1999). Diminishing returns to income, companionship, and happiness. *Journal of Happiness Studies*, 1 (1), p. 103-119.
- Layard, R. (2005). *Happiness: lessons from a new science*. London, UK:, Penguin Books.
- Nettle, D. (2005). *Happiness; the science behind your smile*. Oxford, UK: Oxford University Press.



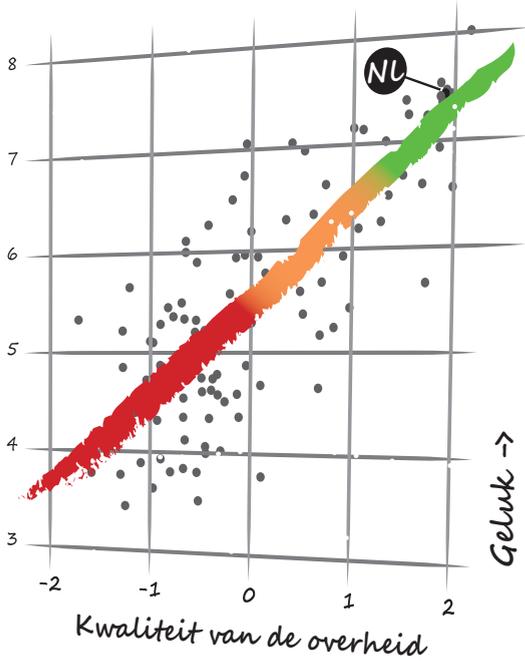


Jan Ott

# Oog voor Geluk

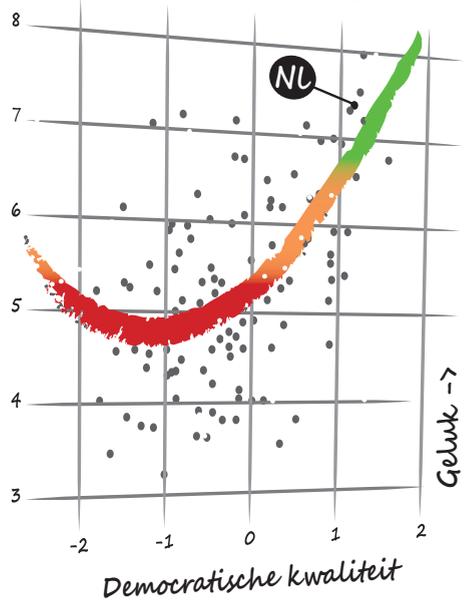
Geluk als extra doel  
voor burgers en overheid

Kwaliteit Overheid  
Meer kwaliteit, meer geluk

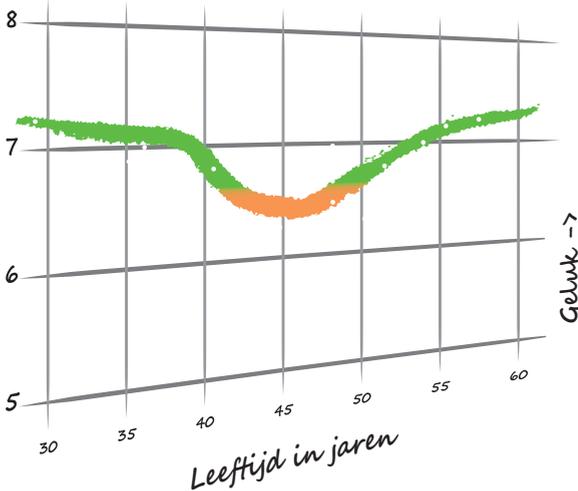


# Geluk in landen

Democratie  
Meer democratie, meer geluk



Leeftijd  
Minder gelukkig tussen 40 en 50



Bronnen:  
World Database of Happiness  
World Bank Institute  
World Happiness Report (April 2012)

Jan Ott

# Oog voor Geluk

Geluk als extra doel  
voor burgers en overheid

ISBN: 978-90-5335-589-3

Uitgeverij: Bèta Communicaties, Den Haag

Drukwerk: Ridderprint BV, Ridderkerk  
[www.proefschriftdrukken.nl](http://www.proefschriftdrukken.nl)

©2012 Jan Ott. Alle rechten voorbehouden. Niets uit deze uitgave mag worden overgenomen in enige vorm of op enige wijze, zonder voorafgaande toestemming van de uitgever.

OOG VOOR GELUK  
GELUK ALS EXTRA DOEL  
VOOR BURGERS EN OVERHEID

Een onderzoek naar het belang van de overheid  
voor het geluk van burgers

**AN EYE ON HAPPINESS  
HAPPINESS AS AN ADDITIONAL GOAL  
FOR CITIZENS AND GOVERNMENTS**

A study into the impact of government  
on the happiness of citizens

PROEFSCHRIFT

ter verkrijging van de graad van doctor aan de  
Erasmus Universiteit Rotterdam  
op gezag van de  
rector magnificus

Prof.dr. H.G. Schmidt

en volgens besluit van het College voor Promoties.  
De openbare verdediging zal plaatsvinden op

dinsdag 27 november 2012 om 11.30 uur

Jan Ott

geboren te Schagerbrug (NH)



## **PROMOTIECOMMISSIE**

Promotor: Prof.dr. R. Veenhoven

Overige leden: Prof.dr. A.G. Dijkstra  
Prof.dr. H.B. Entzinger  
Prof.dr. M.J.A.M. Verkuijten

# Inhoudsopgave

<b>Dankwoord</b>	<b>7</b>
<b>1 Inleiding</b>	<b>9</b>
1.1 Geluk als doel	9
1.2 Het begrip geluk	10
1.3 Geluk als waarde en doel	10
1.3.1 De aantrekkelijkheid van geluk als waarde	11
1.3.2 De aantrekkelijkheid van geluk als doel	12
1.4 Dit proefschrift	13
1.4.1 Onderwerp en titel	13
1.4.2 Benadering	14
1.4.3 Oorzakelijkheid	17
1.4.4 De opbouw van dit proefschrift	19
1.4.5 Samenvatting	20
1.4.6 Conclusies	20
<b>2 Samenvatting</b>	<b>23</b>
2.1 Samenvatting Deel I: Geluk als doel	23
2.1.1 Wat is geluk?	23
2.1.2 Bezwaren tegen geluk als doel	23
2.1.3 Pluspunten van geluk als doel	25
2.1.4 Geluk als het belangrijkste, of zelfs het enige doel?	25
2.1.5 Praktische bruikbaarheid van geluk als doel	26
2.1.6 Mensen weten hoe gelukkig ze zijn, maar weten vaak niet waarom	26
2.1.7 Het verschil tussen nut in de economie en geluk in het echte leven	26
2.2 Samenvatting Deel II: Geluk en vrije markteconomie	28
2.2.1 Is vrije markteconomie slecht voor geluk?	28
2.2.2 Is competitie slecht voor geluk?	28
2.2.3 Hoe is de relatie tussen stress en geluk?	29
2.2.4 Een hoog gemiddelde of meer gelijkheid: is dat een dilemma?	30
2.3 Samenvatting Deel III: Geluk en overheid	31
2.3.1 Hoe belangrijk zijn de kwaliteit en de omvang van de overheid voor geluk?	31
2.3.2 Op welke manier beïnvloedt de overheid het gemiddelde geluk?	32

## **Inhoudsopgave**

2.3.3	Op welke manier beïnvloedt de overheid de ongelijkheid in geluk?	32
2.3.4	Welke opties zijn er voor de overheid om geluk doelgericht extra te vergroten?	33
2.3.5	Kan de overheid geluk als doel erkennen?	34
<b>3</b>	<b>Conclusies</b>	<b>37</b>
	<b>Curriculum Vitae</b>	<b>40</b>

## Dankwoord

Per 1 mei 2004 nam ik ontslag bij het Ministerie van Sociale Zaken en Werkgelegenheid om meer tijd te besteden aan het schrijven van dit proefschrift. Het idee dat ik dat wel in mijn vrije tijd kon doen bleek niet te kloppen. Geluk is een ongehoord ingewikkeld onderwerp en vraagt nadrukkelijk om de toepassing van verschillende disciplines.

Als dit proefschrift toch gelukt is dan is dat dankzij de hulp en de steun van velen. De medewerkers bij de World Database of Happiness, Carla den Buitelaar, Joop Mulder en Paul Wartena, die de dagelijkse organisatie verzorgen en de vele vrijwilligers die stukje bij beetje een schat aan informatie opbouwen en toegankelijk maken. Verder mijn partner Marian, die zo hard werkt dat het soms besmettelijk is, en onze vrienden en kennissen die vaak commentaar gaven op resultaten van onderzoek. Mark Chekola en Tim Taylor hebben veel suggesties gedaan voor verbetering, in de taal en inhoudelijk. Frans Koeman, Liesbeth Thomas en Thijs Unger hebben gezorgd voor de lay-out en het ontwerp. Tenslotte kon dit proefschrift nooit geschreven worden zonder het pionierswerk en de begeleiding van Ruut Veenhoven. Door zijn pionierswerk is het nu helder dat geluk zich prima leent voor wetenschappelijk onderzoek, en dat dit informatie oplevert waar onderzoekers en beleidmakers gebruik van kunnen maken. Met zijn organisatie van de World Database of Happiness heeft hij gezorgd dat resultaten van dat onderzoek voor iedereen toegankelijk zijn. Ondanks zijn overvolle agenda was zijn begeleiding zeer effectief, met goede suggesties voor onderzoek en snelle reacties op conceptteksten. Ik dank hem en alle anderen voor hun hulp bij het maken van dit proefschrift!



# Hoofdstuk 1

## Inleiding

### 1.1 Geluk als doel

Aan geluk, als een mogelijk moreel richtpunt, is in de filosofie veel aandacht besteed. In 1725 publiceerde Francis Hutcheson, een grondlegger van de Schotse Verlichting, de eerste versie van zijn essay “Inquiry concerning Moral Good and Evil”. In dat essay stelt hij dat de moraliteit van gedrag afhankelijk is van de gevolgen voor het algemeen welzijn. Hij verwoordt als eerste het principe van “het grootste geluk voor het grootste aantal”. Deze filosofie werd later verder ontwikkeld door Jeremy Bentham in zijn boek “An Introduction to the Principles of Morals and Legislation” (1789), en nog later door John Stuart Mill in zijn “Utilitarianism” (1863). Volgens deze filosofie willen mensen altijd zo gelukkig mogelijk zijn. Daarom moeten mensen en overheden altijd streven naar het grootste geluk voor het grootste aantal, dus naar het hoogste gemiddelde geluk voor alle betrokken partijen. Als dat principe wordt toegepast op individueel gedrag dan wordt dat ‘handelings-utilitarisme’ genoemd, als het wordt toegepast op het beleid van de overheid, en met name op wet- en regelgeving, dan heet het ‘regel-utilitarisme’ of ‘politiek utilitarisme’.

Adam Smith is sterk door Hutcheson beïnvloed. In zijn boek “The Theory of Moral Sentiments” (1759) geeft hij aan dat hij geluk erg belangrijk vindt, maar dat hij het niet geschikt acht als een praktisch doel. De bevordering van ‘het universele geluk van alle rationele en verstandige wezens’ kunnen we naar zijn mening maar beter aan God overlaten (p. 238). Dat hangt samen met zijn inschatting dat mensen zich maar beperkt kunnen inleven in de gevoelens van anderen. Daarom is het beter dat mensen zich op een redelijke manier laten leiden door hun economische eigenbelang.<sup>1</sup> In zijn latere boek “The Wealth of Nations” (1776) maakt hij duidelijk dat dit goede resultaten oplevert voor ons welzijn, doordat dit de basis is voor de ‘onzichtbare hand’, als het sturende mechanisme van de vrije markt.

De geschiedenis heeft laten zien dat Adam Smith een sterk argument had. Vrije markten zijn zeer effectief en kunnen ook als een vorm van fundamentele vrijheid worden beschouwd (Sen, 1999). Het verdient qua elementaire logistiek ook aanbeveling dat mensen primair voor zichzelf zorgen. Toch is het de vraag of Adam Smith vandaag de dag dezelfde opstelling zou kiezen. Er zijn in elk geval twee dingen veranderd. In de eerste plaats kan met moderne onderzoekstechnieken het geluk van mensen nu beter worden onderzocht. Hierdoor kan nu beter worden beoordeeld hoe gelukkig mensen feitelijk zijn, en van welke factoren dat geluk afhankelijk is. In de tweede plaats is er meer twijfel ontstaan over de effectiviteit van ‘de onzichtbare hand’. Die effectiviteit ontstaat doordat producten of diensten pas verkocht worden als ze aantrekkelijker zijn dan de producten of diensten van de concurrent. Veel producten en diensten zijn inmiddels zo ingewikkeld dat ze jammer genoeg nauwelijks vergelijkbaar zijn. Dat maakt concurrentie minder effectief en insiders maken daar misbruik van door zichzelf

## Hoofdstuk 1

te verrijken. Bovendien is concurrentie vaak opzettelijk ingeperkt, bijvoorbeeld op het terrein van veiligheid, openbaar vervoer, medische zorg en onderwijs, doordat instellingen geheel of gedeeltelijk worden gefinancierd of gesubsidieerd door de overheid. Tegen de achtergrond van die ontwikkelingen is het zinvol opnieuw de vraag aan de orde te stellen of geluk geen extra doel kan zijn naast het economische eigenbelang. Die vraag moet verder worden uitgewerkt en dat vereist allereerst een bespreking van het begrip geluk.

### 1.2 Het begrip geluk

Tegenwoordig wordt geluk meestal omschreven als de waardering van mensen voor hun eigen leven als geheel. Die betekenis staat ook centraal in het moderne empirische onderzoek. Geluk is dus een oordeel over het eigen bestaan en bij het bepalen van dat oordeel blijken mensen twee bronnen van informatie aan te spreken. De eerst bron is hoe prettig of onprettig ze zich door dag en tijd voelen, de tweede bron is in hoeverre het leven hen brengt wat ze er van verlangen. Die ‘sub-oordelen’ worden ook wel aangeduid als respectievelijk de affectieve of gevoelsmatige component, en de cognitieve of verstandelijke component. Doordat beide componenten een rol spelen kan niet meer worden beweerd dat geluk alleen maar een kwestie is van gevoel, of alleen maar een willekeurig bedenkfel ‘tussen de oren’.

De twee componenten van geluk kunnen apart worden gemeten en onderzoekers kunnen dus kiezen tussen het meten van geluk als die algemene waardering van het leven als geheel, of het meten van de affectieve of cognitieve component. Het meten van de cognitieve component is wat makkelijker omdat deze wat stabiel is. Voor een goede meting van de meer veranderlijke affectieve component zijn meer observaties nodig om een representatief beeld te verkrijgen.

Er zijn aanwijzingen dat de gevoelsmatige component dominant is, dus een grotere rol speelt in de waardering van het leven als geheel. Cognitieve beslissingen zijn pas mogelijk na een gevoelsmatige waardering (Zajonc 1984; Damasio 1994). De correlaties die tot nu toe zijn gevonden tussen de waardering van het leven als geheel en de gevoelsmatige component zijn ook wat hoger dan de correlaties tussen die waardering en de cognitieve component (Veenhoven 2010). Evolutionair bezien is het ook aannemelijk dat gevoelens dominant zijn omdat de menselijke cognitie pas relatief recent is ontstaan als een aanvullende faciliteit, en zeker niet als een substituuut voor gevoelsmatige waardering. Dit is ook zichtbaar in de structuur van de hersens.

### 1.3 Geluk als waarde en doel

Geluk wordt in vrijwel alle culturen als iets positiefs en wenselijks beschouwd. Sociologisch bezien is het dan een waarde, of een maatstaf waarmee situaties worden beoordeeld. Als het bovendien actief wordt nagestreefd is het niet alleen een waarde, maar ook een doel. De aantrekkelijkheid van geluk als doel is afhankelijk van de aantrekkelijkheid van geluk als waarde, maar er zijn nog andere factoren die daarbij een rol spelen.

Tabel 1. De acceptatie en onderlinge verenigbaarheid van waarden.

Waarden X1,...Xn	1. Wordt X geaccepteerd?		2. Is X verenigbaar met andere waarden?	
	Ja	Nee	Ja	Nee
X1				
X2				
X3 etc.				

### 1.3.1 De aantrekkelijkheid van geluk als waarde

Filosofen als David Hume (1739, ook sterk beïnvloed door Francis Hutcheson) en Karl Popper (1945) hebben duidelijk gemaakt dat er een grote kloof bestaat tussen enerzijds beschrijvende uitspraken, en anderzijds normatieve uitspraken, zoals uitspraken die berusten op een morele keuze.<sup>2</sup> Normatieve uitspraken en beoordelingen kunnen nooit gerechtvaardigd worden door beschrijvende uitspraken. Dat geldt ook voor de normatieve beoordeling van waarden. Beschrijvende uitspraken kunnen bij die beoordeling echter wel een rol spelen. In Tabel 1 worden in dat verband twee vragen gesteld<sup>3</sup>: Wordt een waarde door mensen geaccepteerd? en: Is die waarde verenigbaar met andere waarden?

Toegespitst op geluk gaat het dus om de volgende vragen:

1. Beschouwen mensen geluk als iets wenselijks, accepteren ze het als een waarde?
2. Is geluk verenigbaar met andere populaire waarden, zoals democratie, rechtvaardigheid, altruïsme, vrijheid, en ‘zelf-actualisatie’?

Deze vragen kunnen alleen worden beantwoord als geluk onderzocht kan worden.

#### *Geluk goed onderzoekbaar*

Mensen in alle culturen denken na over hun leven en kunnen aangeven hoe wenselijk en belangrijk geluk voor ze is (Veenhoven 2010). Ze kunnen daarbij immers afgaan op hun eigen persoonlijke ervaring. Daardoor begrijpen ze waar het om gaat als onderzoekers hen vragen of ze geluk belangrijk vinden, en of ze zelf gelukkig zijn. Bij de meeste andere waarden is de beantwoording lastiger doordat er meer verschillen zijn in individuele en culturele interpretatie, bijvoorbeeld als het gaat om rechtvaardigheid of ‘zelf-actualisatie’.

#### *Geluk hoog gewaardeerd en goed verenigbaar met veel andere waarden*

Dankzij die onderzoekbaarheid is nu bekend dat mensen overal in de wereld geluk belangrijk vinden, ook al zijn er verschillen in prioriteit (Diener & Oishi 2004). Voor zover andere waarden ook onderzoekbaar zijn is meer duidelijkheid ontstaan over de relaties tussen geluk en andere waarden. Over het algemeen zijn die relaties positief. Zo zijn gelukkige mensen

## Hoofdstuk 1

over het algemeen gezonder (Veenhoven 2008), en meer geneigd zich in te zetten voor anderen en het algemeen belang (Guven 2011).

Meer in het algemeen heeft geluk een positief effect op het functioneren van mensen, bijvoorbeeld als het gaat om hun werk, sociale contacten, vrijwilligerswerk en vrijetijdsbesteding (Veenhoven 2012). Het heeft bovendien een positief effect op creativiteit (Isen 1998).

Ook inhoudelijk is geluk consistent met belangrijke alternatieve waarden. Allereerst verwijst geluk naar de waardering van mensen voor hun eigen leven, en niet naar de waardering van dat leven door anderen. Dat maakt het als waarde aantrekkelijk, omdat het individuele autonomie respecteert en niet paternalistisch is. Daarnaast is het mogelijk het gemiddelde geluk van een groep als een waarde te beschouwen, waarbij het geluk van elk individu even zwaar meeweegt. Dat betekent dat gemiddeld geluk als waarde ook consistent is met respect voor gelijkwaardigheid.

### *Geluk is niet per definitie goed*

Dat geluk zich positief verhoudt tot andere waarden, vaak een gevolg is van het realiseren van andere waarden, en daar zelf ook aan bijdraagt, verhoogt de aantrekkelijkheid van geluk als waarde. Ook als men andere waarden aantrekkelijker vindt kan men geluk waarderen als een behulpzame factor, of als een prettig bijproduct.

Het accepteren van geluk als waarde betekent anderzijds niet dat feitelijk geluk altijd moreel acceptabel is. Het geluk van een individu, of een beperkte groep van mensen, of van mensen in een bepaald land, kan gebaseerd zijn op gedrag met negatieve gevolgen voor het geluk van anderen, in hetzelfde land of in andere landen, of voor het geluk van toekomstige generaties. Men moet regelmatige kritisch bezien hoe feitelijk geluk tot stand komt.

Op dit punt is er dus een belangrijk verschil tussen het begrip geluk in oude filosofische tradities, en zoals het tegenwoordig wordt gebruikt. Ten tijde van Aristoteles, en later bij Augustinus en Thomas van Aquino, werd moraliteit als een onmisbaar onderdeel van geluk beschouwd (McMahon, 2005). Geluk was daardoor afhankelijk van het voldoen aan filosofische of religieuze uitgangspunten. Die visie heeft nog maar weinig aanhangers, maar de afwijzing van die visie betekent dat het morele gehalte van geluk niet meer vanzelfsprekend is, en dus telkens opnieuw beoordeeld moet worden.

### **1.3.2 De aantrekkelijkheid van geluk als doel**

Het lijkt logisch dat elke waarde, dus alles wat wenselijk wordt geacht, ook actief als doel wordt nagestreefd. Dat is echter alleen het geval als die waarde in de praktijk gerealiseerd kan worden, en als dat tegelijkertijd nog niet volledig is gebeurd. Wat geluk betreft: als geluk niet beïnvloed kan worden is het zonde van de tijd om het toch te proberen; en als het overal perfect geregeld is dan is dat niet meer nodig.

Dankzij onderzoek is inmiddels bekend dat geluk beïnvloed kan worden. Zo zijn de verschillen in gemiddeld geluk in landen voor een belangrijk deel afhankelijk van verschillen

in feitelijke levensomstandigheden. Die omstandigheden worden voor een belangrijk deel door menselijk gedrag bepaald en kunnen dus verbeterd worden.

Samengevat: de aantrekkelijkheid van geluk als doel berust in de eerste plaats op de aantrekkelijkheid van geluk als waarde. De populariteit van geluk als waarde, en de consistentie met andere waarden, verhogen die aantrekkelijkheid. Het accepteren van geluk als waarde blijft niettemin een normatieve keuze. Als men geluk als waarde accepteert ligt het voor de hand het ook als doel te beschouwen en het actief te bevorderen, omdat veel mensen gelukkiger willen zijn en omdat het mogelijk is geluk te bevorderen (Veenhoven, 2002).

## **1.4. Dit proefschrift**

### **1.4.1 Onderwerp en titel**

Na een bespreking van het begrip geluk, en het verschil met het begrip nut in de economie, begint dit proefschrift met het gegeven dat mensen wel nadenken over geluk, maar zich vaak vergissen in de factoren die dat geluk bepalen. Daarna worden factoren besproken die werkelijk van invloed zijn, en die feitelijke verschillen in geluk kunnen verklaren. De praktische bruikbaarheid van geluk als doel is immers ook afhankelijk van de beschikbaarheid en toepasbaarheid van dergelijke verklaringen. Op dat punt richt dit proefschrift zich vooral op het verklaren van de verschillen in gemiddeld geluk tussen landen, en de kwaliteit van de overheid als onderliggende factor.

Voor de titel van dit proefschrift heb ik gekozen voor ‘Oog voor geluk; geluk als extra doel voor burgers en overheid’. De kwalificatie ‘extra’ heb ik toegevoegd omdat ik nadrukkelijk twee dingen wil aangeven. In de eerste plaats kan geluk ook een doel zijn als men, principieel of alleen op bepaalde momenten, meer prioriteit toekent aan andere populaire doelen. In de tweede plaats zal het vermoedelijk nooit lukken om bij voorbaat het effect van elke beslissing op geluk in te schatten. Daardoor zal geluk als doel nooit op elk moment en onder alle omstandigheden een rol kunnen spelen. Andere doelen zullen dan richtinggevend moeten zijn.

Het accepteren van geluk als doel hoeft dus niets te veranderen aan het belang van andere doelen. Daardoor is het ook geen inbreuk op de persoonlijke vrijheid van burgers, en evenmin een inperking van de ruimte voor politieke besluitvorming. Doordat het een extra gezichtspunt toevoegt kan het wel de kwaliteit van discussies over persoonlijke en politieke prioriteiten verbeteren.

Dit pleidooi om geluk als een extra doel te gebruiken is dus een afwijzing van het waardenmonisme in het utilitarisme van Bentham (1789), dat geluk als de hoogste en beslissende waarde beschouwt. Dit pleidooi kiest juist voor waardenpluralisme door geluk wel als waarde te accepteren, maar zonder dat dit a priori gevolgen heeft voor de morele status van andere waarden (zie ook Veenhoven, 2002). Dat neemt niet weg dat bepaalde waarden praktisch gezien gemakkelijker met geluk gecombineerd kunnen worden dan andere.

### 1.4.2 Benadering

Dit proefschrift is gebaseerd op reviews van belangrijke publicaties, en op eigen onderzoek. In mijn eigen onderzoek probeer ik de verschillen in gemiddeld geluk en ongelijkheid in geluk tussen landen te verklaren. In eerder onderzoek is al vastgesteld dat er grote verschillen zijn in het gemiddelde geluk en de ongelijkheid in geluk in landen, en dat die verschillen tamelijk stabiel zijn. Veranderingen verlopen meestal geleidelijk; alleen in bepaalde situaties gaat het snel zoals in Rusland na de val van het communisme en in Oost-Duitsland na de hereniging met West-Duitsland.

Vanwege die stabiliteit heb ik gezocht naar verklarende factoren met een vergelijkbare stabiliteit. Het gaat dan om factoren als de kwaliteit en de omvang van de overheid, koopkracht per hoofd van de bevolking, economische en persoonlijke vrijheid, de inkomensverdeling, man/vrouw-gelijkheid en veiligheid en gezondheidszorg.

#### *Methodiek*

De methodiek die in het onderzoek is toegepast is betrekkelijk eenvoudig. Het gemiddelde geluk in landen, en de ongelijkheid van geluk binnen landen, zijn vergeleken en factoren, zoals de zojuist genoemde zijn gebruikt om de verschillen te verklaren. De gebruikte gegevens hebben betrekking op de periodes rond 2000 en 2006. Voor de periode rond 2000 gaat het om circa 78 landen, overwegend rijk en ontwikkeld. Voor de periode rond 2006 gaat het om circa 130 landen, met meer arme en minder ontwikkelde landen.

#### *Het meten van de kwaliteit van de overheid*

De kwaliteit van de overheid is een belangrijk onderwerp in dit proefschrift. Het Nederlandse begrip ‘overheid’ kan in het Engels worden vertaald als ‘government’, maar ook met het meer omvattende ‘governance’, voor zover dat betrekking heeft op de organisatie van het openbaar bestuur. In dit proefschrift worden de termen ‘governance’ en ‘government’ door elkaar gebruikt, waarbij wordt aangesloten bij de ruime interpretatie van de Wereld Bank: *Bestuur is de manier waarop gezag in een land wordt uitgeoefend onder invloed van tradities en instituties. Dat komt bijvoorbeeld tot uitdrukking in het proces waarbij bestuurders worden benoemd, gecontroleerd en vervangen; het vermogen van bestuurders om effectief beleid te ontwikkelen en uit te voeren; en het respect van burgers en bestuurders voor de instituties die de onderlinge economische en sociale contacten bepalen.* (Kaufmann et al.; World Bank June 2009). Het gaat dus niet alleen om het bestuur, maar ook om de wetgeving en de rechtspraak. Voor het meten van deze kwaliteit is gebruik gemaakt van de volgende indicatoren, die zijn ontwikkeld door Kaufmann, Kraay en Zoido-Lobaton van het World Bank Institute, en die bekend staan als de ‘KKZ-indicatoren’.

- *Inspraak en verantwoordingsplicht (Voice and Accountability)*. De mogelijkheden voor burgers om politieke ambtsdragers te kiezen en te vervangen, de vrijheid van meningsuiting, de vrijheid van vereniging en de onafhankelijkheid van de media.
- *Politieke stabiliteit en afwezigheid van geweld (Political Stability and Absence of*

*Violence*). De kans dat een politiek regime door geweld of op een onwettige manier wordt gedestabiliseerd of buiten spel gezet.

- Effectiviteit van de overheid (*Government Effectiveness*). De kwaliteit van de openbare dienstverlening, de kwaliteit van het ambtelijk apparaat en de onafhankelijkheid van dat apparaat tegenover politieke druk, de kwaliteit van beleidsontwikkeling en uitvoering.
- De kwaliteit van de wet- en regelgeving (*Regulatory Quality*). Het vermogen van de overheid om beleid en regelgeving te ontwikkelen dat de private sector optimaal ondersteunt. Geen marktverstorende maatregelen zoals prijsregulering, gebrekkig toezicht op banken, of een overmaat aan regelgeving ten aanzien van buitenlandse handel of de ontwikkeling van het bedrijfsleven.
- Rechtszekerheid (*Rule of Law*). Een omgeving met eerlijke en voorspelbare regels als basis voor economische en sociale contacten, met een goede bescherming van eigendomsrechten, afdwingbaarheid van overeenkomsten, en een effectieve en voorspelbare rechterlijke macht.
- Beheersing van corruptie (*Control of Corruption*). Corruptie is dan de mate waarin openbare bevoegdheden worden misbruikt voor de behartiging van privébelangen. Daarbij kan het gaan om kleine en grote zaken, maar ook om het misbruik van een gehele overheidsorganisatie door een bepaalde elite ('capture of the state').

Vanaf 1996 verzamelt de Wereld Bank gegevens om de kwaliteit van overheden op deze punten te beoordelen. Die gegevens zijn afkomstig van ongeveer 30 organisaties en zijn gebaseerd op enquêtes onder bedrijven en burgers en ambtenaren, en deskundigen van instellingen die commerciële risico's beoordelen, onafhankelijke organisaties, overheidsorganisaties, en multilaterale organisaties.

Het blijkt dat er zeer hoge correlaties zijn tussen de indicatoren, maar de correlaties tussen de eerste twee aan de ene kant, en de laatste vier aan de andere kant, zijn wat lager. Er is ook een begripsmatig verschil: de eerste twee hebben betrekking op de politieke situatie en de laatste vier op de rechtszekerheid en de kwaliteit en effectiviteit van de regelgeving en de ambtelijke organisatie. In dit proefschrift wordt daarom onderscheid gemaakt tussen respectievelijk de democratische en de technische kwaliteit van de overheid; waarbij de democratische kwaliteit wordt bepaald door de gemiddelde score voor de eerste twee indicatoren, en de technische kwaliteit door het gemiddelde voor de laatste vier. De Wereld Bank zelf publiceert alleen data voor afzonderlijke indicatoren, op grond van de overweging dat groepering van indicatoren gepaard gaat met veel informatie-verlies, met name wat betreft de betrouwbaarheidsintervallen.

#### *Bezwaren tegen de 'KKZ-indicatoren'*

Tegen de KKZ-indicatoren zijn bezwaren aangevoerd die hier een korte bespreking verdienen. Zoals Kaufmann and Kraay (2008) zelf nadrukkelijk aangeven, en ook besproken door Arndt en Oman (2006), levert de toepassing van deze indicatoren scores op waarvan de betrouwbaarheidsintervallen elkaar overlappen. De onderlinge rangorde van afzonderlijke

landen kan dus een gevolg zijn van meetfouten. Bovendien worden de scores gepresenteerd als standaard-scores, met een gemiddelde van 0 en een standaard deviatie van 1. Deze scores geven alleen relatieve kwaliteiten aan in een bepaald jaar. Hierdoor zijn deze scores minder geschikt voor het vergelijken van ontwikkelingen door de tijd. Binnen de context van dit proefschrift zijn deze bezwaren niet ernstig, en is groepering van data acceptabel, omdat het alleen gaat om het opsporen van samenhangen binnen een korte periode.

Een ander bezwaar van critici, zoals Khan (2007) en Dijkstra en van der Walle (2011), is dat de kwaliteit van de overheid op deze wijze niet goed wordt gemeten. De indicatoren zijn naar hun mening vooral gericht op de kwaliteit die nodig is om vrije markten goed te laten functioneren. Khan onderschrijft het belang van marktwerking, maar vraagt zich af of arme landen in staat zijn die kwaliteit tot stand te brengen. Dat is namelijk een kostbare zaak.

Bovendien is het bevorderen van marktwerking in arme landen volgens hem onvoldoende om economische groei te realiseren. Dat vereist andere kwaliteiten. Hij geeft daarbij aan dat het moeilijk is die kwaliteiten te benoemen, omdat het van de specifieke situatie afhangt welke kwaliteiten dat zijn. China, Maleisië, Z. Korea en Taiwan hebben goede resultaten geboekt, maar met verschillende strategieën, zoals protectionisme, subsidiering, infrastructurele maatregelen en technologiebeleid. Khan geeft aan dat de overheid in elk geval in staat moet zijn inefficiëntie aan te pakken. De overheid in arme landen moet namelijk zorgen voor reallocatie van kapitaal en hulpbronnen naar de productievare sectoren. Die aanpak kan problemen opleveren doordat die sectoren, door die voorkeursbehandeling en een gebrek aan concurrentie, inefficiënt gaan functioneren. Er is dan behoefte aan een harde aanpak, maar dat kan problematisch zijn door de bestaande machtsverhoudingen. In die situatie kan een machtsmonopolie van een partij of een elite een gunstig effect hebben, ook al gaat dat natuurlijk samen met een gebrek aan democratie.

Deze bezwaren zijn van belang voor dit proefschrift. Het bezwaar dat de kwaliteit van de overheid kostbaar is, en daardoor afhankelijk van het welvaartsniveau, komt in de volgende paragraaf aan de orde. Dat de kwaliteit van de overheid door de KKZ-indicatoren onvolledig wordt gemeten is ook relevant. Het is de vraag wat het zou betekenen als die kwaliteit op dit punt vollediger gemeten zou worden. Dat is echter lastig te onderzoeken, doordat die kwaliteit zich moeilijk laat omschrijven. Het belang van die kwaliteit zou wel kunnen verklaren waarom de relatie tussen de technische kwaliteit van de overheid en geluk, steviger en rechtlijniiger is, dan de relatie tussen de democratische kwaliteit en geluk.

Overigens is het op dit punt van belang onderscheid te maken tussen effecten op de korte en de lange termijn. Het effect van zowel een markt- als groeibevorderend beleid kan op korte termijn gering zijn, maar op lange termijn aanzienlijk. Dat geldt met name voor de wat hardere vormen van groeibevorderend beleid, zoals destijds de ‘enclosures’ in Engeland, waarbij mensen van hun gemeenschappelijke land werden verdreven, om plaats te maken voor schapen.

Nog een bezwaar tegen de KKZ-indicatoren is dat ook andere belangen worden verwaarloosd. Zoals Arndt en Oman (2006) aangeven berusten de scores, die met deze indicatoren worden

verkregen, op de percepties van deskundigen, ondernemers, managers, ambtenaren en burgers. De percepties per groep krijgen een gewicht dat groter is naarmate ze beter correleren met de percepties van andere groepen. Dit kan betekenen dat de percepties van toonaangevende deskundigen en organisaties een grote rol gaan spelen, en dat afwijkende percepties minder invloed hebben. Doordat toonaangevende deskundigen en organisaties veel prioriteit toekennen aan marktwerking en economische vrijheid, kunnen andere belangen, zoals duurzaamheid, m/v-gelijkheid en de rechten van werknemers buiten beeld blijven.

Bij dit bezwaar kan worden opgemerkt dat het vooral betrekking heeft op bepaalde aspecten van 'Regulatory Quality' en 'Rule of Law'. Bij de andere vier indicatoren geldt dit veel minder. Als we kijken naar de indicatoren als geheel ontstaat er daardoor een ander beeld. Actiegroepen, minderheden en werknemers kunnen gebruik maken van de kwaliteit van de overheid, en met name van de democratische kwaliteit, om hun belangen te behartigen.

### 1.4.3 Oorzakelijkheid

Er blijkt (rond 2006, voor circa 130 landen) een stevige positieve correlatie te zijn tussen de technische kwaliteit van de overheid en het gemiddelde geluk in landen (+0,75). In de laatste hoofdstukken van deze dissertatie is dat geïnterpreteerd als een aanwijzing dat een hoge technische kwaliteit van de overheid bijdraagt aan het geluk van burgers. Er zijn echter twee alternatieve verklaringen voor deze positieve correlatie.

De eerste is dat er sprake is van een schijnverband doordat deze correlatie ontstaat door een derde factor, die zowel bijdraagt aan de kwaliteit van de overheid als aan het geluk van burgers, terwijl de kwaliteit van de overheid geen invloed heeft. Deze verklaring wordt eerst besproken, met als conclusie dat de correlatie voor een belangrijk deel op oorzakelijkheid berust. Dat hoeft nog niet te betekenen dat de overheid bijdraagt aan geluk. De correlatie kan immers ook ontstaan doordat gelukkige burgers zorgen voor een betere overheid. Deze tweede alternatieve verklaring wordt ook besproken, met als conclusie dat de oorzakelijkheid toch vooral ontstaat door de invloed van de overheid op geluk. Tenslotte wordt toegelicht op welke manieren die invloed tot stand komt.

#### *Schijnverband?*

Welvaart is bij uitstek de derde factor die zou kunnen zorgen voor een schijnverband. Er is (rond 2006) een sterke correlatie tussen welvaart en geluk (+0,80) en tegelijkertijd een sterke correlatie tussen welvaart en de kwaliteit van de overheid (+0,89). Dit kan wijzen op een schijnverband en die indruk wordt ook gewekt doordat de correlatie tussen overheid en geluk sterk vermindert als rekening wordt gehouden met welvaartsverschillen (van +0,75 tot +0,11 á +0,14).

Toch betekenen deze uitkomsten niet dat de correlatie tussen overheid en geluk op een schijnverband berust. Allereerst verdwijnt de correlatie niet volledig, maar veel belangrijker is dat de kwaliteit van de overheid bijdraagt aan welvaart, en bovendien mede bepaalt wat het effect is van die welvaart op geluk. Welvaart is dus een intermediërende variabele in een

causale keten tussen de kwaliteit van de overheid en geluk.<sup>4</sup> Dat wordt aan het eind van deze paragraaf toegelicht bij de bespreking van de invloed van de overheid op geluk.

### *Effect van geluk op kwaliteit van de overheid?*

De tweede alternatieve verklaring voor de correlatie tussen overheid en geluk, voor zover bepaald door causaliteit, is dat geluk bijdraagt aan het functioneren van de overheid. Gelukkige mensen hebben meer vertrouwen in de overheid en zijn minder geneigd tot belastingfraude. Ze zijn ook meer geneigd tot participatie in het bestuur en in de politiek, en kiezen dan voor minder extreme posities. (Guvan 2011; Veenhoven 2011).

Het is echter niet aannemelijk dat de kwaliteit van de overheid sterk afhankelijk is van het gemiddelde geluk van alle belanghebbende burgers. Veel verbeteringen zijn lang geleden tot stand gekomen door concessies van alleenheersers, die juist werden afgedwongen door kleine groepen relatief invloedrijke belanghebbenden. Recentere verbeteringen zijn vaak afgedwongen door minderheden, die vermoedelijk juist wat minder gelukkig waren dan gemiddeld. Het is daarom aannemelijk dat de correlatie slechts voor een klein deel het gevolg is van een positievere opstelling van gelukkige burgers. We mogen dus aannemen dat de correlatie voor een belangrijk deel berust op de invloed van de overheid op geluk.

### *Hoe komt de invloed van de overheid op geluk tot stand?*

Simpel gezegd kan de invloed van de overheid op geluk op twee manieren tot stand komen: in directe contacten tussen overheidsinstellingen en burgers, en doordat de overheid voor voorzieningen en omstandigheden zorgt die bijdragen aan geluk.

Directe contacten tussen burgers en overheidsinstellingen zijn altijd gevoelig, doordat die contacten niet bepaald worden door overeenstemming en vrije wil, zoals gebruikelijk, maar door hiërarchie en machtsongelijkheid. Het is daarom van belang dat overheidsinstellingen zeer zorgvuldig en correct optreden. Op dat punt is de toepassing van de beginselen van behoorlijk bestuur een belangrijk onderdeel van de kwaliteit van de overheid. Een fundamenteel beginsel is bijvoorbeeld dat gelijke gevallen gelijk behandeld worden. De correcte toepassing van een dergelijk beginsel versterkt niet alleen het vertrouwen van burgers in de overheid, maar ook het vertrouwen tussen burgers onderling. Dat draagt bij aan het gemiddelde geluk.

De kwaliteit van de overheid is ook van belang omdat een goede overheid in staat is gunstige voorzieningen en omstandigheden te scheppen. Die voorzieningen en omstandigheden functioneren dan als intermediaire variabelen; dus als factoren die enerzijds afhankelijk zijn van de overheid en die anderzijds bijdragen aan geluk. Hiervoor is al aangegeven dat welvaart als zodanig erg belangrijk is. De overheid kan een forse bijdrage leveren aan welvaart, bijvoorbeeld door het bewaken van de openbare orde, en het ontwikkelen en onderhouden van een goede infrastructuur voor transport en communicatie. In meer ontwikkelde landen zorgt de overheid voor omvattende strategieën, om groei te bevorderen en de nationale

economie te versterken. Zoals in de vorige paragraaf opgemerkt kunnen ook capaciteiten, die niet worden gemeten door de KKZ-indicatoren, daarbij een rol spelen.

Als de welvaart zich ontwikkelt dan heeft dat een positief effect op geluk, maar dat effect is afhankelijk van de kwaliteit van de overheid. De hoge correlatie tussen welvaart en geluk van +0,80 neemt af tot ongeveer +0,40, als rekening wordt gehouden met verschillen in de kwaliteit van de overheid. Dat is begrijpelijk omdat het effect van welvaart op geluk ook afhankelijk is van de manier waarop die welvaart wordt besteed. Welvaart kan gebruikt worden voor militaire uitgaven, een corrupte bureaucratie, een repressief apparaat, of een disproportionele consumptie van een misdadige elite. In dergelijke situaties is het effect op het gemiddelde geluk erg beperkt.

Welvaart kan echter ook gebruikt worden voor voorzieningen en omstandigheden die bijdragen aan gemiddeld geluk, zoals straatverlichting, riolering, gezondheidszorg, onderwijs en veiligheid. Deze voorzieningen en omstandigheden kunnen ook als intermediaire factoren tussen overheid en geluk worden beschouwd, maar dan wel met een sterke afhankelijkheid van welvaart vanwege de hoge kosten.

De gelijkheid tussen mannen en vrouwen is ook een factor die enerzijds afhankelijk is van de kwaliteit van de overheid en anderzijds kan bijdragen aan geluk. In dit proefschrift zijn de Gender Development Index (GDI) en de Gender Empowerment Measure (GEM) gebruikt om die gelijkheid in landen te beoordelen. Daarbij moet worden aangetekend dat beide maatstaven bekritiseerd zijn, omdat ze afhankelijk zijn van het gemiddelde inkomen en daardoor geen goede maatstaven van man-vrouw gelijkheid als zodanig (zie Anand & Sen 1995; Dijkstra & Hanmer 2000; Dijkstra 2002; Schuler 2006; Collier 2007).

### *Conclusie*

Het is onmogelijk onomstotelijk te bewijzen dat de kwaliteit van de overheid beschouwd mag worden als een oorzaak van geluk. Een gecontroleerd experiment is niet mogelijk en er is onvoldoende informatie beschikbaar om de interacties tussen de betrokken factoren, en de volgorde van ontwikkelingen, te beoordelen. Bovendien is de vergelijkbaarheid van de landen, die in het onderzoek zijn meegenomen, beperkt. Afgaande op de nu beschikbare informatie is het echter aannemelijk dat de hoge correlatie, tussen de kwaliteit van de overheid en gemiddeld geluk, voor een belangrijk deel het gevolg is van een oorzakelijk verband. In de toekomst zal die oorzakelijkheid beter beoordeeld kunnen worden als er meer informatie beschikbaar komt. Het gaat dan bijvoorbeeld om informatie voor langere periodes en voor meer landen. Ook panelstudies, waarbij mensen langdurig worden gevolgd, zullen op dit punt inzichten opleveren die een betere beoordeling mogelijk maken.

#### **1.4.4 De opbouw van dit proefschrift**

Dit proefschrift bestaat uit de volgende drie delen, gevolgd door een samenvatting en conclusies.

## Hoofdstuk 1

### *Deel I: Geluk als een doel*

Dit deel gaat over het begrip geluk en over de vraag of geluk een doel kan zijn in het gedrag van mensen en in het beleid van de overheid. De bezwaren tegen geluk als doel en de pluspunten worden tegen elkaar afgewogen. Mensen maken fouten bij de beoordeling van het belang van bepaalde factoren voor hun geluk (Nettle, 2005; Gilbert, 2007). Die beoordelingsfouten moeten door onderzoek gecorrigeerd worden. Dat onderzoek kan ook gebruikt worden in de economie om het relatieve belang van ‘externe effecten’ te beoordelen; dat zijn welzijnseffecten die niet in marktprijzen tot uitdrukking komen. In dat verband komt het verschil tussen geluk en het economische begrip ‘nut’ aan de orde.

### *Deel II: Geluk en de vrije markteconomie.*

Sommige schrijvers zijn pessimistisch over de invloed van de vrije markteconomie op geluk. In dat kader wordt de relatie tussen geluk en competitie en tussen geluk en stress besproken. De conclusies zijn van belang voor het beoordelen van de rol die de overheid ten aanzien van geluk kan vervullen.

### *Deel III: Geluk en overheid*

Het blijkt dat voor de invloed van de overheid op het geluk van burgers vooral de kwaliteit van de overheid van belang is. Die kwaliteit, en vooral de technische kwaliteit, is niet alleen belangrijk voor het gemiddelde geluk, maar ook voor de mate van ongelijkheid in geluk. De relatie tussen gemiddeld geluk en de omvang van de overheid is positief als de kwaliteit van de overheid goed is, en negatief als die kwaliteit slecht is. Er is overlap in de hoofdstukken 12, 13 en 14 bij de bespreking van begrippen en variabelen, en bij de bespreking van causaliteit.

#### **1.4.5 Samenvatting**

De samenvatting volgt de bovenstaande structuur op hoofdlijnen, maar op enkele punten zijn conclusies in een andere volgorde gezet terwille van de leesbaarheid. Over de relatie tussen negatieve gevoelens en geluk zijn nog enkele actuele onderzoeksgegevens toegevoegd. Aan het eind van de samenvatting worden enkele opties beschreven waarmee de overheid het geluk van burgers kan bevorderen. Tenslotte wordt voorgesteld het bevorderen van geluk als een extra doelstelling voor de overheid te erkennen.

#### **1.4.6 Conclusies**

Dit proefschrift heeft een tiental specifieke conclusies opgeleverd. De belangrijkste is dat geluk goed kan functioneren als een extra doel voor individuele burgers en de overheid. Dat geldt ook als die burgers en die overheid andere doelen even belangrijk of belangrijker vinden, hetzij principieel, hetzij alleen op bepaalde momenten. De overheid heeft een aantal opties om het geluk van burgers doelbewust te vergroten. Die opties zijn vooral faciliterend en nauwelijks controversieel.

## Voetnoten

- 1 Smith liet zich hierbij inspireren door de Rotterdamse arts Bernard Mandeville die in zijn boek “The Fable of the Bees: or, Private Vices, Public Benefits” (1714) betoogde dat egoïstisch gedrag van individuen maatschappelijk gezien gunstige resultaten oplevert. Smith heeft die stelling wat afgezwakt door aan te geven dat dit individuele gedrag wel egoïstisch mag zijn, maar moreel gesproken toch binnen de perken moet blijven.
- 2 David Hume (1739) heeft scherp onderscheid gemaakt tussen ‘hoe het is’ en ‘hoe het hoort te zijn’ (‘is’ and ‘ought’) en heeft duidelijk gemaakt dat het niet vanzelfsprekend is om van beschrijvende uitspraken over feiten over te stappen op voorschrijvende uitspraken over waarden en normen. Karl Popper (1945) heeft aandacht besteed aan wat er fout kan gaan als dat onderscheid wordt veronachtzaamd. Een bekend voorbeeld: Sovjetregimes stopten mensen met een ‘afwijkende mening’ (‘dissidenten’) in psychiatrische inrichtingen om ze meer begrip te laten bijbrengen over geschiedenis en de onvermijdelijkheid van het communisme.
- 3 Deze Tabel 1 lijkt op Tabel 1 in Hoofdstuk 2, maar is op enkele punten verbeterd.
- 4 Het gaat hier feitelijk om de vraag of welvaart voorafgaat aan een betere kwaliteit van de overheid, als antecedente variabele, of, zoals nu beredeneerd, een gevolg is van die betere kwaliteit en vervolgens bijdraagt aan geluk (als een intermediërende variabele). Aangezien de kwaliteit van de overheid, zoals gemeten door de KKZ-indicatoren, een ruim begrip is, past deze vraag in de discussie in de economie over de relatie tussen instituties en welvaart. In de institutionele economie wordt sterk het accent gelegd op het belang van instituties voor economische groei (Kaufmann c.s. 2005; North 1990). Andere economen beschouwen welvaart juist als een voorwaarde voor de ontwikkeling van instituties (Chang 2011). Door de permanente interactie tussen instituties en welvaart is het niet mogelijk om het relatieve belang van die factoren afzonderlijk precies vast te stellen. Wat de kwaliteit van de overheid betreft is er bovendien het praktische probleem dat de Wereld Bank pas in 1996 is begonnen met een systematische meting van die kwaliteit.

## Referenties

- Anand, S. & Sen, A. (1995). *Gender inequality in human development: Theories and measurement*. New York: UN, Human Development Report Office. Report No. 19
- Arndt, C. & Oman, C. (2006). *Uses and abuses of governance indicators*. The Organisation for Economic Co-operation and Development (OECD), Development Centre Studies.
- Bentham, J. (1789). *Introduction to the principles of morals and legislation* (Republished 1988). New York, NY: Prometheus Books.
- Chang, H. (2011). Institutions and economic development: theory, policy and history. *Journal of Institutional Economics*, 7(4), 473-498.
- Collier, P. (2007). *The bottom billion: Why the poorest countries are failing and what can be done about it*. Oxford and New York: Oxford University Press.
- Damasio, A. (1994). *Descartes' error*. New York, NY: Putman.
- Diener, E., & Oishi, S. (2004). Are Scandinavians happier than Asians? Issues in comparing nations on subjective well-being. In F. Columbus (Ed.), *Asian economic and political issues* (Vol. 10, pp. 1-25). Hauppauge, NY: Nova Science.
- Dijkstra, A.G., & Hanmer, L.C. (2000). Measuring socio-economic gender inequality: Towards an alternative to the UNDP Gender-Related Development Index. *Feminist Economics*, 6(2), 41-75.
- Dijkstra, A.G. (2002). Revisiting UNDP's GDI and GEM: Towards an alternative. *Social Indicators Research*, 57, 301-338.
- Dijkstra, A.G., & Walle, S. van de (2011). Good Governance en Ontwikkelingsbeleid: Spijkerhard of Boterzacht? *Bestuurskunde*, 2, 23-32.

## Hoofdstuk 1

- Gilbert, D. (2007). *Stumbling on happiness*. New York, NY: Vintage Books, Random House.
- Guven, C. (2011). Are happier people better citizens? *Kyklos*, 64 (2), 178-192.
- Hume, D. (1739). *A treatise of human nature* (book III, part I, section I).
- Hutcheson, F. (1725). *Inquiry concerning Moral Good and Evil* (Republished 1969). Farnborough, UK: Gregg International Publishers.
- Isen, A. M., Doubman, K. A., & Nowiki, G. P. (1998). Positive affect facilitates creative problem solving. In: J. M. Jenkins, K. Oatley, & N. L. Stein (Eds.), *Human emotions: A reader* (pp. 288-297). Malden, MA: Blackwell Publishers.
- Kaufmann, D. (2005). Back to basics, 10 Myths about governance and corruption. *Finance & Development*, 42(3).
- Kaufmann, D., & Kraay, A. (2008). Governance indicators: Where are we, where should we be going? *World Bank Research Observer*, 23(1), 1-30.
- Kaufmann, D., Kraay, A. & Mastruzzi, M. (2009). Governance Matters VIII: Aggregate and Individual Governance Indicators, 1996-2008. World Bank Policy Research, Working Paper No. 4978.
- Khan, M. H. (2007). *Governance, economic growth and development since the 1960s. Desa Working Paper no.54*. United Nations, Dept. Economic & Social Affairs, New York, USA.
- Mandeville, B. (1714). *The Fable of the Bees: or, Private Vices, Public Benefits* (Republished 1988). Indianapolis, IN: Liberty Fund.
- McMahon, D. (2005). *Happiness: A history*. New York, NY: Atlantic Monthly Press.
- Mill, J.S. (1863). *Utilitarianism*. London, UK: Parker, Son, and Bourn, West Strand.
- Nettle, D. (2005). *Happiness, the science behind your smile*. Oxford, UK: Oxford University Press.
- North, D. (1990). *Institutions, institutional change and economic performance*. Cambridge, UK: Cambridge University Press.
- Popper, K. (1945). *The open society and its enemies*. London, UK: Routledge & Kegan Paul.
- Schüler, D. (2006). The Uses and Misuses of GDI and GEM, *Journal of Human Development*, 7(2), 275-283.
- Sen, A. (1999). *Development as freedom*. Oxford, UK: Oxford University Press.
- Smith, A. (1759). *The theory of moral sentiments* (Republished 2006). New York, NY: Dover Publications.
- Smith, A. (1776). *The wealth of nations* (Republished 2003). New York, NY: Bantam Dell, Random House.
- Veenhoven, R. (2002). Het grootste geluk voor het grootste aantal; Geluk als richtsnoer voor beleid. Inaugural lecture. Erasmus University Rotterdam (31 May 2002). *Sociale Wetenschappen*, 4, 1-43.
- Veenhoven, R. (2008). Healthy happiness: effects of happiness on physical health and the consequences for preventive healthcare. *Journal of Happiness Studies*, 9 (3) 449-469.
- Veenhoven, R. (2010). How universal is happiness? In E. Diener, J. Helliwell & D. Kahneman (Eds.), *International differences in well-being* (pp. 328-350). New York, NY: Oxford University Press.
- Veenhoven, R. (2011). *Correlates of Happiness*, World Database of Happiness, Erasmus University Rotterdam, The Netherlands. Retrieved June 2011, from [http://www.worlddatabaseofhappiness.eur.nl/hap\\_nat/nat\\_fp.php](http://www.worlddatabaseofhappiness.eur.nl/hap_nat/nat_fp.php).
- Veenhoven, R. (2012). *Bibliography of Happiness*, World Database of Happiness, Erasmus University Rotterdam, The Netherlands. Retrieved June 2012, from [http://www.worlddatabaseofhappiness.eur.nl/hap\\_bib/bib\\_fp.php](http://www.worlddatabaseofhappiness.eur.nl/hap_bib/bib_fp.php).
- Zajonc, R. B. (1984). On the primacy of affect. *American Psychologist*, 39, 117-123.

## Hoofdstuk 2

### Samenvatting

#### 2.1 Samenvatting Deel I: Geluk als doel

*Wat is geluk? Bezwaren tegen geluk als doel met reacties. De pluspunten van geluk als doel. Geluk als het belangrijkste of zelfs het enig doel? Praktische bruikbaarheid van geluk als doel. Mensen weten hoe gelukkig ze zijn, maar weten vaak niet waarom. Het verschil tussen nut in de economie en geluk in het echte leven.*

##### 2.1.1 Wat is geluk?

Geluk wordt gedefinieerd als de waardering voor het eigen leven als geheel, wat kan worden onderzocht door er vragen over te stellen. Die waardering kan gebaseerd zijn op de gemiddelde stemming, of op een meer beredeneerde beoordeling door het verstand. Dat kan tot verschillende uitkomsten leiden, maar de verschillen zijn niet zo groot doordat gevoelens en verstand elkaar voortdurend beïnvloeden. Vaak wordt het geluk van afzonderlijke individuen bestudeerd en wordt er gezocht naar verklaringen voor verschillen in individueel geluk binnen landen. In dit proefschrift gaat het vooral om de verschillen tussen landen, wat betreft het gemiddelde geluk en de mate van ongelijkheid. De kwaliteit van de overheid is in dat verband een belangrijke factor.

##### 2.1.2 Bezwaren tegen geluk als doel

*Bezwaar: geluk kan immoreel zijn*

Individueel geluk kan gebaseerd zijn op immoreel of zelfs misdadig gedrag. Met gemiddeld geluk is dat risico wat kleiner omdat immoreel gedrag het gemiddelde geluk verlaagt als anderen daar het slachtoffer van zijn. Ook een hoog gemiddeld geluk in een land kan helaas een gevolg zijn van immoreel gedrag, bijvoorbeeld tegenover individuen of groepen in dat land of in andere landen, of tegenover dieren of toekomstige generaties. Individueel of gemiddeld geluk is dus niet per definitie iets moois of wenselijks.

*Reactie: het valt mee, maar wel regelmatig evalueren*

In het verleden werd geluk in de filosofie vaak beschouwd als een gevolg van het ‘juiste’ of ‘goede’ leven. Daardoor was moraliteit een noodzakelijk ingrediënt voor geluk. In de tegenwoordige wetenschap zijn geluk en moraliteit losgekoppeld, waardoor geluk immoreel kan zijn. Die loskoppeling heeft geluk onderzoekbaar gemaakt, waardoor ook de relatie tussen geluk en andere waarden onderzocht kan worden. Daardoor weten we nu dat de morele prijs van de loskoppeling wel meevalt, omdat geluk positief blijkt samen te hangen met belangrijke morele waarden, zoals altruïsme en rechtvaardigheid. Dat neemt niet weg dat het morele gehalte van geluk regelmatig een kritische evaluatie vereist.

## Hoofdstuk 2

*Bezwaar: geluk betekent niet dat er geen problemen zijn*

Er zijn ook technische argumenten om kritisch te blijven over geluk als doel. Geluk is een oordeel over het leven als geheel. Dat kan per saldo positief zijn, terwijl er tegelijkertijd sprake is van ernstige problemen. Daarbij komt nog dat veel mensen zich positief opstellen tegenover hun eigen leven en de bijbehorende ongemakken. Dat is verstandig omdat een positieve opstelling positieve effecten uitlokt. Die 'positieve opstelling' betekent wel dat de relatie tussen geluk en de feitelijke omstandigheden wat losser wordt. Hetzelfde effect kan ontstaan door positieve of negatieve verwachtingen. Mensen kunnen gelukkig zijn doordat ze optimistisch zijn over hun toekomst, of juist ongelukkig doordat ze pessimistisch zijn. In die situaties is geluk voor een belangrijk deel alleen iets 'tussen de oren', en zegt het weinig over de kwaliteit van de feitelijke levensomstandigheden. Ook dat maakt het problematisch om geluk als een vanzelfsprekend doel te beschouwen. Een laag gemiddeld geluk is daarom een aanwijzing dat er problemen zijn; maar een hoog of redelijk gemiddeld geluk betekent niet dat die problemen er niet zijn.

*Reactie: toch stevige relatie met feitelijke leefsituaties*

Ondanks het feit dat het geluk van mensen ten dele afhankelijk is van hun eigen opstelling en hun verwachtingen, is er een stevig statistisch verband tussen geluk en feitelijke leefsituaties. Zo kunnen de grote verschillen in gemiddeld geluk tussen landen voor ongeveer 72 procent verklaard worden door verschillen in die leefsituaties. Dat betekent dat geluk als doel geschikt is voor burgers, politici en beleidsmakers bij het stellen van prioriteiten en het ontwikkelen van beleid. De verklaring van individuele verschillen binnen landen is lastiger, hooguit 25 procent van die verschillen laat zich verklaren.

*Bezwaar: is geluk een doel voor de korte of lange termijn?*

Als we geluk als doel willen beschouwen, dan zitten we met een logistieke vraag: willen we dat doen voor een korte of een lange termijn; alleen tot en met de volgende verjaardag, tot de verkiezingen, of ook voor toekomstige generaties?

*Reactie: dat blijft een lastig logistiek punt!*

Het bepalen van prioriteiten en strategieën voor de korte en lange termijn is altijd een boeiende uitdaging, net als het maken van keuzes bij het besteden van geld voor consumptie, sparen en investeren. Specifieke omstandigheden, behoeften en overwegingen zullen hier een rol moeten spelen. Het is lastig om consistent te zijn doordat mensen niet precies weten welke factoren en omstandigheden hen gelukkig maken. Bovendien veranderen die factoren als ze ouder worden.

### 2.1.3 Pluspunten van geluk als doel

#### *Geluk is onderzoekbaar*

Het blijkt dat mensen overal ter wereld, in elk geval als ze wat ouder zijn, nadenken over hun leven en daar een oordeel over hebben. Mensen geven over het algemeen bovendien eerlijke antwoorden op vragen over hun geluk, zeker als ze dat anoniem kunnen doen. Geluk is hierdoor goed onderzoekbaar en beter onderzoekbaar dan andere populaire doelen, zoals loyaliteit, eerlijkheid, rechtvaardigheid, altruïsme en vrijheid. Bij die doelen zijn er meer verschillen in interpretatie. Dat betekent dat onderzoekers moeten kiezen voor specifieke interpretaties, die niet altijd aansluiten bij de belevingswereld van de mensen die worden ondervraagd. De relevantie van de resultaten is dan ook beperkt door die keuze voor specifieke interpretaties.

#### *Geluk als doel is verenigbaar met andere doelen*

Voor zover de relatie tussen geluk en andere doelen is onderzocht, blijkt er eerder sprake van harmonie dan van onderlinge spanning. Geluk is vaak een gevolg van inspanningen die gericht zijn op het realiseren van alternatieve doelen, zoals succes in zaken, sport, kunst of politiek. Geluk kan ook bijdragen aan het realiseren van andere doelen. Zo zijn gelukkige mensen over het algemeen gezonder (Veenhoven 2008), en meer geneigd zich in te zetten voor anderen en het algemeen belang (Guven 2011).

#### *Geluk als doel respecteert individuele autonomie en is niet paternalistisch*

Als geluk als doel wordt erkend dan is dat ook in overeenstemming met respect voor de autonomie van het individu. De waardering van mensen van hun eigen leven wordt immers als feit geaccepteerd en niet ter discussie gesteld. Geluk als doel is dus niet paternalistisch.

#### *Gemiddeld geluk als doel respecteert de gelijkwaardigheid van burgers*

Gemiddeld geluk als doel is ook in overeenstemming met de gelijkwaardigheid van mensen, want in dat gemiddelde telt het geluk van iedereen even zwaar. In die zin lijkt geluk op democratie, dat immers ook gebaseerd is op respect voor individuele overtuiging en gelijkwaardigheid.

### 2.1.4 Geluk als het belangrijkste, of zelfs het enige doel?

In de utilitaristische filosofie, zoals verdedigd door J. Bentham (1789), wordt wel gepropageerd dat geluk als het belangrijkste of zelfs het enige doel moet worden beschouwd. Tegenstanders stellen dat dit betekent dat het geluk van een individu mag worden opgeofferd ten behoeve van het geluk van een groep. Ook moet het geluk van minderheden dan wijken voor het geluk van een meerderheid.

De utilitaristen kunnen reageren met het argument dat individuele autonomie, respect voor minderheden, en rechtszekerheid, noodzakelijk zijn voor duurzaam geluk op de lange termijn. Rechtszekerheid schept bijvoorbeeld voorspelbaarheid, waardoor het leuk en zinvol is om plannen te maken, omdat ze ook uitgevoerd kunnen worden. Dat tegenargument is

## Hoofdstuk 2

niet slecht, maar neemt niet weg dat er op bepaalde momenten wel degelijk spanningen kunnen optreden tussen gemiddeld geluk en andere waarden. Tegen die achtergrond is het niet realistisch geluk bij voorbaat als het belangrijkste of het enige doel te beschouwen (zie ook Veenhoven, 2002).

### 2.1.5 Praktische bruikbaarheid van geluk als doel

Geluk kan op zeer verschillende manieren bevorderd worden, waarbij men bovendien kan kiezen tussen een perspectief voor een langere of kortere termijn. Verder zal het nooit mogelijk zijn het effect van elke actie en elke beslissing op geluk te voorspellen. Dat betekent dat het accepteren van geluk als doel in het persoonlijke leven of in de politiek nooit volledig richtinggevend kan zijn. Bovendien levert geluksonderzoek wel algemene uitspraken op over de oorzaken van geluk, maar dat zijn generalisaties die nog vertaald moeten worden naar specifieke persoonlijke en politieke situaties. In het persoonlijke leven kan dat betekenen dat die generalisaties vervolgens nuttig zijn bij het nemen van beslissingen met effecten voor de wat langere termijn, zoals het aangaan van relaties en het kiezen van een opleiding, een baan, vrijwilligerswerk, een vrijetijdsbesteding, of een manier van leven in het algemeen.

Op politiek niveau is de bruikbaarheid van die generalisaties wat groter omdat politieke beslissingen gericht mogen worden op ‘het grootste geluk voor het grootste aantal’. Maar dan wel onder voorwaarde dat de rechten van individuen en minderheden gerespecteerd worden!

### 2.1.6 Mensen weten hoe gelukkig ze zijn, maar weten vaak niet waarom

Mensen hebben vaak onjuiste veronderstellingen over wat hen gelukkig maakt, of zou kunnen maken. Ze overschatten de positieve of negatieve effecten van specifieke gebeurtenissen en laten ze zich vaak leiden door verkeerde doelen, zoals status en bezittingen. Een achterliggende factor is dat ze erg veel prioriteit toekennen aan hun relatieve positie binnen groepen of op de maatschappelijke ladder. Verbetering voor bepaalde individuen of groepen gaat helaas samen met een verslechtering voor andere individuen of groepen. Vermindering van het belang van relatieve posities, bijvoorbeeld door een hoogwaardig aanbod aan collectieve voorzieningen, kan een alternatief zijn. Minder prioriteit voor relatieve posities is prima, maar hoeft niet te betekenen dat competitie – of concurrentie – altijd negatief is voor geluk en vermeden moet worden. De relatie tussen competitie en geluk wordt in Deel II besproken.

### 2.1.7 Het verschil tussen nut in de economie en geluk in het echte leven

Geluk is niet hetzelfde als ‘nut’, het begrip dat centraal staat in de economie. Bij nut gaat het om de waarde die goederen of diensten voor mensen hebben en die ze voor een bepaalde prijs willen kopen. Geformuleerd in de omgekeerde volgorde: de prijs is afhankelijk van het nut dat ze verwachten (‘expected utility’). Het bruto nationaal product van een land (BNP) geeft aan hoeveel nut er in een jaar in een land wordt geproduceerd. In de economische theorie wordt aangenomen dat menselijke behoeften onbeperkt zijn en dat er altijd schaarste is.

Daarom zullen mensen altijd streven naar meer inkomen en een hoger BNP, en dat betekent altijd extra nut. Nut is dus onbeperkt.

Geluk is de waardering voor het leven als geheel. Attitudes en verwachtingen kunnen daarbij een rol spelen, maar geluk is toch vooral gebaseerd op feitelijke ervaring die sterk afhankelijk is van feitelijke omstandigheden. Menselijke behoeften worden geacht beperkt te zijn en daardoor is geluk ook beperkt door een maximum. Een centrale conclusie van geluksonderzoek is dat economische groei, dus een hoger BNP per hoofd van de bevolking, in rijke landen geen extra geluk meer oplevert.

Hoe belangrijk zijn deze verschillen? Misschien minder belangrijk dan men op het eerste gezicht zou verwachten, maar toch wel belangrijk! Het kan zijn dat menselijke behoeften beperkt zijn, maar een van die behoeften is het gebruik en de ontwikkeling van capaciteiten (intrinsieke motivatie). Mensen hebben daarom uitdagingen nodig. Het verschil tussen de economische theorie en geluksonderzoek is dat de economische theorie veronderstelt dat de productie van goederen en diensten, die voor geld verkocht moeten worden, de enige uitdaging is die echt bepaalt wat er gebeurt. In geluksonderzoek is dit niet de enige optie, en in rijke landen is dit geen optie die nog extra geluk oplevert. Anders gezegd: nut of BNP (welvaart) is niet langer een acceptabele indicator voor subjectief welzijn of geluk in rijke landen.

Door deze verschillen kunnen de resultaten van geluksonderzoek als aanvulling dienen op de resultaten van economisch onderzoek, door niet het begrip 'nut' maar het begrip 'geluk' centraal te stellen. Dat kan ten aanzien van bepaalde vraagstukken een vollediger beeld opleveren. Meer in het bijzonder kan geluksonderzoek bijdragen aan de beoordeling van externe effecten. Dat zijn welzijnseffecten die economisch bezien moeilijk verklaarbaar zijn omdat ze niet in prijzen tot uitdrukking komen.

### 2.2 Samenvatting Deel II: Geluk en Vrije Markteconomie

*Is vrije markteconomie slecht voor geluk? Is competitie slecht voor geluk? Hoe is de relatie tussen stress en geluk? Een hoog gemiddelde of meer gelijkheid, is dat een dilemma?*

#### 2.2.1 Is vrije markteconomie slecht voor geluk?

Voor Amerika heeft Robert Lane (2000) een nieuwe theorie gepresenteerd die stelt dat het geluk is verminderd door de ontwikkeling van de vrije markteconomie. Het besteedbare inkomen is in Amerika sterk toegenomen en daardoor is het effect van extra inkomen op geluk afgenomen. Volgens Lane besteden Amerikanen nu teveel tijd aan inkomensverwerving en onvoldoende tijd aan sociale contacten met familie, vrienden en kennissen. Dat heeft een negatief effect op hun vermogen met stress om te gaan.

Die theorie is boeiend maar de bewijsvoering is moeizaam. Tussen 1972 en 1994 was er in Amerika inderdaad een sterke economische groei met een forse stijging van het gemiddelde inkomen. Het gemiddelde geluk was in die periode stabiel, en is zeker niet afgenomen. Het is echter denkbaar dat een vermindering van emotioneel waardevolle contacten een negatief effect heeft gehad, maar dat dit effect gecompenseerd is door positieve ontwikkelingen op andere gebieden. Als dat zo is dan hadden de Amerikanen dus gelukkiger kunnen zijn dan ze feitelijk waren, en misschien is dat nog steeds het geval.

Richard Layard (2005) heeft een vergelijkbare visie gepresenteerd op het geluk in een markteconomie. Ook hij is van mening dat de kwaliteit van sociale relaties is verminderd, net als het belang van lokale gemeenschappen en het belang van altruïsme. Hij meent dat sociale vergelijking, aangemoedigd door reclame, die in het dagelijks leven altijd nadrukkelijk en onvermijdelijk aanwezig is, een belangrijke negatieve rol is gaan spelen. Hierdoor is er naar zijn mening een ‘ratrace’ ontstaan, met onevenredig veel aandacht voor relatieve posities en met negatieve effecten op geluk.

#### 2.2.2 Is competitie slecht voor geluk?

Een boeiende vraag in dit verband is de vraag hoeveel competitie tussen mensen optimaal is uit een oogpunt van geluk. Volgens Francesco Duina zijn Amerikanen geobsedeerd door competitie, en hij bepleit een wat kritischer opstelling. Bij zijn visie kan worden opgemerkt dat competitie in principe gunstig is voor geluk, omdat het mensen aanmoedigt actief te zijn en hun capaciteiten maximaal te ontwikkelen. Dat is positief voor geluk, maar met drie kanttekeningen: a. mensen kunnen ook op andere manieren gestimuleerd worden, zoals door samenwerking of door een uitdaging die ze zelf bepaald hebben; b. competitie moet binnen zekere grenzen blijven en geen onevenredige stress opleveren; en c. competitie hoeft niet gericht te zijn op een grenzeloze productie van goederen en diensten, die vervolgens ook nog verkocht moeten worden.

Gegeven de analyses van Lane and Layard is competitie minder gunstig voor geluk als het gaat om het verkrijgen van basale bestaanszekerheid, zoals door het verwerven van een

betaalde baan als voorwaarde voor inkomen en de opvoeding van kinderen. Dat levert zoveel stress op dat die stress moeilijk hanteerbaar wordt, met negatieve effecten op geluk. Er moet dus onderscheid worden gemaakt tussen competitie ‘voor de aardigheid’ en competitie ‘om te overleven’. De noodzaak van competitie om te overleven zou iets verminderd moeten worden, terwijl competitie voor de aardigheid alle ruimte verdient.

### 2.2.3 Hoe is de relatie tussen stress en geluk?

Lane en Layard signaleren een verminderd vermogen van de Amerikanen om met stress om te gaan. Derek Bok (2010) doet dat niet maar hij analyseert wel een groot aantal problemen die in Amerika negatieve gevoelens veroorzaken, niet alleen stress maar ook depressieve gevoelens, verdriet, woede en bezorgdheid.

Uit zijn analyses blijkt dat Amerikanen vaak last hebben van onzekerheid over hun financiële situatie. Ze kunnen onverwacht ontslagen worden, weten dan niet hoe lang het duurt voor ze een andere baan hebben, en kunnen te maken krijgen met ziektekosten waarvoor ze onvoldoende zijn verzekerd. Oudere Amerikanen zijn bang dat ze in een verpleeghuis terecht komen waardoor ze hun spaargeld kunnen verliezen. Of ze zijn bang dat hun spaargeld onvoldoende zal zijn als ze ouder worden dan ze hadden verwacht.

Afgezien van stress hebben deze negatieve gevoelens altijd een negatief effect op geluk. De relatie tussen geluk en stress is gecompliceerd. Stress is in principe niet negatief voor geluk. Tot een bepaald niveau is stress gunstig omdat het mensen stimuleert zich in te spannen en hun capaciteiten te ontwikkelen. Stress is echter ongunstig als het hoog oploopt en onbeheersbaar wordt. Binnen landen blijkt er een negatieve samenhang te zijn tussen stress en individueel geluk.

Tegelijkertijd is er een positieve samenhang tussen het gemiddelde geluk in landen en het gemiddelde niveau van stress. De verklaring is dat individuele stress samengaat met extra creativiteit en productiviteit. Mensen die zelf door stress minder gelukkig zijn, leveren door diezelfde stress een extra bijdrage aan het geluk van anderen. De negatieve effecten voor hun geluk worden dan gecompenseerd, met een positief effect op het gemiddelde. Die compensatie werkt alleen als de gemiddelde stress binnen een bepaald niveau blijft; als het hoger wordt is de compensatie onvoldoende en verdwijnt het positieve verband tussen gemiddelde stress en gemiddeld geluk (zie Tabel 1). Voor Amerika en een aantal andere landen blijkt dat het geval te zijn. Deze landen hebben een redelijk gemiddeld geluk, maar behoren niet tot de landen met de hoogste scores. Het is aannemelijk dat financiële onzekerheid, en met name inkomensonzekerheid, hier een negatieve rol speelt (zie tweede voetnoot in Tabel 1).

De zojuist genoemde bevindingen zijn vooral gebaseerd op onderzoek in Amerika, maar ze zijn, in elk geval als waarschuwing, ook relevant voor andere landen met een vrije markteconomie. In veel van deze landen is er vooralsnog minder stress dan in Amerika. Dat kan veranderen, bijvoorbeeld als gevolg van scherpe internationale concurrentie en een financiële crisis.

## Hoofdstuk 2

Table 1. Correlaties tussen stress en geluk (gemiddelden) in democratische landen<sup>1</sup>

Stress-niveau <sup>2</sup>	<i>N</i>	Correlatie Stress/Geluk <sup>3</sup>	Correlatie Stress/ Positieve Gevoelens <sup>4</sup>
Laag ≤20	35	+0,15	+0,12
Middelmatig >20; ≤30	43	+0,24	+0,16
Hoog >30	40	-0,05	+0,03
Alle landen	118	+0,27	+0,26

*N* = aantal landen

### 2.2.4 Een hoog gemiddelde of meer gelijkheid: is dat een dilemma?

In politieke discussies komt vaak de vraag aan de orde wat er meer prioriteit verdient: een hoger gemiddeld geluk of meer gelijkheid in geluk. Dankzij onderzoek kan inmiddels worden gezien of er werkelijk sprake is van een dilemma. Dat blijkt mee te vallen. In landen met een redelijk functionerende overheid gaat een hoger gemiddelde samen met meer gelijkheid in geluk. Het blijkt dat factoren die bijdragen aan een hoger gemiddelde ook bijdragen aan meer gelijkheid. Het gaat dan om factoren als koopkracht, de kwaliteit van de overheid, de rol van de overheid in termen van overheidsconsumptie en inkomensoverdrachten, economische vrijheid, en gelijkheid tussen mannen en vrouwen.

Alleen inkomensongelijkheid laat een tegengesteld effect zien: het gaat samen met een hoger gemiddelde maar ook met meer ongelijkheid. Het dilemma van de prioriteit is dus alleen aan de orde bij het inkomensbeleid. In Deel III komt dit specifieke dilemma, en de relatie tussen de kwaliteit van de overheid en ongelijkheid in geluk, uitgebreider aan de orde.

## 2.3 Samenvatting Deel III: Geluk en overheid

*Hoe belangrijk zijn de kwaliteit en de omvang van de overheid voor geluk? Op welke manier beïnvloedt de overheid het gemiddelde geluk en de ongelijkheid in geluk? Welke opties heeft de overheid om geluk doelgericht verder te vergroten? Mag de overheid het bevorderen van geluk als een doel beschouwen?*

### 2.3.1 Hoe belangrijk zijn de kwaliteit en de omvang van de overheid voor geluk?

Mensen veronderstellen dat de overheid weinig invloed heeft op hun persoonlijke geluk (Headey & Wearing 1992). Waarschijnlijk doordat ze niet bekend zijn met de grote verschillen in het gemiddelde geluk in landen, variërend van drie tot acht op een schaal van nul tot tien. Die verschillen hangen nauw samen met de kwaliteit en het functioneren van de overheid.

De Wereldbank (Kaufmann et. al. 2009) beoordeelt elk jaar voor alle landen die kwaliteit van de overheid aan de hand van zes aspecten: democratisch gehalte en verantwoording, politieke stabiliteit, effectiviteit, rechtszekerheid, de kwaliteit van wet- en regelgeving, en beheersing van corruptie. We kunnen onderscheid maken tussen de democratische en de technische kwaliteit; de democratische kwaliteit wordt bepaald door de gemiddelde score voor de eerste twee aspecten (democratisch gehalte & verantwoording, politieke stabiliteit), en de technische kwaliteit door de gemiddelde score voor de overige vier aspecten.

Er is een sterke samenhang tussen de technische kwaliteit van de overheid en het gemiddelde geluk van burgers. Die samenhang is onafhankelijk van andere factoren zoals welvaart, cultuur, en de omvang van de overheid.<sup>5</sup> De samenhang tussen democratische kwaliteit van de overheid en geluk is iets minder, en is alleen aantoonbaar voor landen die al een redelijk niveau van technische kwaliteit hebben bereikt.

Het belang van de kwaliteit van de overheid is veel groter dan het belang van de omvang van die overheid. De omvang is beoordeeld aan de hand van de percentages overheidsconsumptie en overheidsbestedingen binnen respectievelijk de nationale consumptie en het bruto nationale product. Als de technische kwaliteit goed is dan zijn er positieve verbanden tussen overheidsconsumptie en geluk en tussen overheidsbestedingen en geluk, maar die verdwijnen, of worden zelfs negatief, als die technische kwaliteit slecht is. De omvang kan ook beoordeeld worden aan de hand van de hoogte van de belastingen. Bij een goede technische kwaliteit is er een duidelijk positief verband tussen de hoogte van belastingen en geluk; bij een slechte kwaliteit is er een duidelijk negatief verband. Uit een oogpunt van geluk zijn er dus geen argumenten om principieel te kiezen voor een kleine of grote overheid.

Deze bevindingen zijn boeiend gezien de sterke anti-overheidssentimenten die in veel landen dominant zijn. Die sentimenten zijn begrijpelijk omdat relaties tussen burgers en overheidsinstanties verticaal zijn, met een hoger hiërarchisch niveau voor die instanties en een lager niveau voor de burgers. Dat betekent dat de contacten niet afhankelijk zijn van onderlinge overeenstemming, zoals dat in horizontale relaties tussen burgers en private

organisaties het geval is. Overheidsinstellingen kunnen eenzijdig hun wil opleggen en dat wordt niet altijd gewaardeerd. Daarom is de kwaliteit van de overheid niet alleen van belang voor het realiseren van goede leefomstandigheden, maar ook voor de directe contacten tussen de overheid en de burgers.

### **2.3.2 Op welke manier beïnvloedt de overheid het gemiddelde geluk?**

Een statistische correlatie is niet altijd het gevolg van een oorzakelijk verband. Toch is het aannemelijk dat de kwaliteit van de overheid beschouwd mag worden als een oorzaak van geluk in landen. Er zijn geen andere verklaringen voor de correlatie, en in veel landen is overheidsbeleid ook bewust of onbewust gericht op het vergroten van tevredenheid, welzijn en geluk. De bewijsvoering kan nog verbeterd worden, als er meer gegevens beschikbaar komen over de wisselwerking tussen overheidskwaliteit en geluk gedurende langere periodes.

De kwaliteit van de overheid is op twee manieren van invloed: direct en indirect. In directe contacten is het van belang dat de overheid zorgvuldig en met respect omgaat met burgers. Deze directe effecten worden wel aangeduid met de term ‘procedural utility’, (Frey & Stutzer, 2005) wat wil zeggen dat burgers het op prijs stellen correct behandeld te worden, ongeacht de vraag of ze krijgen wat ze hebben willen.

Daarnaast is de kwaliteit van de overheid indirect van belang, omdat een goede overheid beter in staat is omstandigheden tot stand te brengen die bijdragen aan geluk. Welke omstandigheden dat zijn hangt af van de situatie en de historische context. Statistische analyses, met data voor de jaren 2000 en 2006, doen vermoeden dat in die jaren in elk geval de volgende omstandigheden belangrijk waren: gelijkheid tussen mannen en vrouwen, welvaart, economische vrijheid, veiligheid, en gezondheidszorg. Verschillen in die omstandigheden verklaren ongeveer 72 procent van de verschillen in gemiddeld geluk. Deze indirecte effecten door het scheppen van gunstige omstandigheden, kunnen worden aangeduid met de term ‘output utility’.

Voor afzonderlijke landen of groepen van landen zijn er uiteraard specifiekere prioriteiten. Zo is het relatieve belang van extra welvaart voor arme landen groter dan voor rijke landen. Er zijn dus geen algemene recepten beschikbaar, maar er kunnen wel inspirerende ‘checklists’ worden opgesteld.

### **2.3.3 Op welke manier beïnvloedt de overheid de ongelijkheid in geluk?**

De relatie tussen overheidskwaliteit en geluk is lineair, maar dat geldt niet voor de relatie tussen overheidskwaliteit en ongelijkheid in geluk. Er is een grote mate van gelijkheid in geluk bij zowel een lage als een hoge overheidskwaliteit; bij een middelmatige kwaliteit is er meer ongelijkheid. Ook hier is er behoefte aan meer gegevens om de interactie tussen kwaliteit en geluk beter te beoordelen.

Er is wel een plausibele verklaring. Als de kwaliteit van een overheid slecht is en beter wordt, zullen bepaalde mensen daar eerst meer van profiteren dan anderen. Daardoor stijgt het gemiddelde geluk, maar er ontstaat ook meer ongelijkheid. Als de kwaliteit verder

toeneemt, kan de overheid meer aandacht besteden aan mensen die achterblijven. Daardoor gaat het gemiddelde geluk verder omhoog, maar nu met een vermindering van ongelijkheid. Het lijkt er dus op dat geluk in landen zich kan ontwikkelen via meer ongelijkheid naar meer gelijkheid, mits de kwaliteit van de overheid dat mogelijk maakt.

In Deel 2 is besproken dat factoren die bijdragen aan een hoger gemiddeld geluk ook bijdragen aan vermindering van ongelijkheid in geluk. De uitzondering is inkomensongelijkheid, dat tegelijkertijd bijdraagt aan een hoger gemiddelde en aan meer ongelijkheid. Dat de ongelijkheid op termijn toch afneemt betekent dat de vergroting van geluksongelijkheid als gevolg van inkomensongelijkheid gecompenseerd wordt door andere factoren.

Vermoedelijk zijn dat in het bijzonder collectieve voorzieningen, die voor iedereen ongeacht het inkomen toegankelijk zijn, die het effect van inkomensongelijkheid op geluk verminderen. Het dilemma zoals besproken in deel 1, prioriteit toekennen aan gemiddeld geluk of aan geluksgelijkheid, kan dus worden opgelost door verbetering van collectieve voorzieningen, zoals bijvoorbeeld voor onderwijs en medische zorg. Dat vermindert de invloed van inkomensongelijkheid op geluk en verkleint ook het risico dat kinderen onevenredig worden benadeeld door de armoede van hun ouders.

#### **2.3.4 Welke opties zijn er voor de overheid om geluk doelgericht extra te vergroten?**

1. De overheid kan zorgen dat er goede informatie over het geluk van burgers en de achterliggende dynamiek beschikbaar komt. Die informatie kan op verschillende manieren worden gebruikt. Enkele voorbeelden: a. in politieke discussies en bij het bepalen van prioriteiten, b. bij het organiseren van advies voor individuele burgers die gelukkiger willen zijn, c. bij inspraakprocedures voor burgers in lokaal bestuur, en d. door de vertegenwoordigers van klanten van commerciële en andere organisaties die commentaar leveren op de prestaties van die organisaties.<sup>6</sup>
2. De overheid kan in het bijzonder zorgen dat overheidsvertegenwoordigers, die overleg voeren met lobbyisten, goed op de hoogte zijn met het geluk van burgers en de achterliggende dynamiek. Dan kunnen ze beter tegenspel bieden als er een spanning ontstaat tussen de behartiging van specifieke deelbelangen en democratie.
3. De overheid kan de eigen technische en democratische kwaliteit vergroten, bijvoorbeeld door het ontwikkelen en het naleven van beginselen van behoorlijk bestuur. Dat is in het bijzonder van belang voor de contacten tussen burgers en overheidsinstellingen die eenzijdig hun wil aan burgers opleggen.
4. De overheid kan door het organiseren van goede collectieve voorzieningen zorgen dat de invloed van inkomensongelijkheid op geluk beperkt blijft, en dat kinderen niet benadeeld worden door de armoede van hun ouders. Dat maakt de inkomensongelijkheid, die het gevolg is van inkomensvorming op de vrije markt, meer acceptabel.
5. De overheid kan zorgen dat burgers niet te maken krijgen met ernstige risico's die voor hen, ongeacht hun persoonlijke inzet, onbeheersbaar zijn. Dat maakt het mogelijk dat

## Hoofdstuk 2

burgers het aanleren -en het vervolgens niet meer afleren- dat ze zelf kunnen beslissen hoe hun leven verloopt. Het betekent bovendien dat de effecten van competitie en stress op geluk positief kunnen blijven.

Deze opties zijn overwegend faciliterend en nauwelijks controversieel. Ze vergroten het gemiddelde geluk en verminderen de ongelijkheid in geluk, maar of dat moet gebeuren is een politieke vraag die via democratische besluitvorming beantwoord moet worden. De politiek moet kritisch blijven. Geluk kan immoreel zijn en een hoog gemiddeld geluk betekent niet dat er geen ernstige problemen zijn, of dat er geen ernstige problemen verwacht mogen worden. De politiek kan gebruik maken van geluksonderzoek, maar dat onderzoek is geen substituut voor politiek!

### 2.3.5 Kan de overheid geluk als doel te erkennen?

Een overheid mag niet bevoogdend zijn en heeft maar weinig ruimte om er, los van de politieke realiteit, eigen doelen op na te houden. Toch hebben veel overheden, of gezaghebbende adviserende instituten, bepaalde doelen als richtinggevend erkend. In Nederland heeft de Sociaal Economische Raad bijvoorbeeld drie centrale beleidsdoelstellingen aangewezen (SER 2012):

- een evenwichtige economische groei, passend binnen het streven naar duurzame ontwikkeling;
- een zo groot mogelijke arbeidsparticipatie;
- een redelijke inkomensverdeling.

De formulering van dergelijke centrale doelen kan het overleg over meer concrete beleidskeuzes stimuleren en ondersteunen. De vraag is of het bevorderen van geluk ook als één van de centrale doelen mag worden aangewezen. Dat is een politieke vraag, maar er zijn sterke argumenten om dat inderdaad te doen. Geluk is een populair doel, goed verenigbaar met andere doelen en goed onderzoekbaar. Bovendien heeft de overheid feitelijk veel invloed op geluk; een goede overheid functioneert als een 'geluksmachine'. Tegen die achtergrond is het aanwijzen van geluk als centraal doel weinig meer dan een nuttige erkenning van een gewaardeerde realiteit. Wat Nederland betreft kan de aanwijzing van geluk als vierde centrale doelstelling het makkelijker maken de kwalificaties 'evenwichtig', 'zo groot mogelijk' en 'redelijk', in de nu aangewezen doelen, wat concreter in te vullen.

## Voetnoten

- 1 Landen met een gestandaardiseerde score  $> +0,5$  voor democratische kwaliteit. Dit is de gemiddelde score voor 'voice and accountability' en 'political stability' in 2006. (Data World Bank)
- 2 Stress: % mensen in een land dat een groot gedeelte van de vorige dag last heeft gehad van stress (Data Gallup World Poll). In januari 2012 gaf Gallup extra informatie vrij over het hoge niveau van financiële zorgen van

- Amerikanen. In 2012 is 51% van de Amerikanen bezorgd over het behoud van hun levensstandaard, 43% is bezorgd of ze hun medische kosten kunnen betalen, en 34% is bezorgd over het risico dat ze hun baan in de komende 12 maanden zullen verliezen. In 2004 waren deze percentages respectievelijk 34, 32 and 21. Deze informatie ondersteunt de analyses van Derek Bok.
- 3 Gemiddeld geluk in landen (0-10-schaal, worst-best possible life, cognitive type). (Data World Database of Happiness, Veenhoven 2011)
  - 4 Positieve Gevoelens: % mensen in een land die rapporteren dat ze de vorige dag specifieke met name genoemde positieve gevoelens hebben ondervonden. Het gebruikte percentage is het gemiddelde voor de 8 met name genoemde positieve gevoelens. (Data Gallup World Poll)
  - 5 Die samenhang tussen technische kwaliteit en geluk is onafhankelijk van welvaart, in die zin dat die samenhang zowel voor arme als rijke landen hoog is. Dat neemt niet weg dat welvaart een belangrijke variabele is tussen overheid en geluk. Enerzijds omdat het aannemelijk is dat de technische kwaliteit bijdraagt aan welvaart, en anderzijds omdat het aannemelijk is dat die kwaliteit het gelukseffect van de welvaart vergroot. Daarbij gaat ook de democratische kwaliteit een rol spelen. Dit verklaart dat er zowel voor arme als rijke landen een samenhang is tussen de technische kwaliteit van de overheid en geluk.
  - 6 Deze optie verwijst naar het werk van Albert Hirschman (1970). Hij stelt dat belanghebbenden op twee manieren kunnen reageren als ze ontevreden zijn over de prestaties van een organisatie. Ze kunnen 'stemmen met de voeten' door geen gebruik meer te maken van de producten of diensten van die organisatie. Dat is de 'exit-optie'. Ze kunnen ook proberen hun ontevredenheid te bespreken met het bestuur van de organisatie in de hoop dat dit tot verbetering leidt. Dat is de 'voice-optie'. De 'voice-optie' is met name waardevol als het gaat om ingewikkelde producten of diensten, of als het concurrentie-mechanisme door andere oorzaken niet goed werkt, bijvoorbeeld doordat organisaties gesubsidieerd worden. Bij 'voice' kan informatie over het effect van producten en diensten op het geluk van de klanten een nuttige rol spelen.

## Referenties

- Bentham, J. (1789). *Introduction to the principles of morals and legislation* (Republished 1988). New York, NY: Prometheus Books.
- Bok, D. (2010). *The Politics of Happiness; what governments can learn from the new research on well-being*. Princeton and Oxford: Princeton University Press.
- Duina, F. (2011). *Winning; Reflections on an American Obsession*. Princeton, Oxford: Princeton University Press
- Frey, B. S., & Stutzer, A. (2005). Beyond outcomes: Measuring procedural utility. *Oxford Economic Papers*, 57, 90-111.
- Güven, C. (2011). Are happier people better citizens? *Kyklos*, 64 (2), 178-192.
- Headey, B. & Wearing, A. (1992). *Understanding Happiness; A theory of subjective well-being*. Melbourne, Australia: Longman Cheshire Pty.
- Hirschman, A.O. (1970). *Exit, voice, and loyalty; Responses to decline in firms, organizations and states*. Cambridge, MA: Harvard University Press.
- Kaufmann, D., Kraay, A. & Mastruzzi, M. (2009). *Governance Matters VIII: Aggregate and Individual Governance Indicators, 1996-2008*. World Bank Policy Research, Working Paper No. 4978.
- Lane, R. (2000). *The loss of happiness in market democracies*. New Haven, London: Yale University Press.
- Layard, R. (2005). *Happiness: Lessons from a new science*. New York, NY: The Penguin Press.
- SER (20120). De Sociaal Economische Raad, *Een eerste kennismaking*.
- Veenhoven, R. (2002). Het grootste geluk voor het grootste aantal; Geluk als richtsnoer voor beleid. Inaugural lecture. Erasmus University Rotterdam (31 May 2002). *Sociale Wetenschappen*, 4, 1-43.
- Veenhoven, R. (2008). Healthy happiness: effects of happiness on physical health and the consequences for

preventive healthcare. *Journal of Happiness Studies*, 9 (3) 449-469.

Veenhoven, R. (2011). *States of Nations: Data file to be used for the cross-national analysis of happiness*, World Database of Happiness, Erasmus University Rotterdam, The Netherlands. Retrieved January 2011, from [http://worlddatabaseofhappiness.eur.nl/statnat/statnat\\_fp.htm](http://worlddatabaseofhappiness.eur.nl/statnat/statnat_fp.htm)

## Hoofdstuk 3

### Conclusies

1. Geluk kan goed als een doel worden gebruikt door burgers en overheden. Als waarde is geluk aantrekkelijk en als verschijnsel is het goed onderzoekbaar. Geluk kan immoreel zijn, maar onderzoek heeft aangetoond dat dit in de praktijk erg meevalt. Niettemin dient men regelmatig kritisch te bezien of geluk geen oorzaak of gevolg is van immoreel gedrag.
2. Het nastreven van andere doelen dan geluk draagt bij aan geluk en geluk draagt bij aan het succesvol nastreven van andere doelen. Daardoor kan geluk ook als doel worden gebruikt als men andere doelen – principieel of op bepaalde momenten – even belangrijk of zelfs belangrijker vindt. Tegen die achtergrond kan geluk goed functioneren als een extra doel naast alternatieve doelen.
3. Geluk is de gevoelsmatige en cognitieve waardering voor het leven als geheel. Die waardering wordt beïnvloed door de positieve of negatieve opstelling van mensen en door individuele of collectieve verwachtingen, die optimistisch of juist pessimistisch kunnen zijn. Desalniettemin blijkt geluk primair afhankelijk van feitelijke levensomstandigheden. Verschillen in levensomstandigheden verklaren ongeveer 72 procent van de zeer aanzienlijke verschillen in gemiddeld geluk in landen.
4. Er zijn geen aanwijzingen dat het dominante systeem van de vrije-markeconomie in democratische landen een negatief effect heeft op gemiddeld geluk. Competitie en enige stress hebben over het algemeen een positief effect op dat gemiddelde. Wel zijn er aanwijzingen dat het niveau van competitie en stress in een aantal rijke landen te hoog is, waardoor dat effect negatief wordt. Inkomensonzekerheid is een vermoedelijke oorzaak.
5. De Wereld Bank beoordeelt sinds 1998 jaarlijks voor alle landen zes aspecten van de kwaliteit van de overheid. In dit proefschrift wordt de gemiddelde score voor vier van deze aspecten, namelijk effectiviteit, kwaliteit van wet- en regelgeving, rechtszekerheid en beheersing van corruptie, gebruikt als een maatstaf voor de technische kwaliteit. Er is een stevig positief rechtlijnig verband tussen deze technische kwaliteit en het gemiddelde geluk van burgers in die landen. Dat verband is tamelijk onafhankelijk van de democratische kwaliteit, de omvang van de overheid en de cultuur.
6. In dit proefschrift wordt de gemiddelde score voor de andere twee aspecten, namelijk democratie en politieke stabiliteit, gebruikt als een maatstaf voor democratische kwaliteit. Er is een positief verband tussen deze democratische kwaliteit en het gemiddelde geluk

### Hoofdstuk 3

in landen. Dat verband is niet afhankelijk van de omvang van de overheid en cultuur, maar is sterker in rijke landen en ontstaat pas als de technische kwaliteit een bepaald niveau heeft bereikt.

7. Er is een positief verband tussen de omvang van de overheid en gemiddeld geluk als de kwaliteit van de overheid hoog is, en geen of een negatief verband als die kwaliteit laag is. Uit het oogpunt van geluk is er dus geen rechtvaardiging voor een voorkeur voor een kleine of grote overheid.
8. Er is een niet-rechthoekig verband tussen de technische kwaliteit van de overheid en de ongelijkheid in geluk. De ongelijkheid in geluk is klein als die kwaliteit laag is, wordt groter als die kwaliteit stijgt, en wordt weer kleiner als de kwaliteit verder stijgt. Het is plausibel dat eerst een minderheid van burgers gelukkiger wordt van een verbetering van de overheid en dat de rest van de burgers pas gelukkiger wordt als die verbetering doorzet.
9. Overheden beïnvloeden het geluk van hun burgers op twee manieren: in directe contacten en door het scheppen van gunstige omstandigheden. In directe contacten is van belang dat overheidsinstellingen met respect en zorgvuldig omgaan met burgers. De toepassing van beginselen van behoorlijk bestuur kan daarbij helpen. Bij het scheppen van omstandigheden die bijdragen aan geluk is van belang dat overheden de juiste prioriteiten stellen. Welke omstandigheden prioriteit verdienen hangt af van de situatie en de historische context. Statische analyse met data voor de jaren 2000 en 2006 doet vermoeden dat in die periodes de volgende omstandigheden belangrijk waren: gelijkheid tussen mannen en vrouwen, welvaart, economische vrijheid, veiligheid en gezondheidszorg.
10. Overheden kunnen het geluk van burgers als extra doel erkennen en doelbewust bevorderen via de volgende opties. Deze opties zijn vooral faciliterend en politiek nauwelijks controversieel; ze maken het mogelijk geluk te maximaliseren, maar hoe dat moet gebeuren is een politieke vraag die via democratische besluitvorming beantwoord moet worden.
  1. De overheid kan zorgen dat er goede informatie over het geluk van burgers en de achterliggende dynamiek beschikbaar komt. Die informatie kan op verschillende manieren worden gebruikt. Enkele voorbeelden: a. in politieke discussies en bij het bepalen van prioriteiten, b. bij het organiseren van advies voor individuele burgers die gelukkiger willen zijn, c. bij inspraakprocedures voor burgers in lokaal bestuur, en d. door de vertegenwoordigers van klanten van commerciële en andere organisaties die commentaar leveren op het bestuur van die organisaties.

2. De overheid kan in het bijzonder zorgen dat overheidsvertegenwoordigers, die overleg voeren met lobbyisten, goed op de hoogte zijn met het geluk van burgers en de achterliggende dynamiek. Dan kunnen ze beter tegenspel bieden als er een spanning ontstaat tussen de behartiging van specifieke deelbelangen en democratie.
3. De overheid kan de eigen technische en democratische kwaliteit vergroten, bijvoorbeeld door het ontwikkelen en het naleven van beginselen van behoorlijk bestuur. Dat is in het bijzonder van belang voor de contacten tussen burgers en overheidsinstellingen die eenzijdig hun wil aan burgers opleggen.
4. De overheid kan door het organiseren van goede collectieve voorzieningen zorgen dat de invloed van inkomensongelijkheid op geluk beperkt blijft, en dat kinderen niet ernstig benadeeld worden door de armoede van hun ouders. Dat maakt het makkelijker om de inkomensongelijkheid, die het gevolg is van inkomensvorming op de vrije markt, te accepteren.
5. De overheid kan zorgen dat burgers niet te maken krijgen met ernstige risico's die voor hen, ongeacht hun persoonlijke inzet, onbeheersbaar zijn. Dat maakt het mogelijk dat burgers het aanleren, en het vervolgens ook niet meer afleren, zelf te beslissen hoe hun leven verloopt. Het betekent bovendien dat de effecten van competitie en stress op geluk positief blijven.

## **Curriculum Vitae Jan Cornelis Ott (12-04-1949)**

Jan Ott studeerde sociologie en rechten aan de Erasmus Universiteit Rotterdam (EUR). Bij sociologie lag het accent op sociaaleconomisch beleid en bij rechten op staats- en bestuursrecht. Van 1984 tot 2004 werkte hij als beleidsmedewerker bij het Ministerie van Sociale Zaken en Werkgelegenheid. Daar was hij onder meer betrokken bij het bevorderen van ondernemerschap en employability, de bestrijding van arbeidsmarktknelpunten, en onderzoek naar het functioneren van Publiekrechtelijke Bedrijfsorganisaties. In internationaal verband nam hij als overheidsvertegenwoordiger deel aan conferenties van de International Labour Organization (ILO) over “Tripartite consultation” en “Job creation in small and medium sized enterprises”. Vanaf 2004 werkt hij als onderzoeker bij de Faculteit voor Sociale Wetenschappen van de EUR. In zijn onderzoek naar de leefbaarheid van landen besteedde hij in het bijzonder aandacht aan de kwaliteit van overheidsbestuur. Hierbij heeft de informatie uit de World Database of Happiness een belangrijke rol gespeeld.

# Stellingen

Behorend bij het proefschrift “Oog voor Geluk” van J.C. Ott

1. Geluk is moreel acceptabel en heeft gewaardeerde gevolgen. Het kan onderzocht worden en dat geldt ook voor de factoren en omstandigheden die bijdragen aan geluk.
2. Geluk is afhankelijk van persoonlijkheid en optimisme of pessimisme. Dat neemt niet weg dat feitelijke omstandigheden ongeveer 72 procent verklaren van de grote verschillen in gemiddeld geluk in landen.
3. De relatie tussen geluk en de omvang van de overheid hangt af van de kwaliteit van de overheid: positief als die kwaliteit goed is, negatief als die kwaliteit slecht is.
4. De ongelijkheid in geluk binnen landen is maximaal als de kwaliteit van de overheid middelmatig is.
5. Mensen weten wel hoe gelukkig ze zijn, maar hun beoordeling van de oorzaken is matig (Gilbert 2007; Nettle 2005). Geluksonderzoek kan die beoordeling verbeteren.
6. Geluksonderzoek kan economen helpen bij de ontwikkeling van een realistisch welvaartsbegrip, door de verschillen duidelijk te maken tussen het nut dat mensen verwachten en het nut dat ze feitelijk ervaren.
7. Institutionaliseren van vrijwilligerswerk, als derde optie naast werken als werknemer of ondernemer, kan geluk vergroten en maakt geluk minder afhankelijk van de conjunctuur. De geldeconomie mag een stapje terug.
8. Omdat economische groei en extra inkomen in rijke landen nog maar nauwelijks bijdragen aan geluk, kunnen burgers en overheden hun prioriteiten herzien. Die vrijheid wordt nog onvoldoende onderkend (Easterlin 1974; Lane 1999; Layard 2005).
9. Tegenslag en crisis hebben vaak een positief effect op geluk op de wat langere termijn, doordat ze psychologische en sociale reserves mobiliseren, en vaak een eind maken aan situaties die slecht zijn voor geluk (Haidt 2006).
10. Het verklaren van waargenomen verschillen in een verschijnsel is pas het begin van het verklaren van dat verschijnsel zelf.
11. Mensen die veel naar soaps kijken kunnen misschien beter aangeven hoe gelukkig ze zijn, maar zijn vermoedelijk minder gelukkig dan mensen die dat niet doen.

## Referenties

- Easterlin, R. (1974). Does economic growth improve the human lot? In P. A. David & W. Reder (Eds.), *Nations and households in economic growth: Essays in honor of Moses Abramowitz*. New York, NY: Academic Press.
- Gilbert, D. (2007). *Stumbling on happiness*. New York, NY: Vintage Books, Random House.
- Haidt, J. (2006). *The happiness hypothesis; Putting ancient wisdom to the test of modern Science*. Random House, London.
- Lane, R. (1999). Diminishing returns to income, companionship, and happiness. *Journal of Happiness Studies*, 1 (1), p. 103-119.
- Layard, R. (2005). *Happiness: lessons from a new science*. London, UK: Penguin Books.
- Nettle, D. (2005). *Happiness; the science behind your smile*. Oxford, UK: Oxford University Press.