LIFE, LAW & HAPPINESS

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Overview

• Introduction.
• Who am I?
• Why is this an important topic?
  • David Cameron, PM of UK, has announced plans to produce periodic measures of happiness through surveys and indices.
  • Nicolas Sarkozy of France intends to do the same thing.
  • China’s National People’s Congress in its annual session in February, 2011, said that increasing happiness in the PRC is more important than increasing GDP.
  • Charles Kenny, Getting Better (2011) – happiness is increasing in the developing world, even if GDP per capita is not.
  • What are the central findings of the literature on happiness?
  • What are the implications for law and for public policy?
  • Some tips for getting more happiness out of your life.

Economics

• What motivates people’s decisionmaking?
  • Utility maximization.
    • “Utility” (from Bentham) means “happiness” or satisfaction.
    • Hopes for objective measures of utility: Sedgwick’s “hedonimeter.”
  • The inherent subjectivity of preferences or of well-being.
    • Infer preferences from behavior – “revealed preferences.”
    • No interpersonal comparisons of well-being.
    • Diminishing marginal utility of income and wealth.
    • No objective aspects of well-being.
Economics 2

- How do people maximize their utility?
  - Rational choice theory.
    - Decisionmakers know their preferences (which are transitively ordered) and the constraints (principally time, income, and wealth) under which they act.
  - Dissatisfaction with this view of human decisionmaking.
    - Behavioral economics: people make predictable mistakes in judgment and decisionmaking, as discovered by careful experimental testing:
      - Over-optimism.
      - Availability heuristic.
      - Undue attention to fixed costs.
    - Danny Kahneman (a psychologist!) wins Nobel Prize in economics in 2002.

Happiness studies

- An empirical literature.
  - Psychologists (Professor Ed Diener of the University of Illinois and Professor Martin Seligman of the University of Pennsylvania).
  - Hedonic or positive psychology.
  - Conducted in more than 150 countries and involving more than 1 million people.
  - See www.worldvaluessurvey.org.
- Surveys begin with this question:
  - "All things in your life taken together, how happy would you say that you are on a scale of 1 to 10, with one being the lowest and 10 the highest level of happiness?"
    - Likert scale.

Happiness studies 2

- Collect socio-economic and demographic data.
  - Age.
  - Health.
  - Income.
  - Marital status.
  - Religion.
  - Number of close friends.
  - Ethnic identity.
  - And more.
### Happiness studies 3

- Regress socio-economic and demographic data on happiness scores.
  - Happiness scores are the dependent variables.
  - Age, marital status, religion, income, etc. are the independent variables.
  - Coefficients on independent variables tell us what factors are significant in explaining and predicting happiness and how strong those significant effects are.
- Gives an “objective” aspect to “subjective well-being (SWB).”
  - Economists now may have some way of making interpersonal comparisons of utility.
  - Or of knowing what “maximizing happiness or SWB” really means.

### How seriously should we take these self-reported happiness results?

- Are people really the best judge of their own well-being?
- Won’t answers be affected by mood, weather, whether the interviewer gives the questioner a piece of chocolate?
- Attempts to check for consistency:
  - Check consistency over time with the same individuals surveyed.
  - Test-retest correlation.
  - Correlation with changes in life circumstance – happiness rises with marriage and income growth and falls while going through a divorce.
  - Check consistency by asking friends and co-workers.
  - Check consistency by observing behavior.
    - Suicide.
    - Correlation with physical evidence of affect, such as smiling, laughing, heart-rate measures, sociability, and electrical activity in the brain.

### Isn’t there more to life?

- Is “happiness” really what life is all about?
  - Other values
    - Love.
    - Other people’s happiness counts, too.
    - Integrity.
    - Creativity.
    - Making the most of one’s gifts.
  - Happiness as the integral of all these other values
- Second-order preferences for how one becomes happy.
  - Poetry versus pushpin.
  - What about “artificial happiness”?
- Do “happiness” and “life satisfaction” mean the same thing in different cultures and at different stages of a life?
Some results

- Most people are happy.
  - Denmark has, on average, the happiest people.
  - U.S. is in the top ten, with average happiness of about 7.8.
- Relationship between happiness and income.
  - Positive relationship up to about $75,000 per year.
  - Relative income matters but not relative non-income rewards.
  - Richard Layard’s example.
- Easterlin paradox.
  - Reported happiness does not increase with average per capita income.
  - Progress paradox. (See Greg Easterbrook, The Progress Paradox.)
- Adaptation?
  - But, “There is a strong correlation between increases in income over time and reported happiness within a country and in comparing happiness in high income and poor countries at a given point in time and between rich and poor within a country at a given point in time.” See Stevenson & Wolfers, Brookings Papers (2008).

Results 2

- Four factors associated with the happiest people.
  - Married.
  - Friends.
  - Job.
  - Religion.
- Comparative well-being.
  - Over the life cycle - that is, with age.
  - Gender. (Stevenson & Wolfers)
  - Women’s objective circumstances have improved over the last 35 years but their happiness levels have fallen absolutely and relatively to men.
  - African-Americans. (Stevenson & Wolfers)
  - Blacks are less happy, on average, than whites, but the gap has lessened significantly over the last 35 years.
  - Concentrated among women and those living in the South.

Results 3

- Relationship between happiness level and striving.
- Poor at predicting the things that will make us happy.
  - Affective forecasting.
  - www.ted.org.
  - “Does living in California make us happy?”
- Adaptation.
  - The “hedonic treadmill.”
  - Lottery winners and paraplegics.
  - Losing a job.
  - Losing a child.
  - Losing a spouse or partner.
Results 4

- Remembered v. experienced well-being.
  - Duration neglect.
  - Peak-end rule.
- Interrupted experiences.
  - Intuition: do not interrupt a positive experience, but do interrupt a negative experience.
  - Painful physical therapy or colonoscopy. Ex ante, give the patient the option to take a break in the middle.
  - Having a relaxing massage. Ex ante, give the customer the option to take an intermission.
  - In experiments, most people say that they would prefer to take a break during the unpleasant experience but would not like to take a break in the pleasurable experience.
  - However, experiments show that these predictions are wrong.

Results 5

- Interruptions (cont’d.)
  - We know that people adapt and that breaks disrupt the adaptation experience.
  - But people believe that a broken experience is a weakened experience.
  - Rather, breaks intensify experience by disrupting the adaptation process.
  - So, insert an intermission in a long movie. But do not interrupt a negative experience (if you want to adapt to it).
- Kahneman & Deaton
  - Distinguish two aspects of SWB: emotional well-being and life satisfaction.
  - Income and education are highly correlated with life satisfaction.
  - Emotional well-being correlates with health, care-giving, loneliness and smoking. No increase with incomes above $75,000 per year.

More criticisms

- What’s the direction of causation?
  - Identification.
  - Happy because one has income or does one have income because happy people succeed.
  - Are married people happy because they are married or are happy people more likely to be married?
  - Will I be happier if I move to Denmark?
  - Should I make myself go to religious services because religious people are happier?
Some legal and policy implications

- Progressive taxation.
- Fostering economic growth.
- Unemployment policy.
- Criminal sanctions.
- Duration neglect; peak-end rule.
- Interruptions.
- Compensation for tortious wrongs.

Principles for being happier

- **Principle 1:** Buy experiences instead of things.
  - We adapt to things too quickly.
  - Slower adaptation to experiential purchases.
  - Anticipate and remember experiences better than things.
  - Experiences are more likely to be shared with other people.
- **Principle 2:** Help others instead of yourself.
  - We are intensely social animals (like termites, eusocial animals, and mole rats).
  - Complex social networks.
  - Experiments at UBC.

Principles for being happier 2

- **Principle 3:** Buy many small pleasures instead a few big ones.
  - "Adaptation is like death: we fear it, we fight it, we delay it. But in the end it always wins."
  - So, go for lots of little pleasures, such as double lattes and high thread-count socks, instead of a sports car or dream vacation.
  - Small frequent pleasures beat big rare pleasures.
- **Principle 4:** Buy less insurance.
  - We’ll adapt to bad things; so, only insurance big things that are difficult to adapt to.
Principles for being happier 3

- Principle 5: Pay now, consume later.
  - Anticipation is a free source of pleasure.
  - Eat a cookie now or buy it and wait.
  - Experimental results.
  - Uncertainty of consumption increases pleasure: should your grandmother buy you a stunt kite and a water gun today or promise to buy one of them for you tomorrow?
- Principle 6: Think about what you’re not thinking about.
  - We tend to focus on salient, comparable aspects of a choice – the weather in California compared to the weather in Ohio; the ocean, the mountains.
  - We ignore the many little details about life that give it richness.

Principles of being happier 4

- Principle 7: Beware of comparison shopping.
- Principle 8: Follow the herd instead of your head.
  - Look at Amazon.com or Barnes & Noble.com consumer ratings before buying a book or CD or DVD.
  - La Rochefoucauld: “Before we set our hearts too much upon anything, let us first examine how happy those are who already possess it.”

Can you measure your own happiness?

- Gallup-Healthways Well-Being Index.
- Dan Gilbert’s “track your happiness” website.
- Predict your own (or someone else’s) happiness by using Nick Powdthavee’s “happiness equation.”
Recommended reading

- Gilbert, “Why are we happy?,” http://www.ted.com/talks/dan_gilbert_asks_why_are_we_happy.html.

Thank you

Questions?
Comments?