

## Affluence

### Happiness (and how to measure it)

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**Capitalism can make a society rich and keep it free. Don't ask it to make you happy as well**

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HAVING grown at an annual rate of 3.2% per head since 2000, the world economy is over half way towards notching up its best decade ever. If it keeps going at this clip, it will beat both the supposedly idyllic 1950s and the 1960s. Market capitalism, the engine that runs most of the world economy, seems to be doing its job well.

But is it? Once upon a time, that job was generally agreed to be to make people better off. Nowadays that's not so clear. A number of economists, in search of big problems to solve, and politicians, looking for bold promises to make, think that it ought to be doing something else: making people happy.

The view that economics should be about more than money is widely held in continental Europe. In debates with Anglo-American capitalists, wily *bons vivants* have tended to cite the idea of "quality of life" to excuse slower economic growth. But now David Cameron, the latest leader of Britain's once rather materialistic Conservative Party, has espoused the notion of "general well-being" (GWB) as an alternative to the more traditional GDP. In America, meanwhile, inequality, over-work and other hidden costs of prosperity were much discussed in the mid-term elections; and "wellness" (as opposed to health) has become a huge industry, catering especially to the prosperous discontent of the baby-boomers.

### The things you never knew you wanted

Much of this draws on the upstart science of happiness, which mixes psychology with economics (see [article](#)). Its adherents start with copious survey data, such as those derived from the simple, folksy question put to thousands of Americans every year or two since 1972: "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?" Some of the results are unsurprising: the rich report being happier than do the poor. But a paradox emerges that requires explanation: affluent countries have not got much happier as they have grown richer. From America to Japan, figures for well-being have barely budged.

The science of happiness offers two explanations for the paradox. Capitalism, it notes, is adept at turning luxuries into necessities—bringing to the masses what the elites have always enjoyed. But the flip side of this genius is that people come to take for granted things they once coveted from afar. Frills they never thought they could have become essentials that they cannot do without. People are stuck on a treadmill: as they achieve a better standard of living, they become inured to its pleasures.

Capitalism's ability to take things downmarket also has its limits. Many of the things people most prize—such as the top jobs, the best education, or an exclusive home address—are luxuries by necessity. An elite schooling, for example, ceases to be so if it is provided to everyone. These “positional goods”, as they are called, are in fixed supply: you can enjoy them only if others do not. The amount of money and effort required to grab them depends on how much your rivals are putting in.

Some economists think the results cast doubt on the long-held verities of their discipline. The dismal science traditionally assumes that people know their own interests, and are best left to mind their own business. How much they work, and what they buy, is their own affair. A properly brought-up economist seeks to explain their decisions, not to quarrel with them. But the new happiness gurus are much less willing to defer to people's choices.

Take work, for instance. In 1930 John Maynard Keynes imagined that richer societies would become more leisured ones, liberated from toil to enjoy the finer things in life. Yet most people still put in a decent shift. They work hard to afford things they think will make them happy, only to discover the fruits of their labour sour quickly. They also aspire to a higher place in society's pecking order, but in so doing force others in the rat race to run faster to keep up. So everyone loses.

Yet it is not self-evident that less work would mean more happiness. In America, when the working week has shortened, the gap has been filled by assiduous TV-watching. As for well-being, other studies show that elderly people who stop working tend to die sooner than their peers who labour on. Indeed, another side of happiness economics busies itself studying the non-monetary rewards from work: most people enjoy parts of their work, and some people love it.

As for capitalism's wasteful materialism, even Adam Smith had a problem with it. “How many people ruin themselves by laying out money on trinkets of frivolous utility?” he complained. It is hard to claim that pyramid-shaped tea-bags (developed at great expense over four years) have added much to the sum of human happiness. Yet if capitalism sometimes persuades people to buy stuff they only imagine they want, it also appeals to tastes and aptitudes they never knew they had. In the arts, this is called “originality” and is venerated. In commerce it is called “novelty” and too often dismissed. But without the urge for material improvement, people would still be wearing woollen underwear and holidaying in Bognor rather than Bhutan. Would that be so great?

## **The joys of niche capitalism**

If growth of this kind does not make people happy, stagnation will hardly do the trick. Ossified societies guard positional goods more, not less, jealously. A flourishing economy, on the other hand, creates what biologists call “a tangled bank” of niches, with no clear hierarchy between them. Tyler Cowen, of George Mason University, points out that America has more than 3,000 halls of fame, honouring everyone from rock stars and sportsmen to dog mushers, pickle-packers and accountants. In such a society, everyone can hope to come top of his particular monkey troop, even as the people he looks down on count themselves top of a subtly different troop.

To find the market system wanting because it does not bring joy as well as growth is to place too heavy a burden on it. Capitalism can make you well off. And it also leaves you free to be as unhappy as you choose. To ask any more of it would be asking too much.