

Europe's Journal of Psychology, 7(2), pp. 395-398

www.ejop.org

Happiness, growth, and the life cycle

Richard A. Easterlin

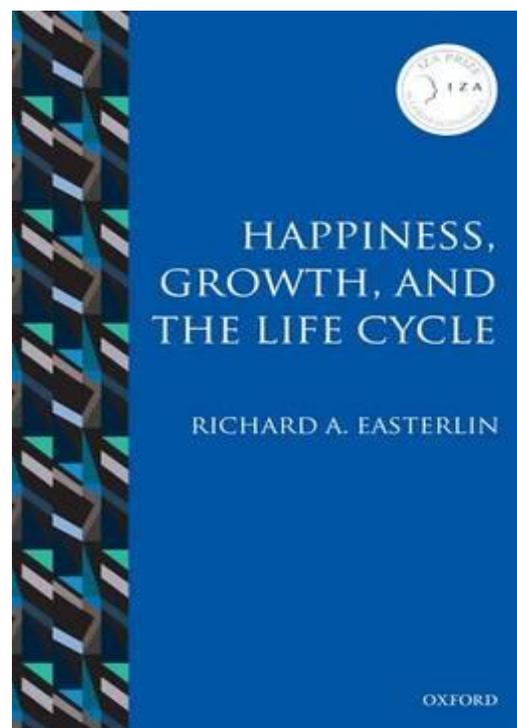
Edited by H. Hinte and K.F. Zimmermann

Oxford University Press, 2010

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Life is a progress from want to want, not from enjoyment to enjoyment

Samuel Johnson (1776)

The human being in pursuit of happiness is an ancient philosophical theme, revealing perhaps a perennial truth about us as individuals, as a species, and also about our societies. Consumerism, capitalism, globalisation. Terms we use to define the economic order in today's world, or at least a 'Western model' of it. Where does happiness fit into this money-based equation? Can wealth or growth make us happy, or, better said, are they sufficient to make us happy? These are all questions situated at the core of Richard Easterlin's concerns and reflected in the volume 'Happiness, Growth, and the Life Cycle' (Oxford University Press, 2010; edited by H. Hinte and K.F. Zimmermann). What is important to know about this book from the start is the fact that it addresses a variety of audiences beyond those purely interested in economic science. Its approach reflects a social science perspective and, as such, it is of interest for students of many disciplines, and, significantly for us here, for psychologists at large. Easterlin's work represents an exemplary attempt to integrate economic and social psychological knowledge resulting in the enrichment of both. Unsurprisingly, the author is considered a founding father of behavioural economics and the economics of happiness. 'Happiness, Growth, and the Life Cycle' is a book that summarises key findings in these areas and leaves us not only with answers, but also with some important questions to think about.

The extensive research programme presented in the volume, bringing together major publications authored by Easterlin, and updating them, was born out of a profound personal interest. Trained as an economic historian, the author was intrigued for a long time by the question of whether modern economic growth really does bring about an increase in human happiness, as most economists firmly believed. His prestigious work in this field over the last decades has received increasing attention from the scientific community, manifested in a series of distinguished awards, among them the IZA Prize in Labor Economics (2009). His name became associated with several interesting phenomena, such as the 'Easterlin Hypothesis' or the cohort size hypothesis and, most notably, the 'Easterlin Paradox' or the happiness-income paradox. The paradox and its attempted resolution are explored at length in 'Happiness, Growth, and the Life Cycle'. In essence, this paradox refers to a difference between cross-sectional and time series results with regard to the relationship between income and happiness. A consistent set of findings, reflecting a broad geographical and historical range, point to the fact that people with higher income report, on average, higher levels of happiness. However, this relationship is no longer significant over time. Explanations for this contradiction are sought by Easterlin and his collaborators in the interplay between subjective variables, such as material aspirations, and objective ones, such as level of income. Through these, the author manages to go beyond traditional economic models and enlarge them with psychological and social mechanisms. In fact, the book repeatedly challenges deep seated assumptions and biases, starting with the rather artificial distinction between 'hard' and 'soft' data (e.g. income indicators vs. self-reports of well-being). Easterlin's analyses and interpretations move towards a complex picture where GDP measures alone tell us little about people's lives and their sense of happiness. As the author agrees, so-called 'objective' variables (money, family status, etc.) do not help us predict happiness over the life cycle if we have no information about the psychological processing of 'objective' conditions.

The book is structured in four main parts, an Introduction by the editors, several chapters on 'Growth and Happiness', chapters on 'Life Cycle Happiness' and finally an Epilogue. The introduction and the second section are fundamental in setting the scene. A single glance over the titles reveals the grand questions of the whole book: 'Does economic growth improve the human lot?', 'Will raising the incomes of all increase the happiness of all?', etc. Interestingly, these questions guide the interrogation of various datasets in order to 'test' the theory and accumulate as much and as varied empirical evidence as possible. For instance, Chapter 4 'Lost in transition' addresses the relationship between wealth and happiness in the context of post-communist, Eastern European countries. The third section, concerned with happiness across the lifespan and the differences between genders and between

generations starts with some intriguing facts: while men and women seem to be, on the whole, equally (un)happy, a closer look at different life stages shows that women start life happier than men, but end it less happy. Explanations are found again beyond pure economic reasoning in the satisfaction (and safety) derived from partnerships and family life. Perhaps the last chapter (Chapter 11) from this section is the most fascinating one, promising from the title rather immodestly to 'explain happiness' by building a conceptual framework that would reconcile several important empirical findings presented throughout the book. Contrasting rather sharply a psychological view of well-being, the 'setpoint theory' and its emphasis on hedonic adaptation, with an economic one, revolving strictly around income and an unshakable trust that 'more is better', Easterlin paves the way towards a 'better theory of well-being'. This theory is not a classic compromise although it is in the end situated between the two models and their bottom up / top down approaches. The author's theoretical construction relates aspirations, adaptations and attainment (life circumstances) with a domains view of happiness and under a dynamic conception of the life cycle. Its merits are incontestable and, among them, the capacity to bring happiness back to what people have (in 'plural', not only in terms of income), what they would like to have and what they think they had and will have.

As such, all through the book, essential links are made between economics and psychology. For one, it becomes clear how both disciplines share a number of similar concerns regarding the constructs they use. The case in point is the highly praised and equally contested notion of well-being or that of happiness. Specialists from both fields are interested in issues of reliability (is happiness something that varies from day to day, from minute to minute?), of validity (are people capable to assess their level of happiness? Are they truthful when they report it?), of standardisation (are reports comparable? Are they biased by strong cultural influences?) and presentation (how are questions and answers formulated? What is the order of their presentation?). Overarching is a common interest in 'relative' factors, in the perceptions or aspirations of people, in the way things are appreciated rather than just the way they 'are'. This has been for decades the bread and butter of psychologists and interdisciplinary fields like behavioural economics cannot possibly ignore such differences. However, there are perhaps areas over which economists (like Richard Easterlin) and psychologists would not see eye to eye. Somehow problematic for example is the almost interchangeable use of concepts: happiness, subjective well-being, life satisfaction, affect, etc. in the book. Using happiness as a proxy for subjective well-being and evaluating it through measures of overall life satisfaction and satisfaction with finances can certainly be disputed. At any rate, the author makes a strong case for this terminological grouping and employs consistent measures in his numerous studies. On the topic of measures, again, readers familiar

with the methodological intricacies of psychological studies will perhaps look suspiciously at Gallup poll style evaluations asking people directly to evaluate their 'overall' state as either 'very happy', 'fairly happy' and 'not very happy'. On the other hand they would appreciate though the large sample sizes these surveys work with. Trade-offs such as these are inbuilt in the way social sciences operate. In any case, it is interesting to note other methods mentioned by the author for evaluating subjective well-being, especially the 'Self-anchoring striving scale', devised by Cantril, in which scales are built by participants themselves.

In the end, the book makes extensive use of psychological theories and concepts and, most importantly, makes intelligent use of them in ways that potentially broaden their scope for both economists and psychologists. Among them: loss aversion, interdependent preferences / social comparison, habit formation / hedonic adaptation, etc. Particularly, Easterlin used and tested Angus Campbell's conceptual framework of happiness and life domains, which to a large extent constitutes the backbone of his own theory. Certainly some might argue that other theories of well-being and also of human motivation in general could have been useful for this discussion. Maslow's theory of needs for instance is not mentioned although the conclusions reached here about how easily or not certain needs (financial, social, etc.) are 'saturated' has the potential to clarify previously postulated relations between basic and superior forms of motivation.

Drawing from such a rich theoretical and empirical background, 'Happiness, Growth, and the Life Cycle' was bound to reach important conclusions. The core ones are certainly thought-provoking in the wake of the recent global financial crisis: economic growth does not lead, in the long term, to an increase in subjective well-being; there is an urgency to redirect our focus from economic goods to other domains that enrich our lives, such as work, health and family; the 'common bias in individual and governmental decision-making' towards economic gain needs to be redressed, etc. In light of this, the book offers, ultimately, an important wakeup call of a very practical nature, an invitation for us all to rethink our habits, our preferences, our policies. Of course, there is equally a strong sense that more research is needed, that greater conceptual clarity is needed and that psychologists, economists and other social scientists should work more frequently together to unpack the mechanisms that shape and change societal and individual norms and the aspirations of people. This highly informative book, written in a clear language and addressed in the end to both specialist and non-specialist audiences, makes a great contribution towards a dynamic and contextual understanding of human well-being in a moment in our collective history when such understandings are not only necessary but also long overdue.