

The folly of joy

William Watson, National Post

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After doing such a stellar job boosting GDP and incomes in recent years, many rich-country governments are now trying to tell us that since economic growth doesn't really make us happy, their having delivered so little of it recently shouldn't really be held against them.

That's the obvious subtext of the report French President Nicolas Sarkozy commissioned from Nobel Prize-winning economists Joseph Stiglitz and Amartya Sen, which explains in detail why GDP wasn't the right target for government policies in the first place. Sadly, the French did not respond to this new anti-materialist philosophy by boosting Mr. Sarkozy's abysmal approval rating, which must have left the President feeling malheureux.

Following Mr. Sarkozy's lead, new, Conservative but nevertheless trendy British Prime Minister David Cameron has just asked his country's National Statistical Office to prepare a "well-being index" and report on it quarterly. Even Fed chairman Ben Bernanke got into the happiness act last spring, giving a commencement address on the economics of happiness. He didn't say whether being the second least popular official in Washington was good or bad for a person's happiness, but he did at least emphasize the sensible point that richer countries can afford more of the finer non-monetary things that people often say add value to their lives.

As for us, on Wednesday the well-connected Ottawa-based Centre for the Study of Living Standards (CSLS) issued a 141-page report on whether Canadians are happy and what makes us so.

Like most rich-country contributions to the now burgeoning literature on the economics of happiness, the CSLS study finds that Canadians are generally very happy--92% of us are either satisfied or very satisfied with our lives, which puts us between the Irish and the Finns in international rankings, though Irish happiness may have taken a dive in recent days. It also finds, like this literature in general, that money doesn't seem to be the crucial determinant of how we feel about ourselves. People in the top 10th of income distribution do self-report a satisfaction rate of 4.5 out of five, versus just 3.9 in the bottom 10th. But when you factor in things like physical and mental health, stress levels, whether people are married or not, whether they live in big towns or small, whether they feel connected to their communities, and so on, people's income doesn't play the dominant role in explaining who's satisfied and who's not.

Now, the scholars who attempt the delicate econometric untangling of these various influences do understand it's an almost hopelessly complex problem and that different factors feed back on each other in dizzying loops: physical health boosts your income, which helps your mental health, which allows you to be more active in your community, which raises your chance of being married, and so on. Figuring out exactly how all these influences interconnect may ultimately be impossible.

But the headlines from these studies -- "Money can't buy you happiness" is the most common -- can head us in the direction of all manner of policy folly.

If money doesn't make you happy, then we can worry less about economic growth -- even if right now there's nothing most people are worrying about more. If money doesn't make you happy, all the little growth-destroying policies governments love putting in place won't really do any harm. If money doesn't make you happy, then richer people won't really mind if we raise their taxes: In terms of well-being, they'll hardly miss the money.

If money's not a big influence on happiness but a sense of belonging in your community is, as the CSLS report concludes, then governments may start taxing money away from people and spending it on ways to make their communities more cohesive -- kind of like the Chretien Liberals' Sponsorship Program. You can judge whether a road-building program actually builds roads or whether an education system actually educates students. But how in the world do you judge whether a community-cohesiveness-building program has built community cohesiveness? Those people it employs will swear it has. But where could you get evidence you'd believe? Even our intrepid Auditor-General might be stumped.

Because Canadians in small communities report higher levels of "life satisfaction" than the rest of us, maybe we'll subsidize such places even more than we already do--despite the obvious complication that people dissatisfied with small-town life often pick up and go to the big city (such is the theme of thousands of novels). Naturally, the people who stay tend to be satisfied. Though the data say married people are happier than single people, it's a safe bet we won't do anything policy-wise to support the institution of marriage.

The bottom line on happiness policies? Let's not go there.