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**Happiness and Inequality**  
Insights into a Difficult Relationship –  
and Possible Political Implications

Philipp Lepenies



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# Happiness and Inequality

## Insights into a Difficult Relationship – and Possible Political Implications

Philipp Lepenies

### Abstract

This paper explores the relationship between happiness and inequality. It does so firstly through an analysis of how “classical” authors of political economy and philosophy have linked these two issues. Secondly, major findings of “happiness economics” are discussed in the context of new insights about how happiness is influenced by inequality. This paper also addresses whether these findings provide any substantial arguments for combatting inequality on the grounds of promoting “happiness”. It will be seen that although some empirical research shows that the prevalent levels of inequality influence happiness in society, the main argument in favor of tackling inequality for the sake of happiness is normative. In this interpretation, happiness is closely related to John Stuart Mill’s neo-Aristotelian idea of “self-fulfillment” and less so to the neo-Benthamite notion of “hedonic pleasure”. In the wake of an ever greater emphasis on analyzing people’s “subjective well-being” within national statistics, this has political implications as it calls for the importance of allowing free and broad discussions on the “fairness” of the prevailing political systems as an important prerequisite to promote happiness – and combat inequality.

**Keywords:** Inequality | Happiness | Happiness Economics | Political Economy

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## 1. Introduction

Why bother about happiness? The answer to this question could not be simpler: Why bother about anything else? Isn't being happy the single most important thing in life? Aristotle argued in his *Nicomachean Ethics* that everything a human being does is aimed at some good – and that the highest good was happiness or *eudaimonia*. The American Declaration of Independence stated that the “pursuit of happiness” was not only an inalienable right, but also a “self-evident” truth. Jeremy Bentham propagated that it was the obligation of the state to ensure the greatest happiness of the greatest number. But even if the question of what constitutes happiness is probably as old as philosophy itself, it has recently attracted renewed academic and political attention.

One of the reasons is the emergence and increased prominence of “happiness economics” (Frey and Stutzer 2001, 2002). This new transdisciplinary branch of economics relies to a great extent on the measurement and the analysis of subjective perceptions of happiness or well-being. This has given rise to a generation of Neo-Benthamite theorists (like Daniel Kahneman or Richard Layard) who have placed the issue of happiness high on the theoretical but also the political agenda.

Additionally, various international initiatives currently look into possibilities to improve the statistical representation of well-being. The most prominent has been the “Commission on the Measurement of Economic Performance and Social Progress” (CMEPSP) that was created by the French president Nicolas Sarkozy in 2008 and which was headed by Joseph Stiglitz, Amartya Sen and Jean-Paul Fitoussi. As Sarkozy has made clear in his foreword to their final report, looking into alternative measures and definitions of well-being has become necessary due to an ever more perceivable “gulf of incomprehension” between the statistical figures of economic performance and the reported levels of satisfaction (Sarkozy 2010: viii). For decades, the increase of material wealth, per capita income levels and GDP-growth were seen as proxy indicators for a quality of life. It was assumed that “more is better” and that higher economic wealth would not only lead to more prosperity, but also to greater well-being. Yet, although the new initiatives to define well-being and quality of life usually go beyond the narrow concept of happiness, happiness and the findings of happiness economics play a major part in them. In any case, it has become imperative to listen to what people themselves feel about their lives and to learn as to what makes them happy or unhappy – and to adapt policies accordingly.

At the same time, one of the issues that has become equally pressing is that of inequality. Throughout the developed world, and in many of the emerging economies,

the income gap has widened since the 1980s (OECD 2011). Even if inequality has traditionally been believed to be more or less “natural” (Alexander Hamilton had written in the *Federalist Papers* that “society naturally divides itself into the very few and the many”, see Hacker 2012: 34), inequality is obviously tolerated only up to a specific degree. Above a certain level, rising inequality is viewed as a severe problem and it seems that this moment has arrived in many societies. The slogan of the “Occupy” movement – “we are the 99%” – is a case in point.<sup>1</sup>

This paper explores the relationship between happiness and inequality. It parts from the obvious hypothesis that inequality is detrimental to happiness and that in order to promote happiness, inequality has to be tackled. To give weight to my hypothesis, I will investigate in the first part of the article how the relationship between happiness and inequality was taken up in the theories of political economy from Adam Smith up to the advent of welfare economics in the early 20<sup>th</sup> century. This inquiry can necessarily concentrate only on a limited number of thinkers and currents, yet, by highlighting how historic authors such as Adam Smith, Marquis de Condorcet, Thomas Robert Malthus, Joseph Townsend, Jeremy Bentham, John Stuart Mill as well as Arthur Pigou and John Galbraith Smith, have addressed the issue of both happiness and inequality, it will be shown that inequality was for a long time not only taken as God-given and unchangeable but also detached from happiness. It will also become clear how different authors defined and conceptualized happiness: from “tranquillity of the mind” to “hedonic pleasure” and Neo-Aristotelian *eudaimonia*. How economic growth came to be viewed as an instrument to overcome not only the political and social problems of inequality but also to provide happiness will also become obvious.

The second part of the paper will deal with insights from “happiness economics”. I will trace out how this branch of economics deals with the phenomenon of happiness, and highlight where and how the issue of inequality comes into play. As will be seen, in contrast to the older concepts, the moment that “social comparison” is accepted as a constitutive element of human reasoning and subjective-well-being, happiness in the realm of happiness economics is deeply influenced by inequality. Even if many of the general findings of “happiness economics” that touch upon inequality are contested, some recent empirical research suggests that feelings of unhappiness usually go

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1 Similarly, in their recent publication *The Spirit Level*, Richard Wilkinson and Kate Pickett empirically attempt to show that high levels of inequality correlate with many negative side effects of civilization, such as the prevalence of specific diseases (Wilkinson and Pickett 2010). Their book has attracted unprecedented attention in the media.

hand-in-hand with a perceived unfairness of the prevailing political and social system, which in turn is linked to the existing levels of inequality.

If this is true, a clear argument in favor of combatting inequality could be made on normative, but empirically founded, grounds. The normative ideal would be that an ideal society is one in which the great majority of all citizens believe that opportunities are fair – and thus feel less unhappy. Inequality here encompasses exclusion of any form. Happiness then derives from “self-fulfillment” or flourishing that becomes possible for everyone once the reasons for exclusion are no longer prevalent. This approach closely mirrors the ideas expressed by John Stuart Mill whose specific notion of utilitarianism and of his “theory of life” went in the same direction but were never taken up politically.

If the relevance of this specific normative approach to inequality and happiness is politically accepted, it would have repercussions on how the level of happiness is to be measured and promoted. It would, above all, point out the urgent need for allowing broad discussions on fairness.

## **2. Happiness and Inequality in Political Economy**

In line with the old use of the word, the discipline of political economy and philosophy describes those theories that were concerned with providing guidance to rulers so that the right decisions could be made for a country to prosper. Whereas the issue of happiness has been notably absent in what in the late 19<sup>th</sup> and early 20<sup>th</sup> century became “economics” proper (without the attribute “political”), the older theories of political economy often not only touch upon the issue of happiness, but also on issues of inequality. The authors were usually not “economists” in the modern sense, but mostly philosophers. As the topics of happiness and inequality are closely linked to ethics and normative considerations, the proximity of philosophers to them comes as a small surprise. The authors that will be highlighted in the following are Smith, Condorcet, Malthus, Townsend, Bentham, Mill, Pigou, and Galbraith.

### **2.1. The Invisible Hand and the Equally-Distributed Propensity to Happiness: Adam Smith**

To capture the long-dominant treatment of happiness and inequality in political economy and philosophy, the founding father of economics provides a major clue. However, it is not in Adam Smith’s *The Wealth of Nations* from 1776 that these topics are dealt with, but in *The Theory of Moral Sentiments* from 1759. In a famous passage on utility he writes:



The poor man's son, whom heaven in its anger has visited with ambition, when he begins to look around him, admires the condition of the rich ... He thinks if he had attained all these [meaning objects of material wealth, P.L.], he would sit still contentedly, and be quiet, enjoying himself in the thought of the happiness and tranquillity of his situation. He is enchanted with the distant idea of this felicity. It appears in his fancy like the life of some superior rank of beings, and, in order to arrive at it, he devotes himself for ever to the pursuit of wealth and greatness ... Through the whole of his life he pursues the idea of a certain artificial and elegant repose which he may never arrive at, for which he sacrifices a real tranquillity that is at all times in his power, and which, if in the extremity of old age he should at last attain to it, he will find to be in no respect preferable to that humble security and contentment which he had abandoned for it. It is then, in the last dregs of life ... that he begins at last to find that wealth and greatness are mere trinkets of frivolous utility, no more adapted for procuring ease of body or tranquillity of mind than the tweezer-cases of the lover of toys; and like them too, more troublesome to the person who carries them about with him than all the advantages they can afford him are commodious. ... Power and riches appear then to be, what they are, enormous and operose machines contrived to produce a few trifling conveniences to the body, consisting of springs the most nice and delicate, which must be kept in order with the most anxious attention, and which in spite of all our care are ready every moment to burst into pieces, and to crush in their ruins their unfortunate possessor. They are immense fabrics, which it requires the labour of a life to raise, which threaten every moment to overwhelm the person that dwells in them, and which while they stand, though they may save him from some smaller inconveniencies, can protect him from none of the severer inclemencies of the season. They keep off the summer shower, not the winter storm, but leave him always as much, and sometimes more exposed than before, to anxiety, to fear, and to sorrow; to diseases, to danger, and to death. (Smith 1976 [1759]: 181-183)

This passage is remarkable in that Smith supposes that human happiness is not linked to economic wealth and prosperity. Rather, happiness is a feeling of “tranquillity of mind” or of “real tranquillity” that everyone is in power of and capable of enjoying, independent of his or her status. It seems, thus that the search for material well-being was the wrong strategy in order to achieve happiness in life.

In another part of *The Theory of Moral Sentiments*, Smith deals with the question of why riches are acquired in the first place and concludes that human beings long for the appreciation and admiration of their fellow beings and that admiration is achieved



through wealth and rank. In terms of happiness, however, material or monetary inequality does not seem to matter. If every person can be happy, it is of no importance whether some are rich, and most are poor. For Smith society was static and the place every single person occupies was God-given. Mankind should be:

thoroughly convinced that all the inhabitants of the universe, the meanest as well as the greatest, are under the immediate care and protection of that great, benevolent, and all-wise Being, who directs all the movements of nature; and who is determined, by his own unalterable perfections, to maintain in it, at all times, the greatest possible quantity of happiness. (Smith 1976: 235)

Therefore, attempting to change that order was a violation of God's will rather bound to produce unhappiness – especially since God's will was to maximize happiness on earth. The “poor man's son”, for instance, had been made ambitious by “heaven's anger” – making it clear that such a behavior went against the divine static order. In other words, Smith found a justification for the existing unequal and stratified societal structure. The unequal social order was God-given, but it was possible to find real happiness in it.

At the same time, inequality was highly beneficial as Smith made clear in the following passage:

It is to no purpose, that the proud and unfeeling landlord views his extensive fields, and without a thought for the wants of his brethren, in imagination consumes himself the whole harvest that grows upon them. The homely and vulgar proverb, that the eye is larger than the belly, never was more fully verified than with regard to him. The capacity of his stomach bears no proportion to the immensity of his desires, and will receive no more than that of the meanest peasant. The rest he is obliged to distribute among those, who prepare, in the nicest manner, that little which he himself makes use of, among those who fit up the palace in which this little is to be consumed, among those who provide and keep in order all the different baubles and trinkets, which are employed in the oeconomy of greatness; all of whom thus derive from his luxury and caprice, that share of the necessaries of life, which they would in vain have expected from his humanity or his justice. The produce of the soil maintains at all times nearly that number of inhabitants which it is capable of maintaining. The rich only select from the heap what is most precious and agreeable. They consume little more than the poor, and in spite of their natural selfishness and rapacity, though they mean only their own conveniency, though the sole end which they propose

from the labours of all the thousands whom they employ, be the gratification of their own vain and insatiable desires, they divide with the poor the produce of all their improvements. They are led by an invisible hand to make nearly the same distribution of the necessaries of life, which would have been made, had the earth been divided into equal portions among all its inhabitants, and thus without intending it, without knowing it, advance the interest of the society, and afford means to the multiplication of the species. When Providence divided the earth among a few lordly masters, it neither forgot nor abandoned those who seemed to have been left out in the partition. These last too enjoy their share of all that it produces. In what constitutes the real happiness of human life, they are in no respect inferior to those who would seem so much above them. In ease of body and peace of mind, all the different ranks of life are nearly upon a level, and the beggar, who suns himself by the side of the highway, possesses that security which kings are fighting for. (Smith 1976: 184-185)

Here, again, the poor were “in no respect inferior” to the rich in terms of “real happiness of life”. It almost seemed as if the poor were able to experience happiness more easily than the rich. Yet the rich people’s egoistic search for “baubles and trinkets” helped to divide the “necessaries of life” equally among all members of society and allowed the poor to survive and prosper materially. Here, the famous idea of the “invisible hand” was already employed. Inequality and the pursuit of ever more riches unintentionally allowed for the survival of all and were thus necessary.

For Smith’s, striving for wealth might not produce happiness, yet it enabled civilization to prosper:

It is this [ambition] which first prompted ... [mankind] to cultivate the ground, to build houses, to found cities and commonwealths, and to invent and improve all the sciences and arts, which ennoble and embellish human life; which have entirely changed the whole face of the globe, have turned the rude forests of nature into agreeable and fertile plains, and made the trackless and barren ocean a new fund of subsistence, and the great high road of communication to the different nations of the earth. (Smith 1976: 183)

In *The Wealth of Nations*, Smith took up this point again when he wrote that humans were characterized by “the desire of bettering our condition, a desire which, though generally calm and dispassionate, comes with us from the womb, and never leaves us till we go into the grave. In the whole interval which separates those two moments, there is scarce perhaps a single instant in which any man is so perfectly and completely

satisfied with his situation as to be without any wish of alteration or improvement of any kind” (Smith 1999 [1776]: 441). Similarly, the division of labor that Smith identified as the main reason for increasing wealth of a nation, led to “the great multiplication of the productions of all the different arts ... which occasions, in a well-governed society, that universal opulence which extends itself to the lowest ranks of the people” (Smith 1999: 115).

Thus there might be inequality, but the increase in production through the division of labor will always “trickle-down” even to the “lowest” ranks of people. However, even when Smith speaks of “universal opulence”, one has to take into account that his labor theory of value later to be taken up by Ricardo and labeled the “iron law of wages” by Lassalle presupposed that the laborers would only receive wages large enough to merely guarantee their physical subsistence. If compared to previous times, however, it was obvious that the standard of subsistence, those “necessaries of life”, had immensely improved over time. Still, the big majority of the population was excluded from upward social mobility. But even if the laborers would live merely off subsistence wages, Smith found no fault with that. In relative terms, he argued, the level of difference between poor and rich in England was not as excessive as in other parts of the globe:

Compared indeed, with the more extravagant luxury of the great, his [Smith refers to “the very meanest person in a civilized country”, P.L.] accommodation must no doubt appear extremely simple and easy; and yet it may be true, perhaps that the accommodation of a European prince does not always so much exceed that of an industrious and frugal peasant as the accommodation of the latter exceeds that of many an African king, the absolute master of the lives and liberties of ten thousand naked savages. (Smith 1999: 117)

Happiness, to conclude, was a feature completely disjoint from material progress. The apparent natural human desire to acquire ever more wealth would lead to opulence and greatness, yet, it would not lead to a happier society. Governments trying to promote wealth were to facilitate commercial exchange and not interfere with the natural liberty of competitive markets. But neither was it necessary to deal with the issue of inequality, nor to care about how to foster “real happiness”.

It is important to note that until the late 19<sup>th</sup> century, the term “laborer” and “poor” were synonymous (Himmelfarb 1984: 75). Those who had to work in order to maintain their living were considered poor. For centuries, inequality and poverty were basically the same issues. Society was divided into those who possessed only their labor as a means of income and the others who were fortunate enough to receive some form of

rent – without working. In this, poverty and inequality were the symbols of a general exclusion, given that social mobility was neither easy, nor desired. This explains why efforts were made by many thinkers to justify why inequality was inherently positive.

## 2.2. The Path of Progress towards Equality and Happiness: Condorcet

Almost two decades after the publication of *The Wealth of Nations*, a new approach towards inequality made itself felt. The Marquis de Condorcet was the first philosopher to proclaim that a realistic prophecy of the future of mankind could be based on the use of reason, mathematics and a clear knowledge of the past. Condorcet was, in fact, the “inventor” of the modern idea of progress. In his “Esquisse de un tableau historique des progrès de l’esprit humain” from 1793, he audaciously described the logical path that humanity would follow into the future. He based his prophecy on the general assumption that the “perfectibilité” of the human mind was unlimited, that history had shown a steady progress towards an improvement of the use of reason, and that the human mind and humanity as a whole will thus move towards ever more perfection. The ideal final stage to which humanity would strive would be one without inequality among the members of a given society, but also among different nations (Condorcet 1988 [1793]: 266). Inequality, in the case of Condorcet, was not only perceived as a general inequality of the citizen, which the French Revolution attempted to overcome by its idea of *égalité*, but economic inequality, or inequality of wealth. Although Condorcet does not dwell on the issue of happiness, he still equates the progress of reason with “le pas...vers la vérité ou le bonheur”, i.e. the path to truth and happiness (1988: 80). The prospect developed by Condorcet was one in which humanity could not only aspire to a world without inequalities, but also to a happier life – a mode of reasoning later taken up by all utopian social prophecies, especially communism.

## 2.3. The Oscillation of Happiness: The Pessimism of Malthus and Townsend

Thomas Robert Malthus’s *Essay on the Principle of Population* from 1798 was a deliberate attempt to contradict Condorcet’s prospect of future felicity and a world free of inequalities. For Malthus, the “principle of population”, i.e. the fact that the members of a species multiply faster than the possible supply of food, was a law of nature. From this recurring shortage of food resulted all of humanity’s misery. The “perfectibility of the mass of humankind” was but an illusion (Malthus 1976 [1798]: 20) and “no fancied equality” could be realized that would change the brutal but universal laws of nature. The principle of population was “therefore decisive against the possible existence of a society, all the members of which should live in ease, happiness, and comparative leisure, and feel no anxiety about providing the means of subsistence for themselves

and families” (1976: 21). Instead, mankind was “condemned to a perpetual oscillation between happiness and misery” (1976: 179).

Malthus’s approach was guided by two circumstances. One was the fear of a spill-over of revolutionary tendencies and ideas from France to England, the other was the mounting criticism of the practice of the English Poor Laws that basically had guaranteed the poor members of English society the public provision of the means for subsistence and was largely criticized for promoting idleness among the poor.

Thus, Malthus’s theory (similar to Smith) justified the current societal status quo and argued in favor of economic inequality. The poor, so he writes, will always be poor: “it has appeared that from the inevitable laws of our nature, some human beings must suffer from want. These are the unhappy persons who, in the great lottery of life, have drawn a blank” (1976: 74). The security of property, in addition, would almost necessarily produce inequalities, no matter how equal a distribution might be from the outset and would “degenerate into a society constructed upon a plan not essentially different from that which prevails in every known State at present; I mean, a society divided into a class of proprietors, and a class of labourers, and with self-love the main spring of the great machine” (1976: 75). The surplus in food production, that is not consumed by the landowners, could be redistributed to the poor – as long as the poor show an earnest willingness to contribute with their labor to an increase of the food surplus or “fund” to be distributed. The more the poor will have to eat, the happier they would be: “On the state of this fund, the happiness or the degree of misery prevailing among the lower classes of people in every known State at present chiefly depends. And on this happiness or degree of misery depends the increase, stationariness, or decrease of population” (1976: 75). Happiness thus was oscillating, and inequality a fact of life. Those who were too poor to survive were dependent on the benevolence of the rich – and a proven willingness to work was the natural way to allow for subsistence.

Yet, the reason for societal greatness was, as in Smith, to be found in the pursuit of self-love by the owning class:

It is to the established administration of property and to the apparently narrow principle of self-love that we are indebted for all the noblest exertions of human genius, all the finer and more delicate emotions of the soul, for everything, indeed that distinguishes the civilized from the savage state; and no sufficient change has yet taken place in the nature of civilized man, to enable us to say that he either is, or ever will be, in a state when he may safely throw down the ladder by which he has risen to his eminence. (1976: 98)

Thus, again mirroring Smith's ideas, inequality was natural and it was beneficial and instrumental for progress. As happiness oscillated by natural law, there was nothing that a legislator could do to change it.

Similar arguments had been brought forth earlier by Joseph Townsend in his *Dissertation on the Poor Laws* from 1786 (Townsend 1971). Therein, Townsend not only anticipated the principle of population (Karl Marx repeatedly accused Malthus of having plagiarized Townsend; see Marx 1990: 560), but he also speaks of the "natural bonds of society" between rich and poor that should not be tempered with. For Townsend, it was also "hunger" that would force the poor to work and show "obedience" towards their masters (1971: 26). That "the poor should be to a certain degree improvident" and that there would always be poor was also for Townsend an obvious "law of nature" (1971: 35). Work and obedience, so Townsend, would lead to happiness: "The peasant with a sickle in his hand is happier than the prince upon his throne" (1971: 36), whereas any attempts of changing the existing inequalities would lead to further misery.

William Godwin criticized Malthus for the pessimistic outlook he gave on that state of society. For Godwin, the main and moral lesson of the Essay was "passiveness" (Godwin 1976 [1820]: 144). And it was precisely the belief in the perpetual inequality and oscillating happiness that inspired Thomas Carlyle to refer to economics as being the "dismal science". It also prompted Karl Marx and Friedrich Engels to see in Malthus's theory one of the most despicable attempts of political economy to justify the existence of the current order. For Engels, Malthus constituted the "immorality of the economists in its highest form" (Engels 1985 [1844]: 488) and only served to engage even more in the fight for a "reorganization" of society.

#### **2.4. Utilitarianism – Providing for the Greatest Happiness While Incarcerating the Poor: Bentham**

In a different manner, the issue of happiness entered the philosophical and political arena in the form of Jeremy Bentham's idea of "utilitarianism". In his treatise *An Introduction to the Principles of Morals and Legislation* from 1780, Bentham assumed that individuals seek pleasure and avoid pain in everything they do. Consequently, the "principle of utility" was proposed as a moral imperative that should guide reason and law to "rear the fabric of felicity". The principle, as Bentham wrote:

approves or disapproves of every action whatsoever, according to the tendency which it appears to have to augment or diminish the happiness of the party whose interest is in question ... I say of every action whatsoever; and therefore not only



of every action or a private individual, but of every measure of government.  
(Bentham 2007 [1780]: 2)

Utility was seen as “that property in any object, whereby it tends to produce benefit, advantage, pleasure, good or happiness (all this in the present case comes to the same thing)” (2007 [1780]: 2). The principle of utility was also labeled as the “greatest happiness principle” and the role of government was to foster “the greatest happiness of the greatest number” (2007 [1780]: 5). Happiness was the end of all ethics, private and public (2007 [1780]: 313) and the law should be adapted accordingly.

This, however, presupposed that pleasure could somehow be monitored or measured and Bentham was sure that this could be done. Individuals as well as legislators were to carry out a hedonistic calculus by weighing the expected pleasure of an action against the expected pain it could produce.

Yet, although Bentham proposed the happiness of the greatest number as the paramount ethical principle and is often hailed as prototypical social reformer and philanthropist, he showed considerable disdain towards the poor, especially those who were unable to provide enough for themselves to survive. Bentham proposed that the poor should be housed in prison-like “industry-houses” that architectonically would resemble his Panopticon, the model penitentiary designed by him earlier. His ideas concerning the provision for the poor were laid out in his “Outline of a Work entitled Pauper Management Improvement” that was first published in 1789 und in later editions in 1802 and 1812. The poor were not only to be imprisoned and constantly observed, but they were forced to undertake hard physical labor that should be profitably be exploited by a privately run “National Charity Company”, which Bentham volunteered to steer as owner, manager and chief jailer. Confinement to such an “industry-house” was not a punishment, but a remedy. Care was to be taken that the condition of the poor in the house were in no way superior than for those living outside, and the labour of the poor was to be used to maximize the profit for the company. By preventing “the development, let alone the gratification of ‘unsatisfiable desires’, the industry-house would be able to instill in ... [the poor] the proper habits of ‘systematic frugality’” (Himmelfarb 1970: 102). In fact, elimination of desires was to become “an end for the happiness” of the poor, especially those of the young apprentices of the industry house whose education was to be as basic as possible (1970: 113). That his plans would strip the poor of their personal liberty, was no problem for Bentham. “Subjection, subjection not liberty, be it remembered, is the natural state of man” (1970: 107) he wrote.



Here, yet again, the status quo was not to be altered. The poor were not only to stay poor, but were to be economically exploited for the utility of society as a whole – perversely providing an incentive not to end poverty and thus economic inequalities, but instead to maximize the number of the poor in order to maximize wealth for the company. Bentham calculated up to a million “poor” he wished to confine in his estimated 500 industry houses.

## 2.5. The Flourishing of Life: Mill’s Idea of Happiness

For Bentham, pleasure and happiness were synonymous. However, pleasure is usually a transitory sensation and can in no way encompass all which makes up for an individual’s happiness. John Stuart Mill believed that happiness and pleasure were not the same. A continuous pleasurable excitement was, in his view, impossible to achieve. Mill also makes the point that not all pleasures should be weighted equal and that some pleasures are qualitatively different than others. Bentham was only concerned with maximizing the quantity of attainable pleasure. Mill however, made the case for the promotion of those pleasures that were deemed to be of superior quality than others, and that would lead to some higher form of happiness (Mill 1991 [1861]: 138).

The standard for utilitarians should be, according to Mill, not the maximization of any individual happiness, but the maximization of general happiness, a “general cultivation of nobleness of character” (1991: 142). The utilitarian standard of what was right in conduct was not the agent’s own happiness, but that of all concerned (1991 [1861]: 148). The interest of every individual was to be placed as nearly as possible in harmony with the interest of the whole (1991: 148). Education would serve to ingrain in every individual the idea that his happiness is “indissolubly” associated with the “good of the whole”.

Mill’s concept of happiness resembled Aristotle’s concept of *eudaimonia* that was set out in the *Nicomachean Ethics*. A happy life was one of virtue and balance:

[A]n existence made up of few and transitory pains, many and various pleasures, with a decided predominance of the active over the passive, and having as the foundation of the whole, not to expect more from life than it is capable of bestowing. (1991 [1861]: 144)

This view on humanity treated men not as means to an end, but as ends in themselves – a claim made by Kant in his *Grundlegung zur Metaphysik der Sitten* (Kant 1974 [1785]:

61). Mill's writings on representative government as well as his essays on liberty and the subjection of women can be thus understood as parts of a coherent view that had as its goal to promote the necessary framework in which men and women could lead happy and flourishing lives, something subsumed in the work of Mill as the "theory of life". Here, inequality in a more general, non-economic sense was detrimental to the biggest happiness of the biggest number, and "the good of the whole" was a system that promoted inclusion, education and "self-fulfillment".

The reason that a happy life was currently not possible for all had in Mill's view to do with the existing institutions: "The present wretched education, and wretched social arrangements, are the only real hindrance to its being attainable by almost all" (1991 [1861]: 142).

Just as Condorcet, Mill had a clear view of progress and of what would happen in the future if all were allowed to flourish: "Poverty, in any sense implying suffering, may be completely extinguished by the wisdom of society" (1991 [1861]: 146) and "all the grand sources, in short, of human suffering are in a great degree, many of them almost entirely, conquerable by human effort and care" (1991 [1861]: 146).

The important thing to do was to deliberately exchange mere self-interest for a focus on society as a whole, to foster the "desire to be in unity with our fellow creatures" (1991 [1861]: 164), a sentiment that Mill believe would become stronger with advancing civilization. A "society of equals" could only exist on the understanding "that the interest of all are to be regarded equally" (1991 [1861]: 165). With this, an end to general inequality will automatically become possible: "in every age some advance is made towards a state in which it will be impossible to live permanently on other terms with anybody" (1991: 165) than in equality and happiness.<sup>2</sup>

## 2.6. The Legacy of Utilitarianism: Welfare Economics

Mill's holistic, progressive, normative and eudaimonic idea of happiness was not taken up any further. One reason was that it was still based, just as Bentham's concept, on the assumption of some feasibly form of measuring happiness. Yet, this measurability was long claimed to be impossible. The other was that Mill's approach was far too holistic – especially in light of the reductionist tendencies within economics.

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2 In his prophetic progressive outlook, and through the combination of equality with issues of happiness, Mill's approach goes much further than for instance Amartya Sen's idea of capabilities, which is also based on Aristotle's idea of *eudaimonia*.

In the last decades of the 19<sup>th</sup> century and through the early 20<sup>th</sup> century, efforts were made to reduce political economy to economics – to turn an erstwhile philosophy into a decontextualized behavioral science based on abstract models, the use of mathematics and the search for universal truths akin to physics. Léon Walras, one of the earliest propagators of the new economics argued that economists should follow the example of Malthus, whose search for natural laws and mathematical description of the population principle was seen as the shining example to be followed and refined. Walras also saw the need to establish a proper economic science in order to counterbalance socialist tendencies (Walras 1926 [1900]: 8). Therefore, it comes as no surprise that the resulting neoclassical economic theories were inherently indifferent towards unequal distributions of income and rather made an effort to justify existing inequalities. The idea that savings and surplus capital were necessary in order to provide funds for investment in an economy – and that only the affluent were capable of this investment whereas the poorer segments of society clearly lacked these funds, served as the “classical” justification of inequality and resembled the arguments set forth earlier by Smith and Malthus. After being based on ethics for various centuries, economics took on what Amartya Sen has called an “engineering approach” (Sen 1987: 4):

This approach is characterized by being concerned with primarily logistic issues rather than with ultimate ends and such questions as what may foster ‘the good of man’ or ‘how should one live’. The ends are taken as fairly straightforwardly given, and the object of the exercise is to find the appropriate means to serve them. Human behavior is typically seen as being based on simple and easily characterizable motives.

Within so-called welfare economics, emphasis was again placed on utility, but quite differently than with Bentham and Mill. It was assumed that individuals strove to maximize utility given a specific budget constraint. However, utility was a very vague notion of some level of satisfaction based on consumption. Moreover, the criterion of efficiency that came to dominate the welfare discussions was that of “Pareto optimality”, or “economic efficiency” (i.e. a situation in which no-one’s utility could be further raised without reducing that of someone else). This form of optimality paid no attention to distributional considerations. “The problem with maximizing the sum of individual utilities is supremely unconcerned with the interpersonal distribution of that sum” as Amartya Sen wrote (1997: 16).

In his *Economics of Welfare*, Arthur Pigou was defending the idea of measurability and the focus on monetary and material aspects of well-being:

The goal sought is to make more easy practical measures to promote welfare—practical measures which statesmen may build upon the work of the economist ... Welfare, however, is a thing of very wide range. There is no need here to enter upon a general discussion of its content. It will be sufficient to lay down more or less dogmatically two propositions; first, that the elements of welfare are states of consciousness and, perhaps, their relations; secondly, that welfare can be brought under the category of greater and less.... It is, therefore, necessary to limit our subject-matter. In doing this we are naturally attracted towards that portion of the field in which the methods of science seem likely to work at best advantage. This they can clearly do when there is present something measurable, on which analytical machinery can get a firm grip. The one obvious instrument of measurement available in social life is money. Hence, the range of our inquiry becomes restricted to that part of social welfare that can be brought directly or indirectly into relation with the measuring-rod of money. This part of welfare may be called economic welfare.... Nevertheless, though no precise boundary between economic and non-economic welfare exists, yet the test of accessibility to a money measure serves well enough to set up a rough distinction. Economic welfare, as loosely defined by this test, is the subject-matter of economic science. (1921: Part 1, Chapter 1, Paragraph 5)

Economics thus had turned into a science that disregarded inequality by focusing on the criterion of Pareto-optimality, and by limiting happiness, to a very narrow concept of utility or welfare that could be measured with money. As it was assumed (within the notion of revealed preferences) that more money would lead to further consumption – utility would increase with income so that “more was better”. Additionally, economic welfare and other aspects of welfare were often, as Pigou had stated, assumed to be closely linked. It was thus only a small step until further growth of per capita income was later to be equaled with growth not only of economic, but overall welfare, if not happiness.

## **2.7. John Kenneth Galbraith: Obsolete Economics and the Irrelevance of Inequality**

John K. Galbraith's *The Affluent Society* exemplified how important the focus on income growth had become in the late 1950s. Galbraith held that economic theory was no longer able to explain the workings of modern society, namely those societies like the American that was living in a historic unprecedented state of material progress and affluence. Economics, especially that branch associated as the legacy of Malthus

and David Ricardo was a science “rooted in the poverty, inequality, and economic peril of the past” whose ideas were now only “relevant to another world” (1965 [1958]: 14).

According to Galbraith, one “evident” characteristic of the modern age was the “decline of interest in inequality as an economic issue” (1965 [1958]: 76). Inequality had “ceased to preoccupy men’s minds”. This, however, was in sharp contrast to the century-old idea that “the rich should, by one device or another, share their wealth with those who are not” (1965 [1958]: 73). Both economic theory as well as political opinion had long justified unequal distribution of wealth and income as a means of establishing a premium on efficiency and entrepreneurship as was obvious in the writings of Smith, but also of Malthus and later within neoclassical economics.

In the 1950s, however, inequality was “of declining concern” (1965 [1958]: 76). Neither had any legislation been enacted that had inequality at its core, nor had inequality vanished. The main reason was that the wages of the lower income brackets had risen in par with the rise in GDP-growth. This was again in contrast with the hitherto position in economics that the standard of the working class would rise, but wages would invariably stay at subsistence level. In the advanced countries, however, increased production was seen as an alternative to redistribution (1965 [1958]: 86). In fact, an increase in wages associated with economic growth had been “the great solvent of the tensions associated with inequality”. Galbraith writes: “it is the increase in output in recent decades, not the redistribution of income, which has brought the great material increase, the well-being of the average man” (1965 [1958]: 87). The goal of an expanding economy had become deeply embedded in what Galbraith has called the “conventional wisdom”. Through constant economic growth “not only will there be material improvement for the average man, but there will be an end to poverty and privation for all” (1965 [1958]: 87). Inequality was no longer problematic as “production had eliminated the more acute tensions associated with inequality”.

Galbraith did not explicitly talk about happiness, but his was a clear sign of how overall well-being and welfare had been limited to aspects of material and pecuniary growth. As long as the economy grew, and wages and incomes of the lower strata of society grew as well, the issue of inequality had lost in importance. The political focus, however, was the provision of further growth, well-being and happiness would follow automatically.

In the course of time, the approach towards happiness had thus turned 180 degrees. Adam Smith had made the point that happiness did not come from material wealth. Modern economic science, however, assumed just that: growing income led to higher overall welfare and utility. Moreover, classical theological and theoretical justifications of

inequality were no longer necessary. With growing incomes, so it seemed, contentment would be so high that inequality was no longer an issue.

### 3. Enter Happiness Economics

Since economics held that higher incomes produced ever more welfare, a serious problem arose once it became clear that this equation did not hold. In a seminal article Richard Easterlin caused a stir when he claimed in 1974 that empirically, rising material wealth did not lead to higher levels of happiness. As a result, “happiness economics” was born out of the research that tried to make sense of what was to become known as the Easterlin Paradox. Notwithstanding, the belief that higher growth in form of increases in GDP or income per-head would somehow lead to higher levels of contentment was still generally adhered to. Otherwise it would not be understandable that the report of the Sen-Stiglitz-Fitoussi-Commission would comment in the year 2009 on the “increasing gap between the information contained in aggregate GDP data and what counts for common people’s well-being” (CMEPSP 2009: 12).

#### 3.1. Richer but not Happier: The Easterlin Paradox

Easterlin showed that within a country, at a given moment in time, those in the higher income groups were on average happier than those in the lower groups (Easterlin 1974). The finding that rich people are happier was unsurprising, but another part of his research using country level, cross-sectional data caused a stir by suggesting that poorer countries were no less happy than rich countries.<sup>3</sup>

Additionally, and most surprisingly, longitudinal data for the US showed that although the per capita income had risen significantly between the 1940s and the 1970s, the proportion of people who rated themselves as “very happy”, “fairly happy” or “not too happy” had remained unchanged. In other words, the puzzling picture was that increased material wealth had not made people happier.

The “limits” of economic growth were broadly discussed during the early 70s, and the study of what constitutes a more ample idea of a standard of living or of a quality of life had been going on for decades. Yet, the novelty in Easterlin’s work was that he not only concentrated on the issue of happiness, but also claimed that a long-time weakness of the concept of happiness had been overcome: its un-measurability.

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3 His study comprised data from 19 countries – explicitly including erstwhile developing countries like Brazil, Cuba, Dominican Republic, India, Nigeria, Panama etc. in order to compare them with the data from more industrialized regions.



Easterlin had applied a revolutionary methodology. His focus was on the subjective impressions of people's well-being. Happiness had thus become a matter of self-evaluation. The data on happiness was obtained through two different approaches. One was asking the question: "In general, how happy would you say that you are – very happy, fairly happy or not very happy?" (This question is still at the heart of the Gallup-polls today). The other was to have people rank their degree of happiness on a scale of 0 to 10 from "not very happy" to "very happy", by use of the so-called "Cantrill ladder" (named after the psychologist Hadley Cantrill that is still in use within the World Values Surveys). Both approaches have become the standard in measuring happiness.

Another result of the Easterlin's puzzle was a closer cooperation between economists and psychologists. As a result, the analysis and measurement of "subjective well-being" (Diener: 1984) has become an ever more important feature of social statistics. Individuals were identified as "the best judges of their own conditions" (CMEPSP 2009: 42) and the older economic position that "it was sufficient to look at people's choices to derive information about their well-being, and that these choices must confirm to a standard set of assumptions" (CMEPSP 2009: 43) has been discarded altogether.

### 3.2. What is Happiness?

According to Richard Layard, happiness is simply "feeling good – enjoying life and wanting the feeling to be maintained". Unhappiness, in contrast, is "feeling bad and wishing things were different" (Layard 2011: 12).

In the discipline of psychology, happiness is generally approached from two different angles: the hedonistic and the eudaimonic. The "hedonistic" approach is similar to the ideas expressed by Bentham that happiness consists in avoiding pain and in seeking pleasure. Daniel Kahneman is the most prominent representative of the "hedonism" approach (and has coined the term "hedonic psychology", see Kahneman, Diener and Schwartz, 1999).

The second view, in line with Mill and Aristotle, holds that happiness is more than simple pleasure or "hedonic happiness". Instead, well-being is about "self-fulfillment", of realizing one's own natural potential, of overall life satisfaction. In consequence, happiness arises in interaction with society, whereas "hedonic pleasure" is often asocial. Yet, although the point is often made that subjective well-being is a broader, more eudaimonic concept (including aspects of overall life and domain satisfaction) than the somewhat narrow idea of "happiness", there is still no real "consensus on what happiness means" (Conceicao and Bandura, 2009: 5). For Easterlin (2005), the terms "well-being", "utility", "happiness", "life satisfaction" and "welfare" are synonymous,



an extreme view more often to be found among economists than with psychologists. Within happiness economics, happiness is in any case very seldom the momentous transitory feeling of pleasure, but instead the long-term average happiness of each individual (Layard 2011: 17).

As stated above, analyzing happiness became attractive for economists not only because of the need to explain the Easterlin paradox, but due to the fact that happiness suddenly was regarded as measurable. But how plausible is this measurement? In social surveys, the question regarding the state of one's level of happiness is the one which gets the least "don't know"- answers – suggesting that individuals have a clear perception and idea of how they feel. And although "happiness" might mean different things to different people, it is also claimed that the response of how happy a person feels can be cross-checked by the evaluations of friends or other acquaintances, by analyzing plausible cause of well-being (according to what has been identified in happiness research) and, in extreme cases by measuring brain waves (sometimes called "objective happiness") or even blood pressure. And even if people might define happiness in their own terms, in general similar things are mentioned that make them happy (Easterlin 2002). What makes happiness unique is that one cannot feel happy and unhappy at the same time (Layard 2011: 17).

Yet, measurement of happiness is not without considerable pitfalls. One is the dependence of ideas of happiness with prevailing cultural norms and value systems. The other has to do with unclear directions of causality (as to whether one is happy because of something else or whether this something else is more probable because of an existing high level of happiness). The influence of momentary moods (as for instance the weather) and other short-term influences as well as the problems of recall are also noteworthy (Graham and Pettinato, 2000: 20 and Veenhoven 2005). However, even if the difficulties in measurement are acknowledged and ongoing research is devoted to its improvement, the measurement of happiness is generally accepted to be an important complement to non-subjective data so that the risks of measurement seem acceptable (Conceicao and Bandura 2009, Hoorn 2007).

### **3.3. The "Hedonic Treadmill" and Set-Point Theory: Why More is Not Better**

An explanation for the Easterlin Paradox was given by making reference to "hedonic adaptation" or set theory. According to that position, an individually specific level of happiness remains largely constant during one's life. This individual happiness depends on personality, character and genetics and cannot easily be altered through structural influences. Individuals may initially change their level of happiness due to an outside

stimulus. But this is only temporary before the baseline level, the so-called “set-point”, is returned to again (Argyle 2001). The notion of a fixed set-point is also known as the “hedonic treadmill” (Easterlin 2005: 29): consumption of a new good or the joyful experience of a new situation leads to an effect of habit that wears off with time.

In *The Joyless Economy* (1992 [1976]), Tibor Scitovsky had similarly argued in the early 1970s that consumption patterns in developed economies were characterized by the search for ever more comfort through an ever higher demand for mass consumer goods. Consumer goods, however, could not provide stimulus and novelty as well as, for example, culture and art. Consequently, people consumed more and more, but were increasingly bored instead of happy.

Unfortunately, set-point theory precludes not only the necessity of social policy, but also holds that any social policy geared at improving happiness is bound to fail in the long run: “If set-point theory is correct, not only is public policy likely to be ineffective but there is little an individual can do to improve his or her well-being, except, perhaps, consult a psychologist” (Easterlin 2005: 30).

### **3.4. Enter Inequality: Why Comparing Us with Others Makes Us Unhappy – The Rat Race**

Next to the “hedonic treadmill”, a different approach holds that happiness is linked to social comparisons which in turn define our aspirations (Bruni and Porta 2005: 12). It is social comparison that is most obviously linked to inequality.

In 1949 James Duesenberry had argued that individuals compared their consumption to others and derived satisfaction from this comparison. However, whether or not someone felt happy in this comparison was dependent on whether the reference was someone with more income or someone with a comparable income level. A decade later, Robert Merton had underlined the general importance of reference groups. In terms of material wealth, aspiration and social comparison are extremely common. New material and social aspirations arise as previous goals are reached (Easterlin 2005: 46). As the reference group is altered, this leads to a never ending rat-race of “keeping up with the Joneses”.

In a study of 17 Latin American Countries, Carol Graham and Stefano Pettinato (2000, 2001) found that it was the upwardly mobile, those who had recently become members of the middle class, which had shown the most pronounced negative assessment of happiness with their new situation. Their dissatisfaction resulted from the fact that once a higher level of income and social status had been acquired by them, their

new reference group became the “clase alta”. Yet, the highest echelons of society appeared to live in a universe of wealth so unattainable to them that this comparison resulted in unhappiness. Graham and Pettinato used the term “frustrated achievers” to characterize them.<sup>4</sup>

Although this behavior of constant newly-adapted reference groups might have derived from the humans struggle for survival and natural selection (Layard 2001: 228), unfortunately the need to continuously upgrade one’s life style by aspiring to what other have turns into a vicious circle akin to the addiction to drugs (Bruni and Porta 2005: 15).

Perversely, social comparison only leads to happiness if we not only keep up with the Joneses but better yet, “outdo them” (Layard 2011: 45). Changes in income are only beneficial for one’s perception of happiness if the reference group one refers to is worse off than oneself. In 1899, Thorstein Veblen had written of “conspicuous consumption” as a typical characteristic of the “leisure class”. The satisfaction or happiness to that the rich derived from consumption was linked to the knowledge that many people in society were unable to emulate them (Veblen 1994 [1899]).

Given this insight, it is easy to advise people that “one secret of happiness is to ignore comparisons with people who are more successful than you are: always compare downwards, not upwards” (Layard 2011: 47) and to avoid “unhelpful comparisons” that distort our perceptions of reality (2011: 53). Yet the more fundamental problem lies in the fact that the “habit of comparison” and the constant “race for status” (2011: 17) are a major reason for unhappiness.

### **3.5. Reasons for Tackling Inequality**

If one political goal is to foster happiness, it would seem useful to tackle the reasons for unhappiness and to lessen the negative effects of “comparison”. Happiness results from the difference between aspiration and attainment. Yet, as long as the aspirations are constantly reset towards ever unattainable goals and towards the emulation of the upper echelons of society, happiness becomes unattainable if social inequalities are too pronounced.

Inasmuch as relative income has a larger influence on happiness than absolute income, to tackle the unequal distribution of incomes becomes politically paramount. If society in turn is less unequal, the possible reference groups might not be too far away from

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4 Their findings are based mostly on the case of Peru.

oneself, lessening thus the degree of possible deception and unhappiness in one's aspirations.

At the same time, the salience one attaches to social comparisons is also influenced by the prevalent ethics of society and its reward system, as well as on personal characteristics (Layard 2011: 141). Next to an overall redistributive effort, Layard argues in favor of taxing conspicuous consumption and any other behavioral and consumptive pattern that might further foster the rat race. The reason behind this is the assumption that if a person's well-being improves by rising further upwards on the social ladder it makes too many other people worse off at the same time. In the developed world, the rat-race has resulted in that persons usually allocate a disproportional amount of time to the acquisition of pecuniary objectives and less to those aspects that, as research has shown, contribute to happiness such as family life and social interaction with the community and friends. Another approach to foster happiness according to Layard would be to make the basic insights of cognitive therapy part of education to help counteract the debilitating cognitive mechanism of "unhelpful comparison" (Layard 2011: 17). In any case, less inequality would definitely help in making less people unhappy.

### **3.6. It Ain't Necessarily So**

Unfortunately, the explanations given by happiness economics are highly contested, even by its proponents. Easterlin himself has argued that data from life-cycle analysis showed that there often is some process of adaptation as expressed in the idea of the "hedonic treadmill", but this adaptation might be incomplete. Yet, this incomplete adaptation mostly referred to issues of health or marital status that lastingly changed happiness levels over the course of one's life. It did not apply to income. When considering cross-sectional data, however, higher levels of income and education did seem to be linked to levels of increased happiness (Easterlin 2005: 42).

One explanation could be the so-called "threshold analysis", describing the fact that up to a specific threshold, income does lead to increased levels of happiness before adaptation sets in and begins to confirm set-point theory. This idea of a threshold is also applied to the country level. According to Layard, up to an annual per capita income of US\$ 15.000, happiness seems to increase with growing material wealth whereas the relationship becomes less clear later on (Layard 2005).

Ruth Veenhoven (2005), however, points out that there is no persuasive evidence to verify the existence of both set-point theory or the theory of adaptation. And she

also holds that happiness is not based on life evaluation or comparison but the result of the satisfaction of biological needs, not social wants. Most importantly, she holds that inequality has no influence on happiness, given that countries with high levels of inequality, like Brazil and Colombia, have, at least in the 1990s, shown equally high levels of average happiness. As a result, she argues that there is no such thing as a “happiness paradox” and that social comparisons have no effect on happiness. This shatters the whole prior argumentation about it would be feasible to combat inequality on the grounds of preventing unhappiness.

### **3.7. Why Foster Happiness by Tackling Inequality Nonetheless: A Question of Fairness**

These caveats notwithstanding, I believe that there is still a case to be made in favor of tackling inequality in order to foster happiness. For one, the arguments set forth by Veenhoven are not totally convincing. In her point regarding inequality she uses cross-sectional data, a snapshot of international happiness levels. However, it is not so much the comparison between levels of happiness of, say, Brazil and Russia of a given year that are important. Rather, it is longitudinal data that should be used to analyze what happens to reported happiness levels over time in one country when inequality rises or diminishes.

Even if this data might be difficult to obtain, an interesting analysis has been made by Shigehiro Oishi, Selin Kesebir and Ed Diener (2011)<sup>5</sup> using longitudinal data of the US from 1972-2008. They claim that unhappiness increased in times of higher income inequality and decreased when equality rose. At the same time, the feeling of unhappiness was closely related to low levels of trust and in feelings of unfairness. In other words, equality, high levels of trust and a feeling of general fairness all went together.

With his famous “tunnel effect”, Albert Hirschman had attempted to explain why inequalities and especially rising inequalities were tolerated at all (Hirschman 1981). By use of analogy, he described a traffic jam in a two-lane tunnel in which both lines go in the same direction:

I am in the left lane...After a while the cars in the right lane begin to move. Naturally, my spirits lift considerably, for I know that the jam has been broken

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5 Their article also contains a summary of the scarce research that focuses on happiness and inequality, highlights their inconclusive results and methodological shortcomings.

and that my lane's turn to move will surely come any moment now. Even though I still sit still, I feel much better off than before because of the expectation that I shall soon be on the move. But suppose that the expectation is disappointed and only the right lane keeps moving: in this case, I, along with my cosufferers shall suspect foul play, and many of us will at some point become quite furious and ready to correct manifest injustice by taking direct action (such as illegally crossing the double line separating the two lanes). (Hirschman 1981: 40)

Translated into economics this meant that “an individual's welfare depends on his present state of contentment (or, as a proxy income), as well as on his expected future contentment (or income)” (1981: 40). Inequalities were thus tolerated as long as expectations about one's own possible improvement were upheld. Interestingly, Hirschman uses the term “contentment” and not utility. The important issue raised by Hirschman was that the tension between aspiration and attainment that arrived due to inequality not only influenced personal happiness, but led to action- such as social unrest and possibly, revolution. How strong a tunnel effect (i.e. tolerance or protest) would be, was dependent on social, historical, cultural and institutional determinants – but most of all on the degree to which one found it feasible to close up to those already progressing. The term “foul play” is important here. It suggests what was only recently shown by Oishi et al. empirically: that how one reacts towards inequality depends on whether one perceives the system one lives in to be either foul – or fair.

In his latest State of the Union Address of January 2012, US President Barack Obama not only surprisingly spoke of inequality as a major threat to the inner stability of the United States. He also hinted that the question of what constituted an acceptable level of inequality and equality in society was a question of “fairness” – a novel terminology that was commented on intensively in the national and international press (The White House 2012). Linking discussions of inequality to the question of fairness has become part and parcel of recent political rhetoric.

## **4. Conclusion**

Happiness and inequality can be linked to normative discussions on fairness. The idea of fairness embraces a holistic concept of inequality. It is not only fairness in terms of economic wealth or tax rates, but in terms of equal opportunities. Only within a fair system is every citizen allowed to flourish and to achieve “self-fulfillment” – leading to a specific form of expected happiness. A happy society, writes Layard “has to be built on two foundations: first the greatest level of sympathy for others, and, the second, the strongest moral principles of impartiality (Layard 2011: 117). This however, is based on

the understanding that happiness in this case is understood as a relative phenomenon, that social comparison is accepted to play an important role in human psychology and that contrary to what set-point theory would suppose, there is ample room for social policy in order to promote happiness, namely that policy which reduces inequality in the name of fairness. First and foremost, however, the political promotion of happiness has to be preceded by ethical and normative discussions of (and ultimately agreeing on) what constitutes fairness in society.

There are, needless to say, other important aspects that might influence one's own evaluation of happiness (marriage, health, friends etc.) and of course, some form of happiness can derive from momentous "hedonic pleasure" or needs-centered satisfaction. Yet, this is not the happiness that can be openly addressed by politicians and politics – and it is happiness unconnected to inequality. As it is the happiness linked to (in)equality that has been the issue of this paper, a specific equality-related understanding of happiness is called for.

In fact, this specific equality-linked approach to happiness marks nothing else than a renaissance of John Stuart Mill's erstwhile overlooked vision regarding the relationship of happiness and inequality and of his ideas of what politics should do about it. Mill's ideas have never been timelier even if it has taken them one-and-a-half centuries to finally enter the political stage. In the light of recent research on happiness, they are worthwhile being considered for contemporary political action.



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