



## Chapter 7

# RESTORING AMERICAN HAPPINESS

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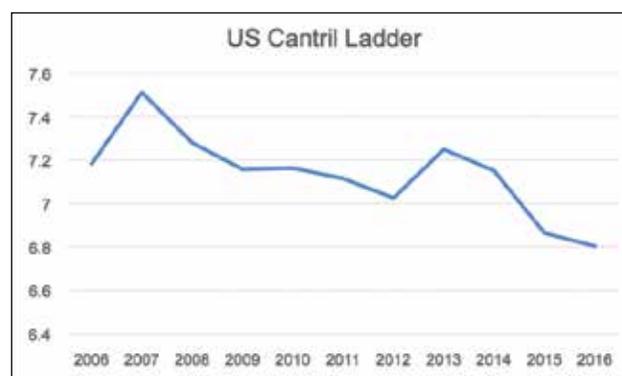
The central paradox of the modern American economy, as identified by Richard Easterlin (1964, 2016), is this: income per person has increased roughly three times since 1960, but measured happiness has not risen. The situation has gotten worse in recent years: per capita GDP is still rising, but happiness is now actually falling.

The predominant political discourse in the United States is aimed at raising economic growth, with the goal of restoring the American Dream and the happiness that is supposed to accompany it. But the data show conclusively that this is the wrong approach. The United States can and should raise happiness by addressing America’s multi-faceted social crisis—rising inequality, corruption, isolation, and distrust—rather than focusing exclusively or even mainly on economic growth, especially since the concrete proposals along these lines would exacerbate rather than ameliorate the deepening social crisis.

Figure 7.1 shows the U.S. score on the Cantril ladder over the last ten years. If we compare the two-year average for 2015/6 with the two-year average for 2006/7, we can see that the Cantril score declined by 0.51. While the US ranked third among the 23 OECD countries surveyed in 2007, it had fallen to 19th of the 34 OECD countries surveyed in 2016.

To understand America’s falling happiness, we make use of the framework from Chapter 2 of this Report to explain the sources of subjective

**Figure 7.1. US Happiness Score, 2006-2016**



Source: Gallup International Cantril ladder

well-being using six underlying variables: log income per capita (lgdp), healthy life expectancy (hle), social support (ssup), freedom to make life choices (freedom), generosity of donations (donation), and perceived corruption of government and business (corruption). Of these sources, two involve personal material conditions (lgdp, hle); one focuses on individual values (donation); and two involve social capital (ssup, corruption). The last, freedom, should be interpreted as a combination of individual factors (wealth, skills) and social factors (democracy, civil rights, and social rights).

As noted, the observed decline in the Cantril ladder between 2006/7 and 2015/6 is 0.51. In Table 7.1, we decompose this decline according to the six factors. While two of the explanatory variables moved in the direction of greater U.S. happiness (lgdp, hle), the four social variables (ssup, freedom, donation, corruption) all

**Table 7.1. Accounting for the Change in US Happiness, 2006/7 to 2015/6**

	GDP	ladder	freedom	supp	lgdp	corrupt	hle	donation
United States 2006/7	50805	7.35	0.89	0.96	10.84	0.62	68.97	0.18
United States 2015/6	52819	6.83	0.80	0.90	10.87	0.72	70.08	0.17
Change	2013	-0.51	-0.09	-0.06	0.04	0.10	1.11	-0.01
Effect on Happiness			-0.10	-0.15	0.01	-0.05	0.03	-0.01

Source: Decomposition based on the global explanatory equation shown in Table 2.1. GDP levels are in PPP 2011 constant dollars. Data details can be found in the Statistical Appendix for Chapter 2.

**Table 7.2. Comparison of the US and the Nordic Countries in 2016**

COUNTRY	GDP	LADDER	FREEDOM	SUPP	LGDP	CORRUPT	HLE	DONATION	
Finland	38901	7.66	0.95	0.95	10.57	0.25	71.38	-0.04	
Norway	64124	7.60	0.95	0.96	11.07	0.41	70.78	0.11	
Denmark	43613	7.56	0.95	0.95	10.68	0.21	70.92	0.13	
Iceland	43872	7.51	0.95	0.98	10.69	0.72	72.05	0.27	
Sweden	46365	7.37	0.92	0.91	10.74	0.25	71.96	0.13	
Nordic Average	47375	7.54	0.94	0.95	10.75	0.37	71.42	0.12	
United States	53088	6.80	0.76	0.90	10.88	0.74	70.13	0.13	
DELTA	-5713	0.73	0.19	0.06	-0.13	-0.37	1.29	-0.01	
Happiness Effect			0.20	0.13	-0.04	0.20	0.04	-0.01	0.5

Note: All data definitions can be found in the Statistical Appendix for Chapter 2.

deteriorated—US showed less social support, less sense of personal freedom, lower donations, and more perceived corruption of government and business. Applying the coefficients from the regression model in Table 2.1 in Chapter 2, the six factors account for a net decline of 0.27 (with an unexplained residual of another 0.24 points of decline).

America’s crisis is, in short, a social crisis, not an economic crisis.

This America social crisis is widely noted, but it has not translated into public policy. Almost all of the policy discourse in Washington DC centers on naïve attempts to raise the economic growth rate, as if a higher growth rate would somehow heal the deepening divisions and angst in American society. This kind of growth-only agenda is doubly wrong-headed. First, most of the pseudo-elixirs for growth—especially the Republican Party’s beloved nostrum of endless tax cuts and voodoo economics—will only exacerbate America’s social inequalities and feed the distrust that is already tearing society apart. Second, a forthright attack on the real sources of social crisis would have a much larger and more rapid beneficial effect on U.S. happiness.

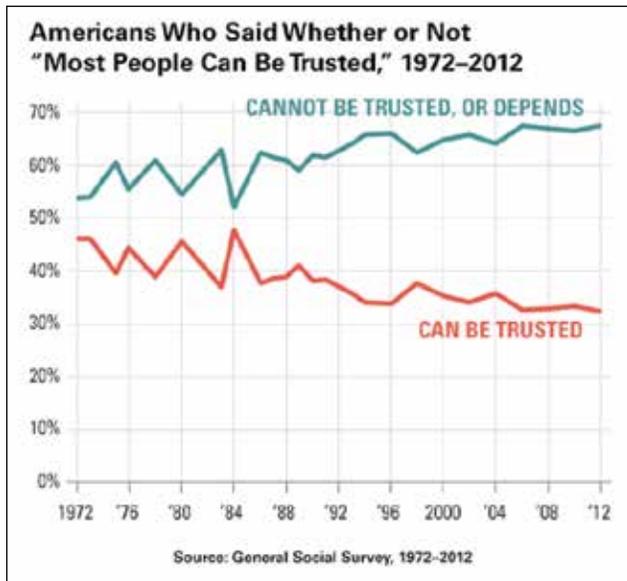
We can see this in the following thought experiment. Suppose that the U.S. were to return to the 2006/7 baselines for the social variables. This

would boost happiness substantially. We can then calculate the equivalent rise in U.S. GDP that would lead to the same increase in happiness as an improvement in social conditions. It becomes immediately clear that restoring social conditions would be the faster and more reliable way to achieve the same gain in happiness.

Consider the corruption variable, for example. The U.S. corruption index rose by 0.10 between 2006/7 and 2015/6. With a coefficient -0.53 in the happiness regression, the negative effect on U.S. happiness is 0.054. Reversing the rise in perceived corruption would therefore raise happiness by 0.054. To achieve the *same gain in happiness* through higher income growth would require a rise in lgdp equal to  $0.054/0.341$ , which translates into a rise in the level of GDP from roughly \$53,000 to \$62,000.

The needed rise in income to offset the recent decline in America’s social support networks would be even greater. The decline in social support measured 0.064, with a coefficient on happiness of 2.332. This implies a loss of happiness of 0.15 points on the Cantril ladder. To offset this loss, lgdp would need to rise by  $0.15/0.341$ , which translates into a rise in GDP from \$53,000 to \$82,000. Such an increase in GDP would take decades to achieve, while an improvement in social conditions that reverts back to the social conditions of 2006 would presumably be much faster. Strangely, however,

Figure 7.2. Decline of Generalized Trust



these sociological variables are nowhere to be seen in the U.S. political debate.

Putting this all together: The combined effect of the four social variables (ssup, freedom, donation, corruption) is a reduction of happiness of 0.31 points, implying that lgdp would have to increase by 0.314/.341, or GDP would have to raise from \$53,000 to around \$133,000 to offset the combined deterioration of social capital.

There is another way to view the ramifications for happiness of America's social crisis. Consider the five Nordic countries (Denmark, Finland, Iceland, Norway, and Sweden), all of which score far higher than the U.S. in happiness. If we compare the US with a simple average score across the Nordic countries in 2016, shown in Table 7.2, we can see that the Nordic countries are 0.73 points higher on the Cantril ladder, even though the U.S. has a higher GDP per capita—around \$53,000 compared with \$47,000 in terms of PPP constant 2011 international dollars. The explanation is that the Nordic countries far outpace the U.S. on personal freedom, social support, and lower corruption, thereby accounting for the higher levels of Nordic happiness.

Figure 7.3. Decline in US Trust in Government

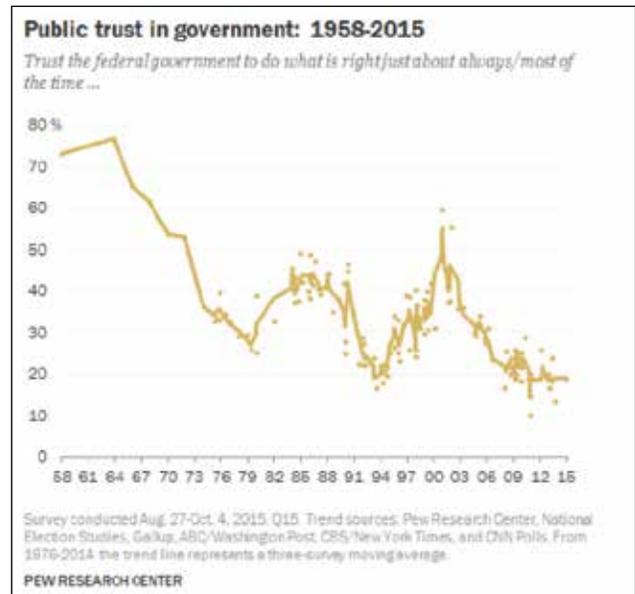
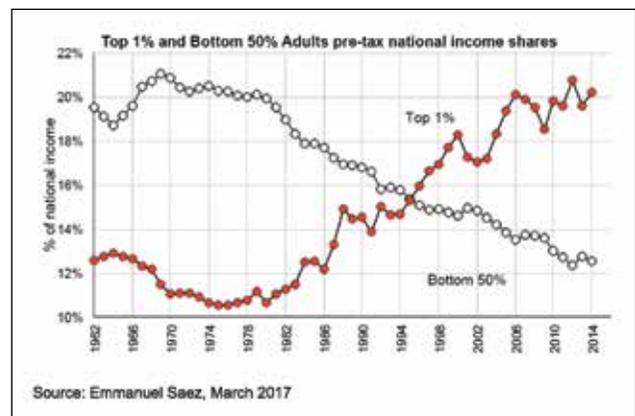


Figure 7.4. The Rise of Inequality in the United States, 1962-2014



It is of course well-known that social capital in the United States has been in decline for several decades now. Robert Putnam's pioneering research played a major role in opening the eyes of Americans to the fraying of social ties. In recent years, the evidence of social crises has become overwhelming, across every aspect of social life. A small group at the top of the income distribution has continued to make striking gains in wealth and income, while the rest of society has faced economic stagnation or decline, worsening public health indicators including

rising rates of drug addiction and suicide, and declining social trust.

To spell this out: Generalized trust among Americans has been falling for decades, as illustrated in Figure 7.2. Trust in government has plummeted to the lowest level in modern history, as seen in Figure 7.3, consistent with the rise in the perception of corruption (see also Dalton, 2017). Income inequality has reached astronomical levels, with the top 1 percent of American households taking home almost all of the gains in economic growth in recent decades, while the share of the bottom 50% plummets, as shown in Figure 7.4. The top 1 percent of households now claims around 23 percent of income, roughly equal to the share of the bottom 70 percent.

At the same time, the extent of pro-social behavior among Americans seems to be on the decline. In one well-known experiment, stamped and addressed envelopes were dropped in public areas (sidewalks, shopping malls, phone booths), to see whether people pick them up and put them in a mailbox. This is a measure of helping behavior among strangers. A recent study<sup>2</sup> showed that the extent of helping behavior by U.S. residents declined sharply between 2001 and 2011, but this was not true for Canadian residents.

Another very stark indicator of social collapse is the startling finding that mortality rates rose between 1999 and 2013 for white, non-Hispanics aged 45-54.<sup>3</sup> For women, the rise in the age-specific mortality rate is observed over the entire interval, while for men, the rise in the mortality rate between 1999 and 2005 was mostly reversed during 2005-2013. This trend stands in sharp contrast to the experience of Western Europe and Canada, where mortality rates continue to fall. What makes the United States case so disturbing and revealing is that it is clearly a social crisis as much as a health crisis—the increased mortality rates are accounted for

mainly by drug and alcohol poisoning, suicide, and chronic liver disease and cirrhosis. There are several factors at work in this interconnected destruction of social capital, and their relative importance has not been determined with any precision or consensus. I would point to five.

The first is the rise of mega-dollars in U.S. politics. A typical federal election cycle now involves at least \$7 billion in campaign financing, and billions of dollars more in corporate lobbying outlays that are indirect forms of campaign financing. Because of profoundly damaging Supreme Court decisions, most especially Citizens United, billionaires and large corporations are able to make enormous and essentially untraceable campaign contributions to candidates. There is a strong and correct feeling among Americans that the government does not serve their interest, but rather the interest of powerful lobbies, wealthy Americans, and of course, the politicians themselves. Political scientists such as Martin Gilens have shown that only rich Americans have real input into political decision making.

The second, and closely related, factor is the soaring income and wealth inequality. Since the 1980s, America has been in a new gilded age, with tax cuts for the rich, special privileges for the wealthy to hide income in offshore tax havens, the destruction of union power, financial deregulation, and other steps to shift national income to the very top of the income distribution. It has worked better and longer than could have been imagined. Of course, the big money in politics keeps the political direction towards further tax cuts and benefits for the super-rich.

The third factor is the decline in social trust related to the post-1965 surge in immigration to the United States, especially the rise of the Hispanic population. Putnam<sup>4</sup> reported that communities with higher ethnic diversity also have lower measures of social trust.<sup>5</sup> This finding seems true for the United States, but not

consistently so for other countries (such as Canada). Some sociologists suggest that the U.S. high ethnic diversity is also characterized by considerable economic and ethnic segregation, so that the potential for inter-group contact to diminish distrust is not as operative in the United States as in other countries: “American exceptionalism may be linked to relatively high levels of heterogeneity combined with the pronounced segregation of cities in the United States compared with other Western countries ... and the persistence of ethnic inequalities.”<sup>6</sup>

The fourth factor relates to the aftermath of 9/11. America’s reaction to these unprecedented terrorist attacks was to stoke fear rather than appeal to social solidarity. The U.S. government launched an open-ended global war on terror, appealing to the darkest side of human nature by invoking a stark “us versus them” dualism, and terrifying American citizens through the government’s projections of fear. Since then, the United States has been involved in non-stop war—in Afghanistan, Iraq, Libya, Syria, and Yemen among others—and Americans are subject to daily indignities of searches, frisking, body pat downs, orders barked at airports, and terrorist alerts. In the meantime, the U.S. government has repeatedly misled its own citizens about the scope of its activities, whom it is spying on, and where it is fighting.

The fifth and final factor that I would raise is the severe deterioration of America’s educational system. On the demand side, the market premium for a college degree has continued to rise in the United States, reflecting the fact that new technologies demand better technical skills. Yet on the supply side, the share of young Americans completing a bachelor’s degree or higher is essentially stagnant at around 36 percent. College tuition has soared and student aid has been pared back dramatically. The result is a \$1 trillion mountain of student debt and a generation of young people with half-finished bachelor’s degrees facing a precarious future.

This matters because the failure of America to educate its young people is a major force behind the rise in income inequality (condemning those with less than a bachelors degree to stagnant or falling incomes) and, it appears, to the fall of social capital as well. The US political divide is increasingly a divide between those with a college degree and those without. This is reflected in the recent presidential election. According to exit polling, college graduates backed Hillary Clinton by a margin of 52-43, while those without a college degree backed Trump by 52-44. If U.S. states are ranked according to the share of 25-29 year olds with a bachelor’s degree or higher, Clinton won 17 of the top 18 states, while Trump won 29 of the bottom 32 states. The deep social and economic divisions according to educational attainment seem to be similar to the dynamics of the Brexit vote and other anti-migrant parties in Europe, which find their base among voters with lower educational attainment.

In sum, the United States offers a vivid portrait of a country that is looking for happiness “in all the wrong places.” The country is mired in a roiling social crisis that is getting worse. Yet the dominant political discourse is all about raising the rate of economic growth. And the prescriptions for faster growth—mainly deregulation and tax cuts—are likely to exacerbate, not reduce social tensions. Almost surely, further tax cuts will increase inequality, social tensions, and the social and economic divide between those with a college degree and those without.

To escape this social quagmire, America’s happiness agenda should center on rebuilding social capital. This will require a keen focus on the five main factors that have contributed to falling social trust and confidence in government. The first priority should be campaign finance reform, especially to undo the terrible damage caused by the Citizens United decision. The second should be a set of policies aiming at reducing income and wealth inequality. This would include an expanded social safety net, wealth taxes, and greater public financing of

health and education. The third should be to improve the social relations between the native-born and immigrant populations. Canada has demonstrated a considerable success with multiculturalism; the United States has not tried very hard. The fourth is to acknowledge and move past the fear created by 9/11 and its memory. The US remains traumatized to this day; Trump's ban on travel to the United States from certain Muslim-majority countries is a continuing manifestation of the exaggerated and irrational fears that grip the nation. The fifth priority, I believe, should be on improved educational quality, access, and attainment. America has lost the edge in educating its citizens for the 21st century; that fact alone ensures a social crisis that will continue to threaten well-being until the commitment to quality education for all is once again a central tenet of American society.

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1 See Putnam (2000).

2 See Hampton (2016).

3 See Case & Deaton (2015).

4 See Putnam (2007).

5 It is sometimes suggested that the degree of ethnic diversity is the single most powerful explanation of high or low social trust. It is widely believed that Scandinavia's high social trust and happiness are a direct reflection of their high ethnic homogeneity, while America's low and declining social trust is a reflection of America's high and rising ethnic diversity. The evidence suggests that such "ethnic determinism" is misplaced. As Bo Rothstein has cogently written about Scandinavia, the high social trust was far from automatically linked with ethnic homogeneity. It was achieved through a century of active social democratic policies that broke down class barriers and distrust (see Rothstein and Stolle, 2003). Social democracy was buttressed by a long tradition and faith in the quality of government even before the arrival of democracy itself in Scandinavia. Moreover, highly diverse societies, such as Canada, have been able to achieve relatively high levels of social trust through programs aimed at promoting multiculturalism and inter-ethnic understanding.

6 See van der Meer and Tolma, 2014, p. 474.