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WELL-BEING

How to lead the good life and what
government should do to help

Edited by Simon Griffiths and Richard Reeves

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PREFACE: GOVERNMENT AND THE GOOD LIFE

Simon Griffiths

In 961, reflecting on a long and seemingly successful life, Abdul Rahman III, Caliph of Cordoba, wrote:

I have now reigned above fifty years in victory or peace; beloved by my subjects, dreaded by my enemies, and respected by my allies. Riches and honours, power and pleasure, have waited on my call, nor does any earthly blessing appear to have been wanting to my felicity. In this situation, I have diligently numbered the days of pure and genuine happiness which have fallen to my lot: they amount to fourteen.¹

Two weeks of happiness in a lifetime of abundance is pretty scant. More than 1,000 years later the Caliph's gloomy reflections are more relevant than ever before, and are mirrored in two related questions that run through the chapters in this book.

First, why are we no happier now than we once were (or to use the language of the social scientists, why is 'subjective well-being' no higher)? Even in recession, most of us in the West are far wealthier than at any time in previous decades. Between 1957 and 2006, the UK's GDP per person almost trebled in real terms, rising from £6,960 to £19,978.² Roughly speaking, orthodox economics equates a rise in the level of purchasing power with an increase in the wellbeing of a society.³ Yet, during the same period, the proportion of people in the UK who said that they were "very happy" fell from 52% to 36%.⁴ Other surveys present a slightly less pessimistic picture of wellbeing trends, but in almost all cases they

1 Edward Gibbon, *Decline and Fall of the Roman Empire* (Electric Book Company, 2001), Volume V, 401.

2 Office of National Statistics, "Time Series Data", www.statistics.gov.uk

3 Richard Layard, *Happiness: Lessons from a New Science* (London: Penguin, 2005)

4 Mark Easton, "Britain's happiness in decline", BBC Online, Tuesday, 2 May 2006, http://news.bbc.co.uk/1/hi/programmes/happiness_formula/4771908.stm

show that we are no happier now than we were a generation or so ago.⁵ This has become known as the “paradox of progress”.⁶

Some commentators have even argued that there is a direct link between the pursuit of wealth and unhappiness. The quest for ever-greater GDP by governments or for ever-greater affluence by individuals has been compared to a sickness – often dubbed “affluenza”.⁷ And there are those who would argue that the affluenza of bankers, taking ever higher risks, is at least in part responsible for our current woes. These arguments are specific examples of an older and wider critique of consumerism that runs through RH Tawney’s *The Sickness of an Acquisitive Society* and Thorstein Veblen’s critique of “conspicuous consumption”.⁸

Second, the authors in this book ask, should increasing levels of subjective wellbeing be the main aim of government? A survey for the BBC found that a massive 81% of people thought that government’s prime objective should be happiness not wealth.⁹ This has long been the argument of utilitarians, from their “founding father”, Jeremy Bentham, at the turn of the nineteenth century, to Richard Layard - the author who has done most to popularise the doctrine’s contemporary revival. These authors argue that happiness is the only thing that is “self-evidently good”. As Layard writes: “If we are asked why happiness matters, we can give no further, external reason. It just obviously does matter”.¹⁰ All other

5 The evidence is compiled in the online annex to Layard’s *Happiness*, available at <http://cep.lse.ac.uk/layard/annex.pdf>

6 Richard A. Easterlin, “Does Economic Growth Improve the Human Lot?” in Paul A. David and Melvin W. Reder, eds., *Nations and Households in Economic Growth: Essays in Honor of Moses Abramovitz*, (New York: Academic Press, Inc., 1974)

7 See John De Graaf, David Wann and Thomas H. Naylor, *Affluenza: The All-Consuming Epidemic* (San Francisco: Berrett-Koehler, 2001); Clive Hamilton and Richard Denniss, *Affluenza: When Too Much is Never Enough* (Crows Nest, NSW: Allen & Unwin, 2005) and, most recently, Oliver James, *Affluenza* (London: Vermilion, 2007).

8 RH Tawney, *The Sickness of an Acquisitive Society*, (London: Fabian Society, 1920); Thorstein Veblen, *The Theory of the Leisure Class* (originally 1899), <http://www.gutenberg.org/etext/833>

9 Easton, “Britain’s happiness in decline”

10 Layard, *Happiness*, 113

goods - freedom, equality or health, for example – are important if, and only if, they are “instrumental” to happiness. This idea is rarely taken as seriously as it is in the small Himalayan kingdom of Bhutan, which since 1972 has assessed policies according to GNH (Gross National Happiness) rather than GDP (Gross Domestic Product).¹¹

The view that happiness is the “greatest good” – and hence, that the happiness of the people should be the main aim government - has long been challenged. To the philosopher Isaiah Berlin, utilitarianism was part of the “Ionian” fallacy – the tendency to privilege one value above all others.¹² Nowhere is this fallacy better satirised than in Aldous Huxley’s dystopian novel, *Brave New World*:

“But I don’t want comfort” [said John the Savage] “I want God, I want poetry, I want real danger, I want freedom, I want goodness, I want sin.”

“In fact”, said Mustapha Mond [World Controller for Western Europe] “you’re claiming the right to be unhappy” . . .

“Not to mention . . . the right to be tortured by unspeakable pains of every kind.”

There was a long silence.

“I claim them all,” said the savage at last.¹³

It may be that the world is “incorrigibly plural”¹⁴ and that the focus on happiness does not reflect the many possible good things in life that are valuable: freedom, social justice, community and so on.¹⁵

11 Andrew C. Revkin, ‘A New Measure of Well-Being From a Happy Little Kingdom’, *The New York Times*, October 4, 2005, <http://www.gpiatlantic.org/conference/media/nyt1004.pdf>

12 See, for example, Isaiah Berlin, “Does Political Theory Still Exist”, in *The Proper Study of Mankind*, ed. Henry Hardy and Roger Hausheer (London: Pimlico, 1998), 78.

13 Aldous Huxley, *Brave New World* (London: Chatto and Windus, 1932), 237

14 Louis MacNeice, Snow, <http://www.artofeurope.com/macneice/mac5.htm>

15 An argument put forward in the twentieth century by Isaiah Berlin – see his “Does Political Theory Still Exist” – and more recently by John Gray – see his *Berlin* (London: Fontana Press, 1995).

There are other questions and concerns with government's role in promoting happiness – many of them staples of undergraduate political philosophy courses: Can the happiness of the few be sacrificed for the much greater happiness of many? What obligation is owed to future generations or to the planet? Is raising average levels of happiness more important than ending specific cases of unhappiness? Can one category – happiness – cover all our feelings of pleasure, bliss, joy, awe or contentment? Is the same true for all the shades of unhappiness? Layard deals with many of these classical challenges to utilitarianism in his contribution to this book.

The authors of this book – who include agenda-setting thinkers from politics, journalism and academia – go in search of the modern theoretical source of the debate by examining the contribution of earlier modern “Greats”: J.S. Mill, Keynes, Crosland, Galbraith and Scitovsky. In an Afterword, Layard brings this book up to date with a contemporary argument for a utilitarian approach to public policy. With one exception, all of the writers in this book and their subjects worked largely in Britain or the US, which goes some way to supporting Nietzsche's jibe about the grounded empiricism of Anglophone philosophy: “Mankind does not strive for happiness; only the Englishman does that.”¹⁶

The result of the contributors' search is the rediscovery of a debate that has largely bubbled beneath the surface. At times, however, the call for happiness to be at the centre of government action has been public and explicit. Such was the contribution of Mill and the earlier utilitarians in the eighteenth and nineteenth centuries. It is Mill, therefore, who is the first thinker discussed in this book, and his attempt to balance – some would say combine – freedom with happiness in a vision of “the good life” sets the theoretical tone for the rest of the book.

16 Friedrich Nietzsche (trans. R.J. Hollingdale), *Twilight of the Idols and The Anti-Christ* (London and New York: Penguin Books, 1990)

The later writers discussed here span the twentieth century: “the age of extremes” that saw increasing wealth, punctuated by bloody war.¹⁷ Under these conditions, perhaps it is understandable that many of these writers are better known for their contributions to more immediately pressing debates: Keynes on the economic consequence of the peace or Crosland on the limits of the state in the modern economy, for example. Yet, the authors discussed in this collection also have much to offer in searching for answers to those questions that began this preface.

For Layard, happiness is an idea whose “time has come”.¹⁸ The government’s recent decision to launch what the media described as “happiness lessons” in schools (more formally, classes in the Social and Emotional Aspects of Learning, or SEAL) seems to support Layard’s claim. The Conservative Party leader, David Cameron, has also got in on the act, claiming that “it’s time we focused not just on GDP, but on GWB - general well-being”.¹⁹

Today, questions about well-being have been subsumed by economic questions. But the debate is perennial. There is no consensus on the questions raised in this preface, even between the contributors. Yet, as we begin a slow move out of recession, Crosland’s statement remains relevant: “We do not want to enter the age of abundance, only to find that we have lost the values which might teach us how to enjoy it.”²⁰

17 Eric Hobsbawm, *The Age of Extremes: A History of the World, 1914-1991* (London: Vintage, 1996)

18 Layard, ‘Afterword’ in this volume.

19 BBC Online, “Make People Happier, Says Cameron”, 22 May 2006, http://news.bbc.co.uk/1/hi/uk_politics/5003314.stm

20 Anthony Crosland, *The Future of Socialism*, (Greenwood Press, 1963), p. 361

INTRODUCTION: THE NEW UTILITARIANISM

Richard Reeves

“Ask yourself if you are happy”, wrote John Stuart Mill, “and you cease to be so.”²¹ In which case, we are in bad shape. For asking we are. The shelves of “self-help” sections of bookshops groan under the weight of advice on how to discover Inner Peace or Perfect Happiness. Famously enshrined in the US Constitution, the search for happiness has now become a general pursuit.

At the same time, happiness has become an area of empirical academic enquiry. Previously the sustained subject of only the individualist approaches of psychology or the sweeping conceptualisations of classical philosophy, happiness – or “subjective well-being” – now has a flourishing dedicated branch within the social sciences, and in particular economics. Since time began, we have had poems, symphonies and philosophies devoted to the subject of happiness. Now we have regression lines too.

Large, robust data-sets can now be used to test the influence of a wide range of factors on happiness.²² Most of the results give some reassuring statistical significance to common sense: lasting marriages, good health, exercise, education, good relationships with children, religious faith, friends, sex and a certain level of wealth are good for happiness; unemployment, death of an intimate, poverty, chronic ill-health and divorce are bad. And at a national level, the data suggests that above a certain point of economic development (around a Gross Domestic Product of \$20,000 per person),²³ the wealth of a society has no influence on average levels of happiness within it, as Richard Layard argues in

21 John Stuart Mill, *Autobiography* (London: Penguin, 1989), 118.

22 In this introduction “happiness” is used – not without misgivings – to mean “subjective well-being”.

23 Richard Layard, *Happiness* (London: Penguin, 2005), 33

this volume.²⁴ Nonetheless, the data flowing out of these new fields is of potentially profound importance. For the first time it is possible not only to identify but also to rank and weigh the influence of various factors on happiness. If happiness is accepted as a goal for political endeavour (and of course this is a very a big “if”, as we shall see) then the research is of vital policy significance.

But so far, with a few notable exceptions, the burgeoning empirical work on happiness is not being accompanied by equally rigorous work on the philosophical and political side. The field, as it stands, is over-researched and under-theorised. The result of this asymmetry is that the data is principally of academic, rather than political, import. But help is at hand.

Many of the challenges posed by the data have been anticipated and addressed by a clutch of thinkers whose principal fault, in this area at least, may have been to be too far ahead of their time. This volume revisits the work of these writers in the light of the new research. At the very least, our hope is to ensure that contemporary debates take into account the work of previous generations, rather than – as happens all too often in political discourse – starting from scratch. In different ways, the five authors featured in this volume – Mill, Keynes, Crosland, Galbraith and Scitovsky – prefigured the contemporary empirical research on happiness.

These authors differ in many important respects in both their diagnoses and their prescriptions, yet they all address the central question of how best to promote human flourishing in affluent societies. And this was all in a time before there was much, if any, data to support their intuition. This means that the intellectual history of the political economy of well-being is topsy-turvy: the

24 Good summaries of the research can be found in Bruno Frey and Alois Stutzer, *Happiness and Economics* (Princeton: Princeton University Press, 2002), Robert Lane, *The Loss of Happiness in Market Democracies* (New Haven: Yale University Press, 2000), Richard Layard, *Happiness: Lessons from a New Science* (London: Allen Lane, 2005).

implications were drawn out before the data was gathered in. Consequently, the impact of the political insights of these writers, in this arena at least, was blunted.

While some of the issues teased out are highly specific, there are a number of recurring themes cutting across the collection, which together animate the principal arenas of the politics of well-being: consumption, the formation of preferences, work, family life, security, and the implications and role – if any – of politics.

CONSUMPTION

The issue at the heart of this collection is consumption: what and how much we buy, why we buy it, how rationally we buy and what impact our purchases have on our well-being and the well-being of others. The definition of consumption here is narrow: only those goods and services that are paid for. It is possible to think about consumption more broadly, in terms of activities, time or energy. Scitovsky in particular tends to use “consumption” in this way, so that it can include activities such as reading or leisure time with friends. But for the purposes of this discussion, the narrower definition is most useful

The writers assessed in this volume view consumption through a mostly negative lens. Much material consumption is seen as a wasteful pursuit of objects whose value lies principally in the signalling of status – an idea at least as old as the work of the sociologist and economist Thorstein Veblen, in the late nineteenth century.²⁵ This scepticism about consumption is shared by several of the authors discussed in this book, including Mill, Keynes and Galbraith. Scitovsky, for example, argued that markets were structurally biased towards “defensive” (i.e. material) forms of consumption, aimed at making life comfortable, and against

25 Thorstein Veblen, *The Theory of the Leisure Class* (New York: Dover, 1994).

"creative consumption":²⁶ those "self-rewarding and creative activities that provide most of life's pleasure".²⁷

Crosland, by contrast, had a more sanguine view, warning against the tendency of the left to undervalue working-class prosperity, which he saw as a key plank of his egalitarian political philosophy. As he wrote in 1974:

*My working-class constituents ... want washing machines and refrigerators to relieve domestic drudgery; they want cars, and the freedom they give on weekends and holidays; and they want package tour holidays to Majorca ... why should they too not enjoy the sun?*²⁸

When we turn to the critics of consumption, it is important to be alert for potential bias – especially when they tend to be relatively wealthy themselves. Bianchi describes Scitovsky's childhood home in Budapest as "a mansion of 18,000 square feet, beautifully furnished and decorated with the luxury of eighteenth-century France".²⁹ Mill was more than comfortable financially, and Keynes and Galbraith were hardly paupers.

There are two dangers here. The first is that the writer will assume that the "economic problem" has been solved for the general population because it has been solved for them. It is difficult to countenance, now, Mill's view that there was sufficient affluence in mid-nineteenth-century England for further growth to be necessary. At least Keynes projected the solving of the economic problem a century ahead of the 1930s. There is a related difficulty in anticipating how today's "luxuries" become tomorrow's "necessities" precisely by virtue of dissemination. It may have seemed to Galbraith in 1958 that

26 Tibor Scitovsky, "Notes on the Producer Society", *The Economist* 121, no. 3 (1973), 225–50.

27 See Bianchi in this volume, 81

28 Anthony Crosland, "A Social Democratic Britain", in Anthony Crosland, *Socialism Now*, ed. Dick Leonard (London: Cape, 1974).

29 See Bianchi in this volume, 78–79

wants for further goods must be synthetic, given the great affluence he saw around him. But the benchmarks against which need is assessed rise. Air-conditioning in cars, seen as a necessity by just one in ten Americans 35 years ago, is now judged a necessity by two-thirds of the population.³⁰ And this is not merely a status-signalling device; the fact is that being in a hot car or house is disagreeable by comparison to air-conditioned comfort. If US economic development had stalled in 1958, and air-conditioning had remained out of reach of most consumers, it is hard to argue that their lives would be better, regardless of measurements of subjective well-being.

Second, there is a danger that wealthy theorists might attach a higher value to their own forms of consumption than to those of others. Three of the authors examined in this volume – Mill, Keynes and Scitovsky – make an explicit distinction between types of desire or consumption: what Mill calls “higher” and “lower” pleasures. While there may be sound scientific bases for making such distinctions, there is also a danger of subjectively attaching greater value to the “finer” goods and services typically enjoyed by the affluent: opera is simply assumed to be superior to Oprah.

The difficulty with any analysis of consumption from the perspective of well-being is thus the danger of subjective judgements. This is where the new empirical work is so important. With robust measures of subjective well-being, it is now possible to measure the impact of various consumption decisions. So far, most of the research in this area has been based on highly stylised laboratory experiments, but the foundation stones for more research in the field have been laid. As Daniel Kahneman, one of the leading researchers in the field says, “a systematic empirical study of the issues that Scitovsky raised is now both possible and necessary”.³¹

30 Alain de Botton, *Status Anxiety* (London: Penguin, 2004), 205.

31 Daniel Kahneman, in *Choices, Values and Frames*, ed. Daniel Kahneman and Amos Tversky (Cambridge: Cambridge University Press, 2000).

PREFERENCES

A second thread running through the chapters that follow is the formation of individual preferences. Why do we want what we want? Are preferences formed autonomously? Are our wants rational? Do we want the things that will make us happy? If not, why not?

Mill was clear that ordinary people were terrible judges of their own best interests. While most people could judge their “basic” consumption requirements, there were other forms of consumption “the want of which is least felt where the need is greatest. This is peculiarly true of those things which are chiefly useful as tending to raise the character of human beings. The uncultivated cannot be competent judges of cultivation.”³²

Indeed, Galbraith argues that, in the private sector, the relationship between demand and supply in affluent nations has been effectively reversed: “Wants are dependent on production. The producer [has] the function both of making the goods and of making the desires for them.”³³ With the “hidden persuaders” of the advertising industry creating the desire for the products of their clients, the idea that desires spring up in autonomous individuals is, to Galbraith, a fantasy.

There is certainly growing evidence for the irrationality of consumer behaviour. The work of Kahneman and Tversky, in particular, shows that individuals differ from the “rational economic man” of textbook theory in various significant ways: they weigh losses more heavily than gains, hugely prefer the status quo over change, overpredict the utility gains (measured in subjective well-being) from acquisitions, misremember the impact of past events and are highly

32 John Stuart Mill, *Principles of Political Economy* (Toronto: University of Toronto Press, 1965), 947.

33 J.K. Galbraith, *The Affluent Society* (London: Hamish Hamilton), 128.

sensitive to the way in which a choice is “framed” to them.³⁴ In other words, there is mounting evidence that, at least from a happiness perspective, people don’t do what’s good for them. Scitovsky argued 30 years ago that people make sub-optimal choices because they over-value the short term, misremember utility and then fall into a habit of repeating these choices. And, as Bianchi reminds us, habits are hard to break – they have their own value.³⁵

But even if the shreds of evidence that the preferences of individuals are non-optimal in terms of their well-being accumulate into a compelling body of research, the case for any kind of political intervention to improve people’s well-being will be far from made. Mill was famously clear that the state had no business coercing people into doing what was best for them.³⁶ But, as Kahneman suggests, the empirical support for these intuitions poses some sharp questions about the best way to increase well-being, and indeed the possible role for paternalist policies. “If people do not know what is going to make them better off or give them pleasure,” he says, “then the idea that you can trust people to do what will give them pleasure becomes questionable.”³⁷ It may be that maximising happiness is the wrong benchmark of success. Individuals may make decisions on grounds other than their own subjective well-being. And, most important of all, knowing that someone is irrationally acting in ways which are against their own best interests is not, in itself, sufficient warrant to stop them: at least not in a free society.

Nonetheless, the possibility that our economy and society may be structured in ways which militate against well-being should give us pause. Efforts to make consumers more “skilful”,

34 Kahneman, *Choices, Values and Frames*.

35 See Bianchi in this volume, 84-87

36 John Stuart Mill, “On Liberty”, in John Stuart Mill, *Utilitarianism, On Liberty and Considerations on Representative Government*, ed. Geraint Williams (Everyman, 1993), 78.

37 Quoted in Jon Gertner, “The Futile Pursuit of Happiness”. *New York Times*, 7 September 2003, <http://query.nytimes.com/gst/fullpage.html?res=9E0DEFD61538F934A3575AC0A9659C8B63&sec=technology&spone&partner=permalink&exprod=permalink>.

as Scitovsky suggests,³⁸ might be important. And even if policy prescriptions do not flow easily, there are a number of areas where improvements might be possible. Perhaps the best candidate is in the way we work.

WORK

As the economy worsens, work and worklessness are in the news again. A huge part of Labour's success story has been a benign jobs market, in contrast, they claimed, to the high levels of unemployment that existed under the Conservatives in the 1980s and 1990s. The return to the horrors of unemployment highlights the central social, economic and psychological importance of work in our lives. The influence of paid employment occupies an important place in the thinking of many of the writers assessed in the following chapters, and the theme is extended by the contributors, especially Halligan. The earlier writers, Mill and Keynes, assumed that rising affluence alongside a lessening desire for more material goods would result in dramatic reductions in working hours. In Mill's "stationary state ... a much larger body of persons than at present [would be] not only exempt from the coarser toils but with sufficient leisure ... to cultivate freely the graces of life."³⁹ Keynes was more specific, holding out the possibility of a 15-hour working week and "abundant leisure".⁴⁰ Halligan shows how far we are from at least this Keynesian prediction, with four out of ten UK full-time employees putting in more than 40 hours a week. He laments our "work-obsessed culture", tendency to work "pointlessly long hours"⁴¹ and the rise of facilitating technologies such as sand-proof laptops for use on the beach.

38 Tibor Scitovsky, *The Joyless Economy: The Psychology of Human Satisfaction* (New York: Oxford University Press, 1992).

39 Mill, *Principles of Political Economy*, 755.

40 John Maynard Keynes, "Economic Possibilities for Our Grandchildren", in *Essays in Persuasion* (London: MacMillan, 1972).

41 See Halligan in this volume, 51

It is unhelpful to see work as simply an enemy of well-being. Work provides many of the opportunities for creativity, learning and purpose in life. It is a long way – in well-being terms – from being a “disutility”. Mill and Keynes, writing when the majority of the workforce was employed in agriculture or industry, can be forgiven for wishing to promote the “leisure” to learn, converse, read and develop new skills. But in the twenty-first century, the labour market can be supplier of these opportunities, too.

So the right question now is not how we minimise work, but how we ensure that the quality of work can improved across the board. As the US political scientist Robert Lane argues, the goal should be to move from a consumer economy towards a “producer economy” – one which places as much value on the satisfactions gained from earning as from spending.⁴² This is no small challenge. Right now, workplace improvements have to be justified against the standards of business effectiveness; and the truth is that better work for the worker does not always translate into higher profits for the firm. It will therefore take much more than a clutch of modest, though welcome, policies to engineer such a shift towards greater worker well-being.

FAMILY

A good family life is, not surprisingly, strongly associated with life satisfaction. And the quality of care received by a child, especially in the early years, almost certainly has a strong influence on his or her lifetime “endowment” of happiness.⁴³ So from a well-being perspective, encouraging and supporting family life has both short-term and long-term benefits.

However, the role of family life is not a dominant theme in the work of any of the featured authors. This may be explained by their

42 Robert Lane, *The Market Experience* (Cambridge: Cambridge University Press, 1991).

43 See, for example, Eirini Flouri, “Psychological outcomes in midadulthood associated with mother’s child-rearing attitudes in early childhood”, *European Child & Adolescent Psychiatry*, 13, 1 (2004), 35–41.

gender, by the fact that many of them did not have children of their own, and perhaps by the fact that most of them wrote at a time when the division of labour between men and women was largely unquestioned. The relationship between labour market participation and the sustaining of family life – and in particular raising children – was not considered in any detail. Today, of course, the issues of “work–life balance”, childcare and the gendered division of unpaid labour are high up the agenda.

Given that both paid work and family contribute positively to well-being, the real challenge is to help families choose and manage their lives in ways which maximise both choice and well-being for parents, and encourage secure and loving environments for children, especially the very young. All these are likely to be positive from a well-being perspective, especially those initiatives promoting flexible working patterns.

Currently, the labour market is still largely constructed around the model of a breadwinning male. From a purely business perspective, full-time employees who are able to focus on their job, safe in the knowledge that their spouse is keeping the home fires burning – what Americans call a “career primary” – is ideal. In order for women to compete as anything close to equals in this labour market, they have to become “quasi-men”, aping the hours and attitudes of someone without caring responsibilities. This in turn means that very young children have to spend very long days in childcare – with some potentially significant downsides in terms of their future development. This is not progress. Some of the government’s pronouncements in this area – such as the lauding of “dawn-to-dusk” schooling – suggest that, rather than creating a family-friendly economy, the goal is the creation of economy-friendly families.⁴⁴ Rather than accepting the labour

44 I expand on the arguments in this paragraph in a chapter in *Family Fortunes: The New Politics of Childhood*, ed. Patrick Diamond, Sunder Katwala and Meg Munn (London: Fabian Society, 2004).

market as it is, and adjusting family life to suit, we should be doing the opposite.

Halligan shows that the causes of “long” working hours and the choices made by parents both to remain in full-time employment are complex and varied. While it is certainly the case that many families need two incomes to sustain a decent standard of living, it is worth remembering that households containing two parents in full-time employment are drawn disproportionately from the upper end of the occupational scale. It is hard to argue that two merchant bankers only work full time because of economic necessity, unless the concept of “need” is stretched beyond any useful definition. Halligan also points to “obsession with relative consumption”.⁴⁵ This might explain the decision of some to work more than they would otherwise choose. Finally, as discussed in the previous section, people may work long hours because they like their jobs and derive great satisfaction from them.

What this means is that the choices and trade-offs between employment and family time made by parents are based less on simple economic calculations than on their own desires, morals and priorities. In other words, we are again in the realm of values.

SECURITY

Insecurity is bad for happiness. At a national level, sharp social and economic change tends to be associated with a drop in subjective well-being. And for individuals, divorce and unemployment weigh against happiness.⁴⁶ Indeed, as Galbraith anticipated, it may also be that geographical mobility is negatively associated with well-being, not least because of the loss of community ties and networks:

45 See Halligan in this volume, 48

46 Bruno Frey and Alois Stutzer, *Happiness and Economics: How the Economy and Institutions Affect Human Well-being* (Princeton: Princeton University Press, 2002).

If a locality is declining ... then one should encourage the people to leave. Mobility means efficiency. It is true that the ties of family, friends, pastor and priest, countryside and mere inertia may make this a Draconian and even cruel prescription. But it is the efficient course.⁴⁷

However, whilst some consistency and security in life is beneficial for well-being, too much is inimical to it. A flourishing life requires novelty, stimulation, challenge and surely at least some risk and uncertainty. Keynes was worried about the impact of too much leisure. Scitovsky was particularly concerned with the “problem of boredom”.⁴⁸ He became very worried about the boredom faced by those without sufficient resources or opportunities for “creative consumption” – a group he somewhat quaintly (and non-pejoratively) dubbed the “idle poor”. In the absence of skills for relieving boredom in a harmless way it is “easy to revert to the excitement of violence and vandalism”.⁴⁹ And then we need ASBOs.

In Mill’s terms, well-being requires a balance of “tranquillity” – or peace of mind – and “excitement”. For modern politicians and policy-makers interested in well-being, the goal is to provide both security and opportunity: the security that comes from a reduction in the fear of crime, or of losing your job, or of being poor in old age, or uncared for if sick alongside the opportunities for mobility, stimulation, novelty, pleasure – and choice. A difficulty is that while markets are effective at producing opportunity, they can undermine security. And if the benefits from the former come to be outweighed by the costs of the latter, market-led growth may not be optimal from a well-being perspective; affluent economies may be over-producing “excitement” and under-producing “tranquillity”.

47 Galbraith, *The Affluent Society*, 212.

48 See Bianchi in this volume, 87-89

49 See Bianchi in this volume, 89

POLITICS

One of the aims of this volume is to tease out from the works of the featured thinkers implications for contemporary politics. Now that many of their insights and intuitions into the challenges of affluence have some empirical validation, can any elements of their analysis or prescription be turned to political use?

This is a question being asked in a few corners of Whitehall. The government's Strategy Unit paper on life satisfaction frames the question thus:

If we accept that life satisfaction is an important objective and can be influenced, then the literature throws down a fundamental challenge to policymakers. If decades of legislation, economic growth and increased life expectancy have barely affected the life satisfaction of the British people, then what should government be doing?⁵⁰

There are two pretty big "ifs" in this passage, relating to both the legitimacy of subjective well-being as a political aspiration, and to the likelihood of any official action affecting it in any case. Hickson, following Crosland, disputes the value of happiness as a goal for the centre-left, arguing in particular that measures of well-being cannot replace ideology as the ultimate guide to policy.⁵¹

First, as Hickson argues in this volume, it is by definition difficult to measure our own preferences. We make decisions in the dark, without the full facts being available, and have no certainty as to the full consequences of any action. In short, we do not have the information needed to judge what makes us happy. Second, Hickson notes, even if it were possible to objectively measure the utility of our

50 Donovan and Halpern, *Life Satisfaction*, 33.

51 See Hickson in this volume, 64-66

own preferences, it is not possible to determine with any degree of accuracy how they compare to the preferences of others. He gives the example of a situation where the rich person can derive more utility from the retention of the final 1% of their income in order to purchase a yacht than the poorer person would gain in being able to use that additional 1% on the weekly grocery shop. The subjectivity of utility – especially in relation to how it is affected by wealth and income – makes it impossible to use happiness as a justification for greater redistribution. For the left to use utilitarianism to justify redistribution is a weak argument. Utility is difficult, if not impossible, to measure, and the relationship between wealth, income and utility is deeply subjective. Happiness, Hickson concludes, should not therefore be the guiding principle that underpins the idea of social justice.

These are serious challenges. But two rejoinders are worth considering. The first is that the headline numbers for the UK reveal some statistically significant differences in levels of life satisfaction between different groups in society, with divisions by gender, age, employment, income bracket, educational attainment and marital status.⁵² Even if life satisfaction is not the ultimate centre-left success measure, these inequalities should certainly trouble a social democrat. Second, while the overall UK figures for happiness are stable over time, there are some sizable differences between nations. Of course, cultural variables are likely to be important here – but it may also be the case that economic, social and political structures have an influence too. Why is well-being falling in the US, especially among women? Why are the Dutch and Danes happier than the Germans and French? Why are people in Swiss cantons with more regular referendums happier?⁵³

A running theme in many of the following chapters is the decline of collective action, in contrast to the predictions of Mill,

52 David Blanchflower and Andrew Oswald, "Well-being Over Time in Britain and the USA", *Journal of Public Economics* 88, no. 7–8 (2004), 1359–86.

53 Frey and Stutzer, *Happiness and Economics*.

Keynes and Crosland that economic progress would diminish individualism and enhance collectivism. Hutton, agreeing with Galbraith, wonders if this is inevitable, whether affluence necessarily corrodes collectivism and collectively based politics. As he writes:

[A]ffluence both removes the urgency of such a political response and undermines the progressive coalition. The swelling ranks of the affluent middle class do not feel the same urge to express collective solidarity and use public goods; they can pay for private goods and their quest for satisfaction not through collective action but in individual acts of spending that will satiate a newly articulated need.⁵⁴

It is certainly true that greater affluence takes some of the fire of social justice out of social democracy. This is not to say that fighting poverty is not a vital task; but it is to say that the nature of the poverty being fought is less glaring in its injustice. Labour may need, as Crosland argued, to be as committed as ever to an egalitarian ideology: but affluence makes the contours of that ideology ever harder to draw. But there is a more positive view of the relationship between affluence and social democracy. If individuals are over-investing time and energy in the pursuit of material goods because everyone else is doing the same, thereby continually raising the bar, then what we arguably face is a giant collective action problem. Individual, apparently rational choices – the “tyranny of small decisions” – add up to a society far more acquisitive than the one we might choose. And if this is the case, then the need for collective action to change the direction and recalibrate the success measures of society has perhaps never been greater.

The real challenge, however, is less in policy-formulation than in value-formation. The authors dissected in this volume were

54 See Hutton in this volume, 75

unanimous in the view that the shift required for affluent societies to derive maximum benefit from their wealth was one of attitude, culture and values.

Perhaps what is needed is to alter the way we look at the world, to re-order our priorities – in short, to engage in a collective process of revaluation. Perhaps this could be part of what Labour politicians are calling the “progressive consensus”. It would certainly help if the government were to work harder at establishing better benchmarks of progress than the ones Mill said “excite the congratulations of ordinary politicians; the mere increase of production and accumulation”.⁵⁵ Robert Kennedy, as so often, said it best:

*[GDP] does not allow for the health of our children, the quality of their education, or the joy of their play. It does not include the beauty of our poetry or the strength of our marriages, the intelligence of our public debates or the integrity of our public officials. It measures neither courage, nor our wisdom, nor our devotion to our country. It measures everything, in short, except that which makes life worthwhile, and it can tell us everything about America, except why we are proud to be Americans.*⁵⁶

The nascent politics of happiness still lacks anything like enough data, is philosophically underdeveloped and chimes with few of the concerns of contemporary politicians. But an important start is being made in a number of quarters. It is critical, as this work is undertaken, to remember that people were thinking creatively about how best to promote human flourishing in affluent societies before any of the equations were written. Perhaps the greatest hope of this volume is to show those engaged in the task of constructing a new politics of well-being that some of the necessary tools were fashioned many years ago.

⁵⁵ Mill, *Principles of Political Economy*, 755.

⁵⁶ Robert F. Kennedy, Speech given at the University of Kansas, 18 March 1968, <http://www.jfklibrary.org/Historical+Resources/Archives/Reference+Desk/Speeches/RFK/RFKSpeech68Mar18UKansas.htm>.

1. MILL: THE ART OF LIFE

Richard Reeves

In 1848, Europe was in the throes of revolution. But John Stuart Mill, while passionately concerned with the outcome of the democratic uprisings, had his mind on the more distant future. Already established as one of England's leading men of letters, Mill published his *Principles of Political Economy*, which was to become one of the definitive works of nineteenth-century political economy.⁵⁷ In it, he sketched his vision of a society in which the pursuit of wealth had been replaced by the cultivation of the "graces of life", men and women lived as equals and freedom had become the ultimate measure of civilisation.

The *Principles*, published when Mill was in his early 40s, was in part the product of a difficult, but exceptional, childhood. Mill's upbringing was an experiment in rational utilitarianism conducted by his father, James Mill, and godfather, Jeremy Bentham. Thanks to the intense, bullying attentions of his father he became an infant prodigy. He was steeped in classical language, history and culture, and was an accomplished logician and political economist by his mid-teens. He also had no friends, no toys and little love, and at 20 he suffered a "crisis in [his] mental history",⁵⁸ from which he eventually recovered with the help of Wordsworth's poetry. But the result of his breakdown was the beginning of a long, slow desertion from utilitarian ranks. Though he later wrote a famous essay, "Utilitarianism", he is best remembered not as a proselytiser on behalf of the utilitarian principle of "the greatest happiness of the greatest number", but as the most eloquent advocate of human freedom ever to write in the English language.

Mill's philosophical vision derives both its power and its weakness from his various attempts to knit together a number of

57 John Stuart Mill, *Principles of Political Economy* (Toronto: University of Toronto Press, 1965)

58 John Stuart Mill, *Autobiography* (London: Penguin, 1989), 111.

diverse threads. He never saw happiness as more important than freedom – an important consideration today when a new science of happiness is being fashioned in university economics and psychology departments. However, although he certainly wanted to preserve a space for individual action which should be free from interference, he also wanted to fill the idea of freedom with a rich conception of a good life. He was convinced that people should be masters and mistresses of their own lives, but also that some forms of life are better than others. The resulting zigzag trajectory of Mill's work destroys any attempt to construct a coherent system from his voluminous writings (the reissued *Collected Works* runs to 33 volumes).⁵⁹

Despite his bookish youth, Mill was a man who saw little value in ideas unless they were tethered to human improvement; his real greatness lay in his refusal to separate thought and action. Though his principal long-run impact has been intellectual, during his lifetime he was heavily engaged in politics and political action. Thus, not only did he write a timeless case for freedom of speech and action in *On Liberty*,⁶⁰ but he went on to stand for Parliament and, as an elderly MP, he led the successful campaign against Disraeli's attempt to ban demonstrations in public parks.

However, his practicality meant he was often thinking and working on two different timescales simultaneously, and some of the apparent contradictions in his thought reflect this tension. On the one hand, he was concerned to bring about certain changes in the short term – wider suffrage, greater freedom of speech, the rationalisation of welfare and government, freer trade – and on the other, he was concerned about the longer-term consequences of the measures he was advocating: collective mediocrity, a tyranny of public opinion, an overweening state and wasteful competitiveness.

59 John Stuart Mill, *Collected Works of John Stuart Mill*, ed. John M. Robson (London: Routledge, 1996)

60 "On Liberty", in John Stuart Mill, *Utilitarianism, On Liberty, Considerations on Representative Government*, ed. Geraint Williams (London: Everyman, 1993), 69–185.

Mill's *Principles of Political Economy* is the main focus of this chapter. Having begun it in 1845, he was encouraged to complete it by the ineffectual response of the British government to the Irish potato famine, which he described as "the most unqualified instance of signal failure which the practical genius of the English people has exhibited".⁶¹ *Principles* was a bestseller, running to 32 editions, but it is likely that its most original and lasting insights would have had little resonance with the Irish poor. As a piece of economic analysis and prediction, the *Principles* is deeply flawed. Many of the assumptions Mill made about the nature of economic growth, the impact of a rising population and the role of technology were being chipped away even before he put pen to paper.⁶² And his treatment of socialism is at odds with many of his other views about the role of markets, both in the creation of goods and the promotion of freedom.⁶³

But Mill's identification of some of the challenges that would face affluent societies, his positive view of the possibilities of a zero-growth society, his concern that the habits of consumption and capital accumulation would prove hard to break even when their value lessened, and his concern for cultivating the "Art of Living" were all highly prescient. As so often with Mill, the true value of his thought would only become apparent decades, if not centuries, after publication. In at least three areas, the *Principles* was ahead of its time.

THE STATIONARY STATE

Mill, following Ricardo, believed that economic growth was more likely to be the exception than the rule. With the financial surplus

61 John Stuart Mill, "The Condition of Ireland", *Morning Chronicle*, 5 October 1846, 4

62 Michael St John Packe is scathing on this point: "His utter failure to take account of the advances [in economic thought] that had been made in the [previous] twenty years, had the effect of retarding the development of the science for a generation." See Michael St John Packe, *The Life of John Stuart Mill* (London: Secker and Warburg, 1954).

63 This is in no small part because the sections of socialism are more the work of Harriet Taylor, Mill's long-term companion and later wife, than of Mill himself.

available for wages essentially fixed, the majority of workers would survive on a subsistence income, with population increases soaking up any additional capital. But while Ricardo viewed with gloom the constant likelihood of growth petering out into a stagnant, stationary state, Mill was positively upbeat about the possibilities of a zero-growth society.

It was certainly the case that the striving for commercial success had some short-term value, but only as an alternative to atrophy:

That the energies of mankind should be kept in employment by the struggle for riches, as they were formerly by the struggle for war, until the better minds succeed in educating the others into better things, is undoubtedly more desirable than that they should rust and stagnate ... In the meantime, those who do not accept the present very early stage of human improvement as its ultimate type, may be excused for being comparatively indifferent to the kind of economical progress which excites the congratulations of ordinary politicians; the mere increase of production and accumulation.⁶⁴

Mill would be disappointed by the way today's "ordinary politicians" get excited by precisely the same sort of "economical progress". In his view, further economic growth was already of dubious value in the mid-nineteenth century. The real issue was ensuring – through a scheme of almost total inheritance taxation – a fairer sharing out of the fruits of collective labour:

I know not why it should be a matter of congratulation that persons who are already richer than any one needs to be, should have doubled their means of consuming things which give little or no pleasure except as representative of wealth ... It is only in the backward countries of the world that increased

64 Mill, *Principles of Political Economy*, 754–5.

*production is still an important object: in the most advanced, what is economically needed is a better distribution.*⁶⁵

Ricardo and Mill were wrong in their economics (as Mill himself later realised).⁶⁶ A stationary economic state is actually much more fragile than continuous growth. Far from dampening economic prospects, population growth and technological advance ensure an expanding pool of increasingly productive labour and a growing army of consumers. The fund available for wages is not fixed. Nonetheless, Mill had carved out a unique philosophical and political position for himself. While Ricardo and his followers saw zero-growth as probable and unattractive, and the later orthodoxy took growth for granted, Mill saw the human and political possibilities of a cessation of commercial striving, with technological advances serving not to propel higher production for its own sake but releasing the population from the drudgery of unskilled work and providing leisure and energy for more worthwhile pursuits:

*[A] stationary condition of capital and population implies no stationary state of human improvement. There would be as much scope as ever for all kinds of mental culture, and moral and social progress; as much room for improving the Art of Living and much more likelihood of its being improved, when minds cease to be engrossed by the art of getting on.*⁶⁷

Mill's utopian invocation of a stationary economic state prefigured the view of later economists – not least John Maynard Keynes – that economic growth had to be seen as a means to an end, rather than an end in itself.⁶⁸ He also anticipated much of the thinking in the field of environmental economics; indeed, it is plausible to read the *Principles* as the first “green” economics treatise. Mill, who had a lifelong love of nature and botany, was concerned

65 Ibid., 755.

66 John Stuart Mill, “Thornton on Labour and its Claims”, *Fortnightly Review*, May, 1869, 505-518.

67 Mill, *Principles of Political Economy*, 756.

68 See Liam Halligan's chapter on Keynes in this volume.

that the twin dynamics of population and production growth could create a world “from which solitude is extirpated’ and in which ‘every rood of land [is] brought under cultivation ... every flowery waste or pasture ploughed up, all quadrupeds or birds which are not domesticated for man’s use exterminated as his rivals for food.”⁶⁹

The stationary state, for Mill, was desirable not only on humanist grounds but on clear environmental ones too. Writing at a time when the population of England was around 15 million⁷⁰ and the population of the world just 1.2 billion,⁷¹ he issued a call that betters any press release from *Friends of the Earth*:

*If the earth must lose that great portion of its pleasantness which it owes to things that the unlimited increase of wealth and population would extirpate from it, for the mere purpose of enabling it to support a larger, but not necessarily a better or a happier population, I sincerely hope, for the sake of posterity, that they will be content to be stationary, long before necessity compels them to it.*⁷²

Mill, then, has a strong claim to be one of the founders of the environmental movement.

“STRUGGLING TO GET ON”

Mill had a distaste for the nature of industrialising life. In this he was far from alone. The opinion of much of educated England in the

69 Mill, *Principles of Political Economy*, 755.

70 Census Office, “Population tables I, Vol. I. England and Wales. Divisions I–VII, 1851, Page xxxiii”, *Online Historical Population Reports*, [http://www.histpop.org/ohpr/servlet/PageBrowser?path=Browse/Census%20\(by%20date\)&active=yes&mno=27&toctate=expandnew&display=sections&display=tables&display=pagetitles&pageseq=35](http://www.histpop.org/ohpr/servlet/PageBrowser?path=Browse/Census%20(by%20date)&active=yes&mno=27&toctate=expandnew&display=sections&display=tables&display=pagetitles&pageseq=35).

71 United Nations, “The World at Six Billion”, <http://www.un.org/esa/population/publications/sixbillion/sixbilpart1.pdf>.

72 Mill, *Principles of Political Economy*, 756.

mid-nineteenth century was decidedly sniffy about the spectacle of rapid economic advance. To the bookish, music-loving, nature-rambling Mill, the reality of economic progress was disagreeable:

I confess I am not charmed with the ideal of life held out by those who think that the normal state of human beings is that of struggling to get on; that the trampling, crushing, elbowing, and treading on each other's heels, which form the existing type of social life, are the most desirable lot of human kind, or anything but the disagreeable symptoms of one of the phases of industrial progress.⁷³

There is more than a touch of snobbery in Mill's distaste at the sight of desperately poor families trying to earn as much money as one of his servants. But at least he saw the values of accumulation as being necessary for a key stage of industrial development. His hope was merely that the 'symptom' of selfishness, as he saw it, would be short-lived. Mill hoped and believed that people would naturally become more cooperative as the pressures of meeting physical needs abated. He heaped praise on Robert Owen and on the Rochdale Pioneers, forerunners of the Cooperative Wholesale Society. In his stationary utopia, the economy would be made up of similar associations, providing Beveridgean cradle-to-grave welfare services to their members. In the long run, workers would refuse to work for any other kind of employer, so that even "private capitalists ... will gradually find it necessary to make the entire body of labourers participants in profits".⁷⁴ As a result of this bloodless revolution: "[W]e may, through the cooperative principle, see our way to a change in society, which would combine the freedom and independence of the individual, with the moral, intellectual and economical advantages of aggregate production."⁷⁵

73 *Ibid.*, 754.

74 *Ibid.*, 793.

75 *Ibid.*

In this case Mill's fears were better founded than his hopes. Far from moving in a cooperative direction, affluent countries have increasingly competitive economies and cultures. In his concerns about the social values associated with, and driving, economic growth, Mill anticipated many contemporary concerns about the imbalance between the values of selfishness and solidarity, greed and generosity, consumerism and cultivation. His fear was that the development of "mental culture" would be squeezed out by the rush to accumulate and acquire. A century and a half on, it is easy to say Mill was premature – but hard to say he was wrong.

IRRATIONAL CONSUMERS

One of the principal developments in the history of economics – closely associated with the work of Professor Lionel Robbins in the 1930s – was the rejection of any attempt to make an external assessment of the "utility" that an individual gains or loses from a particular good or activity, or any utilitarian comparison between individuals. Rather, economists focus on what people actually do with the resources available to them, on the reasonable assumption that people will aim to maximise their own utility and are the best judges of how to go about doing so. The preferences of individuals, "revealed" through their market choices, can therefore be assumed to equate to their welfare.

The assumption that individuals rationally maximise their own utility has been under sustained attack in recent years. Richard Thaler has shown that economic behaviour consistently deviates from rational assumptions – for example, because people give losses a heavier weight than they do gains or because possession of a good increases its value in ways which the market fails to capture (an 'endowment effect').⁷⁶ And the Nobel prize-winner Daniel Kahneman

⁷⁶ Richard Thaler, "Toward a Positive Theory of Consumer Choice", *Journal of Economic Behaviour and Organisation* 1, no. 1 (1980), 44.

has demonstrated that because of short-termism, misprediction, poor learning and myopia, individuals often make choices which are far from being in their own best interests.⁷⁷ Indeed, an entire academic field, behavioural economics, is now throwing down an empirical challenge to the rational utility-maximising model of human behaviour.

But Mill was here first. In particular, he anticipated much of the research of the behavioural economists into the ability of consumers to act in their own interests. While strongly in favour of laissez-faire as a political principle, he lists a number of exceptions to the non-interventionist rule.⁷⁸ He argues that the state can legitimately intervene to boost demand for goods that are beneficial to well-being but not avidly sought by most consumers. And so, while individuals were generally the best judge of “material objects”:

*[There are] other things, of the worth of which the demand of the market is by no means a test; things of which the utility does not consist in ministering to inclinations, nor in serving the daily uses of life, and the want of which is least felt where the need is greatest. This is peculiarly true of those things which are chiefly useful as tending to raise the character of human beings. The uncultivated cannot be competent judges of cultivation.*⁷⁹

Again, it is tempting to dismiss Mill as a snob, and paternalist snob at that. The nineteenth-century language doesn't help. But his point is one that has subsequently been made, in various forms, by many authors. Daniel Kahneman puts the challenge in the following way: “If people do not know what is going to make them better off, or give them pleasure, then the idea that you can trust people to do what will give them pleasure becomes questionable.”⁸⁰

77 Daniel Kahneman and Amos Tversky, *Choices, Values and Frames* (Cambridge: Cambridge University Press, 2000).

78 Many of these, especially relating to social matters, are developed further in Mill, “On Liberty”.

79 Mill, *Principles of Political Economy*, 947.

80 Quoted in Jon Gertner, “The Futile Pursuit of Happiness”, *New York Times*, 7 September 2003, section 6, col. 1.

In other words, people do not maximise their own utility. In particular, individuals overvalue short-term and easy-to-reach rewards. As Avner Offer notes in his recent book *The Challenge of Affluence*: “Affluence breeds impatience, and impatience undermines wellbeing.”⁸¹ Offer highlights the need for “commitment devices” and “commitment strategies” to help us choose the greater, but longer-term, good over the quick fix. But the two great things about instant gratification are that it is quick and that it feels good. Investing in a relationship with a child, acquiring knowledge or developing a new skill – “things tending to raise the character” – are all long-term investments in well-being which can be squeezed out by immediate pleasures even though the final utility benefits of the quick fix are often less.

The market will indeed respond well to preferences – or ‘minister to inclinations’ – but will do nothing to educate or improve those preferences. As Mill puts it: “[T]he persons requiring improvement *having an imperfect or altogether erroneous conception of what they want*, the supply called forth by the demand of the market will be anything but what is really required.”⁸² Challenging the idea that individuals are equipped to decide, consume and act in their best interests and suggesting that the state should intervene to boost the supply of “cultivation” – perhaps the arts are a contemporary example? – were almost beside the point in a nation still struggling to lift the mass of its population out of poverty, and heretical in economic circles for most of the last century. But the new research on consumer behaviour, subjective well-being and preference formation supports much of Mill’s basic insight. The extent to which our political economy should take preferences at face value, or should be engaged in the shaping of those preferences, is very much alive in current debates: obesity is just one example.

81 Avner Offer, *The Challenge of Affluence – Self-Control and Well-Being in the United States and Britain since 1950* (Oxford: Oxford University Press, 2006).

82 Mill, *Principles of Political Economy*, 947; my emphasis.

HAPPINESS AND FREEDOM

Above all, Mill was the first political economist to wrestle with the tensions between happiness and freedom. Indeed, his whole intellectual life can be seen as an attempt to square the circle of his father's pure, Benthamite utilitarianism with his own instinctive liberalism. On the one hand, his 1861 essay "Utilitarianism" endorsed the "Greatest Happiness Principle" as "the end of human action [and] standard of morality".⁸³ On the other, in "On Liberty", published in 1859, he asserted his famous "harm" principle: "The sole end for which mankind are warranted ... in interfering with the liberty of action of any of their number, is self-protection" and hence "any member of a civilised community ... cannot rightfully be compelled to do or forebear because it will be better for him to do so, because it will make him happier."⁸⁴ Much of the messiness of Mill's thought is explained by this unending struggle.

In the *Principles*, Mill was beginning to find the liberal voice for which he would become world-famous. I have already argued that he saw economic growth as a means to an end, rather than an end in itself – and that this end was variously described as "well-being", "the graces of life", "the Art of Living". He retained many of his father's and Bentham's views about psychology, especially that the avoidance of pain and seeking of pleasure were the primary springs of human action. But it is clear that he believed that individual freedom of thought and action was the highest goal and, ultimately, a more important component of well-being than happiness (or what modern social scientists might call "subjective well-being"). "No society", he wrote, "in which eccentricity is a matter of reproach can be in a wholesome state."⁸⁵ Far from promoting a society of unthinking bliss – a *Prozac Nation* – Mill wanted to "bring intellects

83 "Utilitarianism", in Mill, *Utilitarianism, On Liberty, Considerations on Representative Government*, ed. Williams, 12.

84 Mill, "On Liberty", 78.

85 Mill, *Principles of Political Economy*, 209.

into stimulating collision".⁸⁶ Unlike Bentham, he would have hated the soma-induced happiness of Aldous Huxley's *Brave New World*.

He was finally agnostic about the implications of his views for the choice between socialism and capitalism, insisting only that both should be judged by the lights of their capacity to expand liberty:

*If a conjecture may be hazarded, the decision will probably depend mainly on one consideration, viz., which of the two systems is consistent with the greatest amount of human liberty and spontaneity. After the means of subsistence are assured, the next in strength of the personal wants of human beings is liberty; and (unlike the physical wants, which as civilization advances become more moderate and more amenable to control) it increases instead of diminishing in intensity as the intelligence and the moral faculties are more developed.*⁸⁷

However, it is fair to say that, at least in the way it developed in the following century, socialism definitely lost out on this score.

Mill wanted us to turn affluence to a better use than the production of further affluence: to the creation of a society that values learning, dissent, argument, companionship, creativity, equality: in short, the Art of Living. We don't know, for sure, what he would make of the way we are using the riches available to us today. But I think we can hazard a guess.

86 Ibid.

87 Ibid., 16–17.

2. KEYNES: ECONOMIC POSSIBILITIES FOR OUR GRANDCHILDREN

Liam Halligan

In 1930, a year on from the Wall Street crash, Great Britain was economically shattered. The prosperity of the “Roaring Twenties” was already a distant memory, having made way for the stagnation of the Thirties. With stock markets slumped across the industrialised world, the Great Depression had taken hold and would bring almost a decade of mass unemployment and despair to the world’s most advanced societies. Fascism and communism were on the rampage. Capitalism and democracy were under siege.

It was against this background that John Maynard Keynes wrote a characteristically defiant essay. In it, he asked the seemingly fanciful question: “What can we reasonably expect the level of our economic life to be one hundred years hence? What are the economic possibilities for our grandchildren?”⁸⁸

Despite the gloom of the times, Keynes called upon his fellow citizens – or at least the academic and political elite to which he belonged – to be upbeat, to “take wings into the future” and to look forward to a much more prosperous world. “We are suffering just now from a bad attack of economic pessimism”, he wrote. “It is common to hear people say the epoch of enormous economic progress which characterised the 19th century is over; that the rapid improvement in the standard of life is now going to slow down.”

There was indeed an emerging consensus in 1930 that the Great Depression marked the end of a process that had begun with the Industrial Revolution. After decades of almost continuous expansion and rising living standards, Western capitalist economies

88 *Economic Possibilities for our Grandchildren* was first delivered in 1928 and subsequently expanded. The entire essay is reprinted in John Maynard Keynes, *Essays in Persuasion: The Collected Writings of John Maynard Keynes, Volume IX* (London: Macmillan, 1972), 321–2.

were seen to be reverting to their historic norm: one of marginal, or even zero, growth.

Keynes would have none of it. “I believe this to be a wildly mistaken interpretation of what is happening to us”, he boomed. “The prevailing world depression, the enormous anomaly of unemployment in a world of wants, blinds us to what is going on under the surface. ... For we are suffering not from the rheumatics of old age, but from the growing pains of over-rapid changes.”

Economic Possibilities for our Grandchildren argued that the Great Depression was less a crisis of capitalism than a transition to better times. The “advanced societies” of Europe and North America, Keynes asserted, would soon recover to exhibit even faster progress. Stronger growth, when it arrived, would bring more than renewed prosperity. Society would reap further dividends, in terms of an improved philosophical and moral outlook too.

All this – material wealth and sociological change – would serve to justify capitalism. Despite its excesses, and slumps, capitalism – rather than any rival system – could “solve the economic problem, the struggle for subsistence”. Contrary to many posthumous accounts, Keynes was no socialist. Only capitalism, he declared, could lead us “out of the tunnel of economic necessity, and into the daylight”.⁸⁹

The object of this chapter is to discuss the contemporary relevance of *Grandchildren* – an important polemic, which has been over-shadowed by Keynes’s more celebrated work.⁹⁰ Criticised at

89 Keynes is routinely mislabelled. Right-wingers, along with most economists, associate him with big-spending governments, inflation and the “mixed economy” consensus which collapsed during the 1979 “winter of discontent”. For similar reasons, he is worshipped by many on the left. In fact, the “Keynesian” doctrine had less to do with Keynes than with a younger generation of his followers, most notably Alvin Hansen in the US and Nicholas Kaldor in the UK.

90 By 1930, when he wrote *Grandchildren*, Keynes had yet to produce *The General Theory* – his magnum opus. Published in 1936, it remains one of the most influential books ever written.

the time as utopian, *Grandchildren* has, in some ways, turned out to be remarkably prophetic. But, as we shall see, the essay contains some crucial analytical flaws. These errors in Keynes's argument go to the heart of some of the most intractable problems we face today.

KEYNES'S VISION

The central claim in *Grandchildren* was, at the same time, both incredibly audacious and impeccably well founded. As modern society's most serious peacetime crisis raged around him, Keynes dusted off his abacus and came up with some long-term economic forecasts.

His conclusions, while mesmerising, seemed utterly detached from the predicament Western society found itself in at the beginning of the Thirties. "The standard of living in progressive countries one hundred years hence will be *between four and eight times as high as it is today*", he asserted. "And it would not be foolish to contemplate the possibility of far greater progress still."

Capitalism appeared to be in ruins. Events in Russia, Germany and Italy suggested that political revolution, communist or fascist, was a genuine possibility. Yet if Britain and America stuck with liberal capitalism, Keynes argued, great wealth was just around the corner. His confident, yet almost outlandish, claim – that the "civilised world" was gearing up for renewed prosperity, despite the surrounding gloom – was based on two related principles.

The first was that the age of scientific innovation prior to the Great Depression was a harbinger of even greater productivity gains to come. The strong growth achieved during the Industrial Revolution was largely explained by rapid technological change – "coal, steam, electricity, petrol ... the methods of mass production, wireless, printing ... Newton, Darwin, Einstein and thousands of other things

and men too famous and familiar to catalogue". *Grandchildren* foresaw not just a continuation, but an acceleration of such trends.

Technology would combine, Keynes predicted, with "compound interest" – the exponential expansion of capital over time, once it has been suitably invested. "The power of compound interest is such", he said, "as to stagger the imagination." These two providers – innovation and capital accumulation – had already secured progress, throughout the Industrial Revolution, "on a scale far beyond a hundred-fold of what any previous age has known", he wrote. "So, in spite of an enormous growth in the population of the world, the average standard of living in Europe and the United States has been raised."

There was no reason why this growth in per capita incomes shouldn't continue, *Grandchildren* argued, given future innovation and the expected decline in population growth. "If capital increases, say, by 2% per annum, the capital equipment of the world will be increased by half in twenty years and seven and a half times in a hundred years", Keynes wrote. "Think of that in terms of material goods – houses, transport and the like." The Great Depression would then be seen for what it was: "a temporary phase of maladjustment".

Keynes went further. If the capitalist economies held their collective nerve, he wrote, they would eventually generate enough wealth to "end scarcity", which in turn would change the way people lived. "Hitherto, the economic problem, the struggle for subsistence, has been the primary, most pressing problem of the human race – not only of the human race in fact, but of the whole of the biological kingdom from the beginnings of life in its most primitive forms."

But now capitalism, suitably managed, could create such prosperity as to "solve the economic problem", rescuing huge

numbers from the mind-numbing drudgery of the employment treadmill. "In days not so very remote", Keynes predicted, "the course of affairs will simply be that there will be ever larger and larger classes of people for whom problems of economic necessity have been practically removed."

Once this "hump" of scarcity had been overcome, the main issue then facing society would be one of extended leisure. "For the first time since his creation", wrote Keynes, "man will be faced with his real, his permanent problem – how to use his freedom from pressing economic cares, how to occupy the leisure, which science and compound interest have won for him, to live wisely and agreeably and well."

This "abundant leisure" problem could initially be quite serious, given mankind's instinct, "bred into him for countless generations", to stay busy. But the population would eventually settle down to a situation of much *reduced* working hours. In *Grandchildren*, Keynes raised the prospect of "three-hour shifts, or a *fifteen-hour week*" (my italics).

In the here and now, he acknowledged, capitalism was unstable, almost iniquitous, and driven by questionable motives. At the end of the 1920s, Keynes had become fascinated with Sigmund Freud's reflections on the pathology of money. He concluded from Freud that the wealth-generating heart of capitalism was a neurosis, calling it "the love of money". But the system could be justified, he argued, as it would eventually produce so much wealth that society could let this neurosis go, paving the way to "the good life" and "moral transformation".⁹¹

91 As a member of the "educated bourgeoisie" – his own phrase – Keynes was anyway instinctively cool towards the idea of commerce, either as a vocation or as the focus of a nation's pursuits. That didn't stop him from playing the money markets throughout his life, on behalf of himself, his friends and his Cambridge college.

"I see us free, to return to some of the most sure and certain principles of religion and traditional virtue", he wrote. "That avarice is a vice, that the exaction of usury is a misdemeanour, and the love of money is detestable. We shall value once more ends above means and prefer the good to the useful. We shall honour those who teach us how to pluck the hour and the day virtuously and well."

So, as the Great Depression did its damage, Keynes mapped out his vision of a society enjoying a higher state of spiritual well-being, released from capitalism's worst excesses. "When the accumulation of wealth is no longer of high social importance", he wrote, "there will be great changes in the code of morals. ... The love of money as a possession will be recognised for what it is, a somewhat disgusting morbidity."

To modern readers, such predictions sound far-fetched, even whimsical. But it must be appreciated that *Grandchildren* was written for a sophisticated political purpose. Unlike many of his contemporaries, Keynes was presenting a utopia that was neither socialist nor communist. It was, in contrast, post-capitalist. At a time of great economic and political risk, *Grandchildren* was an attempt to undermine the seductive prospect of political revolution, to muffle the siren calls from Moscow.

Keynes wrote *Grandchildren* to make the case that capitalism, given a chance, would be "immensely successful". What's more, capitalism would also eventually be compatible with moral and philosophical health. Once prosperity had been delivered, once capitalism had worked its scientific and financial magic, we would work much less, devote ourselves to non-pecuniary pursuits, and become more civilised people. For the most part, we would use our wealth to advantage, predicted Keynes, "enjoying the abundance when it comes".

WHY KEYNES WAS RIGHT – AND WRONG

Grandchildren was correct, and incorrect, at the same time. Keynes's bold growth forecasts for 2030 have proved strikingly accurate and are well on the way to being fulfilled. But his judgements about future lifestyles, and ultimately human nature, were wide of the mark. Put bluntly, since 1930, the tremendous wealth spurt he predicted under capitalism has taken place. The "moral transformation" of society has not.

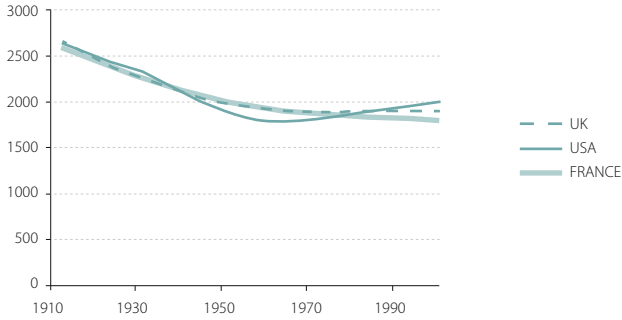
As *Grandchildren* went to press, the world's major economies were, indeed, in the early stages of a productivity boom that would eventually reap unprecedented commercial dividends. In that sense, Keynes was prescient. Between 1930 and 1973, when this boom fizzled out, US income per head almost quadrupled – even when adjusted for inflation. It is now more than six times greater than when Keynes made his projections.⁹² It's a similar story in the UK – real per capita income is now 4.5 times greater than in 1930.

So, given the power of exponential growth, Keynes's bold forecasts could well be met by 2030 – within his 100-year limit. Strictly speaking, his detailed calculations stressed compound interest too much, and technology too little. But his basic economic analysis – almost heretical at the time – has turned out to be sound. The 1930s were, as he said at their outset, merely a dip in an established and continuing trend of sustained growth and rising average living standards across capitalist societies.

Having said that, Keynes's microeconomic forecasts were seriously off-target. A large part of *Grandchildren* dealt with the difficulties of adjusting to a life of abundant leisure. In general, working hours in Western societies have fallen since 1930, as Keynes said they would, but only rather slowly. And as figure 1 shows, since 1960, hours worked in the US have started rising again.

92 T. Liesner, *One Hundred Years of Economic Statistics* (London: The Economist Publications, 1987).

Figure 1: Annual hours worked per person employed (trends 1913–2001)



Source: A. Maddison, *The World Economy: A Millennial Perspective* (Paris: OECD, 2001) and A. Maddison, *Monitoring the World Economy 1820–1992* (Paris: OECD, 1995)

In addition, the pace of the decline in working hours in the UK and even France has been slower since 1960 than it was during the previous three decades. All this suggests that Keynes’s nirvana of “abundant leisure” may never be reached and at best remains distant. So, despite three-quarters of a century of exponential growth, Keynes’s prediction of a 15-hour working week by 2030 has turned out to be wrong.

In contrast to Keynes’s fears of a “general nervous breakdown” due to a lack of work, many Western employees feel they now work too much. His warnings in *Grandchildren* of “fearful problems for ordinary people, with no special talents, to occupy themselves” today sound rather odd. “Ever larger classes of people” have not been released, as he said they would, from the “problems of economic necessity”. Meeting basic needs – food, housing, transport – still accounts for a large part of the majority of workers’ budgets, even in “advanced societies”, just as in 1930.

There are several reasons for this. Some necessities, such as housing, are now relatively more expensive, because they are of superior

quality. People work further from home, so transport costs have risen too. While *Grandchildren* implicitly assumed away any rise in inequality, gains from the growth that Keynes foresaw have been heavily skewed towards the top fifth of the income distribution. And, since the 1970s, for many workers, hourly pay increases have lagged behind inflation.⁹³ All this has meant that incomes in the majority of households have only been maintained in real terms, despite a growth in general prosperity, by continuing to work long hours.

But we are missing something. A crucial reason we still work so much, eschewing the leisure that wealth and technology have made possible, was touched on in *Grandchildren* but then not developed. Keynes distinguished between absolute needs – food, clothing, shelter – and relative needs – those “we feel only if their satisfaction lifts us above, and makes us feel superior to, our fellows”. He went on to argue, though, that “a point would soon be reached, much sooner perhaps than all of us are aware, when our *absolute needs* are satisfied, in the sense that we prefer to devote our further energies to non-economic purposes”.

As it turns out, the vast majority of us do not “prefer to devote our further energies to non-economic purposes”. This was Keynes’s crucial mistake. We have instead chained ourselves to what psychologists now call the “hedonic treadmill” – the modern tendency to spend increased wealth not in the form of more leisure, but of yet more consumption. This extra spending is largely *relative* – carried out simply to “keep up with the Joneses” or, if possible, outdo them.

Grandchildren acknowledges relative needs “may indeed be insatiable, for the higher the general level, the higher still they are”. But Keynes underplayed the extent to which they would shape contemporary lives. The work-earn-spend culture, while present in

93 David Ellwood, “The Sputtering Labour Force of the 21st Century: Can Social Policy Help?”, *National Bureau of Economic Research* (NBER), Working Paper 8321(NBER, 2001).

his day, has since escalated to become a way of life. A considerable slice of the extra wealth we have accrued since 1930 has gone on products deemed to be necessities, but which are nothing of the sort.

Flat-screen televisions, DVD recorders and polyphonic mobile phones are only the latest and most conspicuous examples. For several generations now, we have routinely worked obsessively, borrowed too much money and neglected our families in an attempt to finance mundane consumption. Keynes did not foresee our “must have” culture, but the continued existence of long hours, and terrifying rise of consumer indebtedness, is driven in part by the mindless pursuit of *relative*, not absolute, needs.

AN UNHAPPY SOCIETY?

Given all this, it is no surprise that Keynes’s “great change in the code of morals” has not happened either. These days, we have neither the time nor the mental capacity to cultivate “the good life”. The point is well illustrated by a single startling fact. Surveys from the major developed countries show that despite a steady rise in national incomes since 1950, the proportion of those reporting themselves to be “happy” has, at best, been constant and, if anything, has fallen.⁹⁴ There is now compelling academic research showing the weakness of the link between rising income and subjective “happiness”. The pursuit of greater – or even constant – well-being, in the “advanced economies” at least, now requires a lot more than increased wealth.⁹⁵

94 See, for instance, Andrew Oswald, “Happiness and Economic Performance”, *Economic Journal* 107 (1997): 1815–31, and Bruno Frey and Alois Stutzer, *Happiness and Economics: How the Economy and Institutions Affect Human Well-being* (Princeton and Oxford: Princeton University Press, 2002).

95 Researchers find that in developing countries, “extra income” alone is still closely related to “happiness”. Clearly, when you are on or below the breadline, money can of course be the difference between life and death. But above even relatively modest income levels – around \$15,000 per capita – the relationship between more money and more happiness breaks down. See John Helliwell, “How’s Life? Combining Individual and National Variables to Explain Subjective Well-being”, *National Bureau of Economic Research* (NBER), Working Paper 9065 (NBER, 2001).

It may be that once “scarcity” has been conquered, reported “happiness” levels are bound to stagnate given rising expectations. But related statistics on proxy measures of unhappiness in Western societies point to something more disturbing. Over the past four decades, clinical depression and alcoholism in advanced economies have risen on average threefold – despite strong growth and huge falls in absolute poverty.⁹⁶ Crime has similarly exploded by a factor of between four and five.⁹⁷

So, the growth Keynes correctly predicted has failed to bring about the rapid reduction in working hours and the “moral transformation” he also foresaw. Capitalism has produced rising incomes but more criminality and anxiety too. Our long-hours culture – along with hurry sickness, “yuppie syndrome”, poor mental health and the alarming dependence on anti-depressants which goes with it – is closely related to an obsession with relative consumption which Keynes failed to appreciate.⁹⁸

So, *Grandchildren* was correct to argue that economic growth could free a prosperous society from constant struggle, but it was wrong to suggest it would. Keynes did not predict that modern society could still fail to take advantage of such lavish material gains, even if the economy succeeded in creating them.

The essay urged us to follow a path where we “cultivate the art of life” – rather than communism, on the one hand, or blind wealth

96 Eric Fombonne, in *Psychosocial Disorders in Young People – Time Trends and their Causes*, ed. Michael Rutter and David Smith (New York and Chichester: John Wiley, 1995).

97 David Smith, in *Psychosocial Disorders*, ed. Rutter and Smith. This point about the contemporary rise in crime is also made by Professor Richard Layard of the London School of Economics in his 2003 Lionel Robbins Lectures entitled *Happiness: Has Social Science Got a Clue?* “It is no good blaming economic growth in general (for rising depression, alcoholism and crime),” says Layard, “as in some earlier period of economic growth like 1850–1914, alcoholism and crime both fell.”

98 This was a serious omission by Keynes. As early as the turn of the century, the American economist Thorstein Veblen had pointed out that goods were acquired for status reasons as well as material ones, and that in increasingly affluent societies status was likely to play an even greater role in consumption decisions. See a discussion of Veblen’s 1899 work, *Theory of the Leisure Class*, in Joseph Dorfman, *Thorstein Veblen and His America* (New York: Augustus M. Kelly, 1961).

accumulation on the other. But growing richer, far from freeing us from Keynes's "love of money" neurosis, has caused it to grow more intense. We have more wealth, but we are still working long hours and, if anything, are less happy; so what can we do about it?

"THE ART OF LIFE ITSELF"

How can we reduce our workloads, worry less and enjoy life more? What are the economic levers we can pull to make all of us – our children and grandchildren included – happier at work, at home and in retirement? Keynes's "age of abundant leisure" has yet to arrive for most of us, and will probably never do so. But, in that context, what can we realistically do to meet the challenge he set in *Grandchildren* – to "cultivate the art of life itself"?

Across the Western world, working hours have fallen since 1930, though much more slowly than Keynes predicted. And despite this fall, large numbers of British men and women are caught in a long-hours culture that is almost unique in Europe. Full-time British employees now work on average 44 hours a week, compared to 40 hours across the European Union.⁹⁹ The situation is particularly acute for men. In the UK, 56% of men work more than 40 hours a week and 27% more than 50 hours – not including travel time. Almost 10% work more than 60 hours, double the proportion in 1992.¹⁰⁰ The long-hours problem is most prevalent among the professional classes. A recent Institute of Management Survey of 5,000 British managers found that 77% routinely worked beyond contracted hours.

Why do we do it? Part of the story is the relative consumption urge – which, as we have said, Keynes underestimated. But another

99 European Commission, *The Social Situation in the European Union 2003* (Belgium: Office for Official Publications of the European Communities, 2003).

100 Kate Bishop and the Institute of Management, "Working Time Patterns in the UK, France, Denmark and Sweden", *Labour Market Trends* 112, no. 3 (2004), 113–22.

major factor behind long hours is the rise of insecurity right across the workforce, provoked by globalisation and the endless quest for “efficiency”. The recession of the early 1980s produced a “shake-out” of workers in textiles, manufacturing and other traditional industries. The recession of the early 1990s, in turn, resulted in “corporate down-sizing” as companies culled ranks of white-collar employees in a bid to be “competitive”. Both of these were necessary at the time, but have continued ever since.

Now that globalisation has banished the “job for life” to the dustbin of history, increasing numbers of us are at the mercy of short-term contracts and revolving-door employment policies. In this context, a “culture of anxiety” has developed which goes a long way towards explaining our work obsession, particularly among the middle classes, and particularly in the UK.¹⁰¹ That is because our labour laws are the most “flexible” of nearly all industrialised countries. Millions of professionals live in fear of the financial and social trauma of being “down-sized”. Work has become less about earning a living than about striving for promotion and desperately seeking recognition. In search of the job security our parents took for granted, more and more of us feel we have to live for work, or be seen to do so. This is time-consuming and incredibly stressful.

The scientific advances Keynes thought would extend our leisure are in some ways making matters worse. Technology makes paranoid employees “over-available”, blurring the boundary between home and work. Mobile phones and broadband mean that many of us, in virtual terms, never leave the office. Then there is the curse of email, encouraging the circulation of useless information we feel we must read, even if we have to do so at home. Many professionals dread holidays, and even days off, given the huge “in-box” they will face on return to work. It is hardly surprising, but

101 I owe this phrase to Matthew Symonds, *Culture of Anxiety: Middle Class Crisis* (London: The Social Market Foundation, 1994). Symonds deliberately echoed the title of J.K. Galbraith's 1992 book, *The Culture of Contentment*, which had described, in contrast, a secure and contented middle class.

deeply worrying, that computer companies now produce sand-proof lap-tops for use on the beach!

If capitalism is to lead us “out of the tunnel of economic necessity, and into the daylight”, then, as Keynes argued, its rough edges sometimes need to be smoothed. We need to reconsider the benefits of our super-flexible labour market. The UK needed to shake up its labour market and, over the past 20 years, has done so in spades. But Britain is no longer the “sick man of Europe”. Restrictive practices have generally been purged and middle managers, for the most part, pull their weight. Yet the endless pursuit of more and more flexibility remains, for our corporate and financial elite, an ideological right. The social implications – in terms of pointlessly long hours, ill-health and unhappiness – are incalculable and growing.

A generation of economists has pushed for more flexible markets, thus encouraging people to move between jobs and homes as if that was an end in itself. At some point, markets become flexible enough – everything else is just hubris. As Keynes said, we now need to “take wings into the future” and have the confidence to strike a more humane balance. And if our grandchildren are to benefit, we need to start now.

Our work-obsessed culture damages families too. Three-quarters of UK managers feel that long hours undermine relationships with partners, children and friends.¹⁰² This is the route to societal ruin, given the overwhelming evidence that companionship is the key to genuine happiness.¹⁰³ Our need for it is a biological reality, hard-wired into us. So the effect of long hours on separation and divorce rates, and absentee parenting, should be taken very seriously indeed.

102 Chartered Management Institute Survey, 29 June 2004.

103 David Blanchflower and Andrew Oswald, “Well-being Over Time in Britain and the USA”, *Journal of Public Economics* 88 (2004): 1359–86.

In the UK, well-being at home is also damaged by financial strains imposed by the price of the home itself. Keynes predicted that the relative cost of purchasing necessities would rapidly fall, but this has not happened, largely because of high housing costs. In many parts of the country, it now typically takes two workers – and perhaps three jobs – to establish and run a home. That places undue stress on family structures and wider society.

Not so long ago, around half the adult population – mostly women – worked without pay to maintain home and community, performing a fundamental, if often under-valued, role. The high cost of housing means that today, for many families of child-rearing age, the idea of one stay-at-home parent is no longer an option. If both parents are working long hours, child and home care are often left undone, or are hired out. In some cases, this works well. In others, it seriously damages family and community structures.

CONCLUSION

The central assertion in *Grandchildren* – that the Western world has the financial and scientific potential to overcome economic scarcity, freeing society's "moral and material energies" for more uplifting pursuits – is even more irrefutable today than it was in 1930.

Yet, since Keynes wrote this essay, we have ended neither want nor squalor, even in the "advanced societies". We have produced the wealth, but failed to fashion the "great change in the code of morals". Much of the prosperity, lavished upon us by technology and compound interest, has been squandered on meaningless relative consumption. But, of course, besieging ourselves with possessions is not the same thing as contentment.

In some senses, it is not surprising that we have fallen short of Keynes's vision. Given the context in which it was written, *Grandchildren* was perhaps deliberately over-optimistic. The

growth predictions were accurate – true to his mathematical training, Keynes took no liberties with the arithmetic. But his description of a future capitalist society – with its “agreeable” living and “15-hour weeks” – was as much an attempt to counter Bolshevik propaganda as it was an exercise in serious economic forecasting.

Having said that, whatever Keynes’s contemporary political aims, his essay still holds lessons for today and for *our* grandchildren. Almost a century of exponential growth has, for the most part, raised our incomes, but not our happiness. This suggests that conventional measures of economic progress – such as gross national product, or GNP – should be challenged. When the vast bulk of the population is clothed, housed and reasonably well fed, and extra consumption is of little value, real improvements need to be measured, at least partly, by how people actually feel.

The study and pursuit of “well-being”, still ridiculed by many economists and politicians, is often dismissed with reference to human nature. Because we are competitive beings, the argument goes, happiness and self-esteem will always depend on relative income and rank. On that basis, however well-off we all are, large chunks of the population are destined to be unhappy.

But this ignores the role of companionship, which makes people happier but does not depend on income. It disregards the importance of policies, be they properly ring-fenced working hours or more realistic house prices, which help parents spend more time with their children and with each other. Even if happiness does depend partly on relative income, it depends on so much more than this – a notion at the heart of *Grandchildren* and which has been proved by the data ever since. By urging “moral transformation”, by calling on us to “value once more ends above means” and “the good to the useful”, Keynes was ramming home his most powerful point – income isn’t enough.

Grandchildren looks forward to a time when “we shall be able to rid ourselves of many of the principles that have hag-ridden us for two hundred years, by which we have exalted some of the most distasteful of human qualities into the position of the highest virtues”. Keynes is at his most effective in this essay when he is challenging the “love of money” – arguing against the endless pursuit of wealth, rank and possessions.

On that basis, mature capitalist societies need to reconcile material gain with other forms of progress. It is not good enough to measure our prosperity using GNP, simply adding up everything we make, sell and buy. We need to design and promote yardsticks which include how secure people feel – in their relationships, employment and retirement. We should include measures of human capital growth, given that “up-skilling”, not “down-sizing”, is the only long-term response to the global challenges we face. Progress towards environmental objectives should be given a heavy weighting too.

Until all these criteria are included in our measures of success, alongside immediate aggregate wealth, incentives will be skewed away from outcomes that do the most to improve our lives. In a post-industrial society – where income gains do least to generate welfare – progress is also about safeguarding the values, morals and community structures that years of capitalism have begun to challenge.

That is the most important lesson of *Grandchildren*. Capitalism should be our servant and not our master. Economic prosperity is a prerequisite of well-being, but if that is all life is about, we will end up exhausted and disillusioned. The longer we continue down the path of “growth at all costs”, the more damage we do – to ourselves, and to the social, moral and environmental inheritance we bequeath to our grandchildren.

3. CROSLAND AND HAPPINESS

Kevin Hickson

The idea of happiness rather than growth or efficiency as the most fundamental objective of policy is an appealing one. Academic concern with happiness has been revived in recent years by the work of Richard Layard, who has resurrected the utilitarian tradition. Other chapters in this volume deal with a series of thinkers who were primarily academics and who had a direct and powerful impact on the development of politics. This chapter is slightly different in the sense that it is concerned not with a political or economic theorist but with a political intellectual: Tony Crosland (1918-1977) who was a social democratic theorist and Labour MP and served in several Cabinet positions in the 1964-70 and 1974-9 Governments, culminating in a short period as Foreign Secretary before his early death.¹⁰⁴ The fact that Tony Crosland is still considered worthy of inclusion in a book of this type is perhaps a mixed blessing. It is positive in the sense that the work of Crosland is the most sophisticated exposition of socialist or social democratic - Crosland used the terms interchangeably - theory in Britain since 1945, if not of the last century. But it also highlights the fact that no-one has yet managed to provide as coherent or comprehensive a case for socialism as that set out in *The Future of Socialism*.¹⁰⁵

The chapter begins with a summary of the main arguments made by Crosland. It then proceeds to ask if happiness should be the primary objective of social democratic politics. The argument presented here is that although it is an appealing notion it does not provide an adequate basis for social democratic aspirations of equality and redistribution, which instead should be more concerned with the extension of rights and the maximisation of the sum of liberty. Finally, the chapter asks what should be the

104 There are two biographies on Crosland. S. Crosland, *Tony Crosland* (London: Cape, 1982) and K. Jefferys, *Anthony Crosland: A New Biography* (London: Cohen, 1999)

105 C.A.R. Crosland, *The Future of Socialism* (New York: Schocken, 1963, first published in 1956)

proper relationship between social democracy, economic growth and happiness.

CROSLAND'S THESIS

Writing to his friend Philip Williams during the Second World War, Crosland expressed his belief that he would produce a major work of socialist theory and would establish himself as the new Bernstein, the German revisionist socialist who had published his book *Evolutionary Socialism* in 1899.¹⁰⁶ This volume was *The Future of Socialism* first published in 1956. The timing was important in that it was written as a contribution to the debate between the left and right of the Labour Party. As a follower of Hugh Gaitskell, who had been elected Leader of the Labour Party the previous year, Crosland wanted to justify the move away from what the left of the Party regarded as the fundamental socialist objective of nationalisation. Crosland was also the first person to produce a comprehensive review of socialism after the downfall of the Labour Government in 1951.

Crosland believed he had identified three decisive trends in the economy which had not only disproved the central assumptions of Marxist theory, but also the pre-war socialist arguments upon which he believed it had been largely based. All three trends marked a shift of power away from the capitalist class. Firstly, there was a shift of power away from owners to the state. This was partly due to the nationalisation measures of the Attlee Government (which had nationalised roughly 20% of industry between 1945 and 1951) but was largely due to the use of Keynesian economic management, which had given the state sufficient powers to be able to co-ordinate economic activity and thereby ensure a long-term higher rate of economic growth. Secondly, there had also been a transfer

106 E. Bernstein. *Evolutionary Socialism* (New York: Schocken, 1975, first published 1899). Crosland's correspondence is located in the Crosland archive in the British Library of Political and Economic Science, London.

of power away from owners to workers in the form of trade unions, which were historically large and were operating within a condition of full employment which would allow for free collective wage bargaining. Finally, there has also been a clear shift of power away from owners to managers in the sense that the average size of the corporate unit had increased substantially from that which existed when Marx was writing and in consequence the power of owners, who now took the form of dispersed shareholders, had diminished. Effective control of private corporations, Crosland argued, rested with a managerial class, which could also consider non-profit motives in making business decisions.

There are two points of significance to this analysis. The first is that Crosland was utilising recent academic research including Berle and Means, who first argued that control and ownership within the corporation were divorced, and James Burnham, who talked of the emergence of a corporate managerial class. Secondly, writing in the 1950s Crosland believed that these changes were permanent and could not be undone by a future Conservative government. The Conservative Party had undergone significant adaptation after its defeat in 1945 and its right-wing had been marginalised. Crosland did not anticipate the counter-revolution of the 1980s. Indeed, he doubted if contemporary society was any longer capitalist.

In light of such trends Crosland believed that it was necessary to reconsider what socialism meant. In particular, the objective of further extensive public ownership as advanced by the Labour left was no longer relevant. Instead, Crosland advocated a number of policies, which he believed would be sufficient to turn Britain into a socialist country. Firstly, Keynesian economic techniques that would allow for higher rates of economic growth required to finance the expansion of the welfare state. Secondly, fiscal reform to tackle wealth inequality in particular, since this was an area he believed where the previous Labour Government had not done enough. A future Labour Government should therefore implement

such things as a wealth tax, inheritance tax and capital gains tax in order to address inequality of wealth. Finally, Crosland believed that priority should be attached to education reform including opening up public schools to non-fee paying students and replacing of grammar schools with comprehensives.

This policy framework, Crosland maintained, would be sufficient to achieve socialism in Britain since it would increase equality. While the Britain of the 1950s was no longer capitalist due to the culmination of the trends identified earlier, it was not yet socialist. The Keynesian welfare state was insufficient since widespread inequalities persisted. Crosland's understanding of equality was particularly profound. By equality Crosland meant three things. The first was equality of opportunity, which was more desirable than its absence, but by itself would not in his terms be 'enough'. It would not be enough since the persistence of economic and social inequalities meant that there were unequal starting points that the idea of meritocracy did not consider adequately. Market outcomes would be determined not just on merit but also by brute luck – the family an individual was born into, genetic inheritance and so forth, which were beyond the control of the individual. Market outcomes were therefore unfair because they disproportionately benefited the successful and penalised the unsuccessful. It was therefore necessary to move beyond equal opportunity by doing two things. The second was that meaningful equality could not be realised without greater redistribution of income and wealth: hence the need for the fiscal stance outlined by Crosland, including wealth taxation. Finally, inequality was not just a matter of economics in Britain but also had a distinctive social aspect. The social importance of differences of manners, accents and so forth associated with social class also needed to be addressed if Britain was to be more genuinely egalitarian.

It is in coming to the ethical justification for such a policy that the role of utilitarianism comes in to play and this will be

discussed in the next section. But first one further issue needs to be discussed, which is the value of such an analysis. It would seem from a contemporary perspective that Crosland was far too optimistic in *The Future of Socialism*. Indeed, he was criticised at the time for being so from some quarters, most notably by the post-war Labour Minister, John Strachey, who had himself moved a long way from his pre-war communism, but continued to believe that public ownership remained of crucial importance to the pursuit of socialism and said so in a critical review of Crosland's magnum opus.¹⁰⁷ Moreover, Crosland can be criticised for failing to understand how national politics can be constrained by the power of international capitalism. This became a more central objection to Crosland's thesis by the 1970s. Crosland himself revised his position substantially and as early as the 1960s had started to question his more optimistic claims about high growth. In a review of the Wilson Government's economic record Crosland was very critical of the sacrifice of economic growth targets contained in the National Plan in an attempt to defend the parity of sterling before being forced to devalue in 1967. However, he remained committed to his belief that with sufficient political will governments could achieve the economic growth required to meet welfare objectives. He believed that the failure of the Wilson Government was one of political will rather than the triumph of international capitalism over a national government. Again, the left regarded this as naïve, and recommended a policy of national economic protectionism as part of an Alternative Economic Strategy.¹⁰⁸ If anything the power of global capitalism, perceived or real, to constrain national governments has increased since the 1970s and New Labour have justified the framing of a moderate economic policy in such terms until the recent economic crisis has, perhaps, forced a rethink.

107 See the chapters on Crosland and Strachey in M. Beech and K. Hickson, *Labour's Thinkers: The Intellectual Roots of Labour from Tawney to Gordon Brown* (London: Tauris, 2007).

108 For a discussion of the Alternative Economic Strategy see the chapter on Stuart Holland in *ibid.*

THE JUSTIFICATION FOR EQUALITY

It is in examining the ethical basis of socialism that Crosland's thesis is ambiguous. Crosland appears to have been influenced by the political philosophy of AJ Ayer who argued that morality was essentially subjective and therefore that there was no way of determining objectively the ethical superiority of one form of moral argument over another. Crosland appears to have accepted this when he claimed that all he could do was to outline why he believed in equality and that it was then up to the reader to determine for him or herself if these arguments were convincing. Certainly the alleged influence of Ayer has been cited by a number of commentators on Crosland starting with the economist, John Vaizey.¹⁰⁹ Some writers believed this placed social democracy in an especially vulnerable position when faced by the economic liberal arguments of Hayek, who claimed that his ideas were morally superior to opposing points of view. It was therefore left to commentators in the 1980s to reformulate social democracy in the face of the Hayekian challenge.¹¹⁰

Crosland presented three such arguments to justify equality. The first of these is social waste – that inequality wasted a lot of the natural talents of the nation by holding back the successful. This argument was almost the opposing one to the economic liberal claim that inequality was needed to provide incentives for entrepreneurs to thrive. Crosland accepted the need for incentives and was rather cautious on the issue of income tax since he believed that since the top rate was then close to 70% Britain was at this time close to the point where its tax regime would start to act as a disincentive. However, his argument is some way removed from the economic liberal case since

109 J. Vaizey, *In Breach of Promise* (London: Weidenfield and Nicolson, 1983)

110 See the chapter on Roy Hattersley in Beech and Hickson, *ibid.* Also see R. Hattersley, *Choose Freedom: The Future of Democratic Socialism* (London: Penguin, 1987) for a clear example of socialist literature at this time from the then Deputy Leader of the Labour Party.

he believed that incentives could be combined with greater equality than existed in the 1950s, especially in the form of social equality and greater equality of wealth, as discussed above. The criterion that should underpin such a redistributive strategy was 'the rent of ability' which would allow for rewards to those who contributed to the well-being of society. This was rather similar to the 'difference principle' later stated by Rawls: that the pattern of distribution should be such that inequality is to the advantage of the least advantaged. The rewards of top earners would be made accountable to the wider wishes and needs of society and not just what they could get in the market – an issue of much contemporary significance at the time of writing this chapter due to numerous cases of substantial financial rewards being given to senior executives despite clear cases of business failure. The second justification, and one related to the example just given, was that greater equality would diminish social resentment. Crosland believed that social resentment was especially marked in Britain and was valid due to the absence of meaningful equality of opportunity and the unfair rewards from the market that followed from it.

This brings us to the issue of social justice, which was the third justification for equality. There can be several ways in which a claim to social justice can be legitimately made. Socialist and social democrats have put forward several kinds of arguments here. The first set relates social justice to greater happiness, although this is not a defence Crosland chose to make. It has been commonplace in socialist and social democratic literature to justify social justice in terms of utility. Hence, in 1952 Roy Jenkins, later Labour Home Secretary and founding member of the SDP, claimed in the *New Fabian Essays* that:

A modicum of redistribution would obviously have increased the total welfare of the individuals who made up the nation. The liberal view that every individual had an equal right to seek

*his own happiness and the Marshallian concept of diminishing marginal utility, amounted, between them, to a very strong levelling case*¹¹¹

Writing over twenty years later in the 1970s, the American progressive thinker, Christopher Jencks, made a similar utilitarian argument for redistribution, by arguing that:

*If we want to maximise the satisfaction of the population, the best way to divide any given amount of income is to make everyone's income the same. Income disparities... will always reduce average satisfactions, because individuals with low incomes will lose more than individuals with high incomes gain*¹¹²

The case for redistribution was therefore simple. If 1% of income was taken away from the person receiving £100,000 per year and given to the person receiving £10,000 per year then there would be an increase in the sum of utility since the satisfaction derived from additional income diminishes. The poorer person would gain utility greater than the loss of utility suffered by the rich person. Redistribution was therefore more efficient in the sense of increasing the sum of utility. The more unequal a society the less utility there would be overall.

The empirical problem with this argument was highlighted by Crosland.¹¹³ In order to raise the level of the poorest substantially there would need to be very high levels of taxation on the rich and, as noted above, Crosland argued that income tax above 70% would provide a disincentive. Fiscal redistribution would therefore need to bring in a much wider share of the electorate including those on middling incomes. This issue is still relevant today. Even though it

111 R. Jenkins, 'Equality' in R.H.S. Crossman (ed.) *New Fabian Essays* (London: Turnstile, 1952), p.70

112 C. Jencks et al., *Inequality* (London: Allen Lane, 1973), pp.9-10

113 Crosland, *The Future of Socialism*, pp.123-4

should be more possible to close tax loopholes than is sometimes suggested, a higher rate of income tax on those earning six figure salaries - which would include senior academics, surgeons and some head-teachers - may not necessarily raise enough revenue to significantly alter the incomes of the poorest.

But even if it was deemed possible to use income tax to redistribute wealth, then it would still not meet a further, philosophical objection to a utility-based conception of social justice¹¹⁴ Bentham believed it was possible to objectively measure our preferences in what he termed the 'felicific calculus'. This was a type of cost-benefit analysis, such as that used to reach policy outcomes like the construction of a new road or airport runway, where financial costs and projected benefits are weighted alongside non-financial costs and benefits such as pollution, the destruction of local nature sites and so forth.

However, this is problematic as a philosophical device for at least two reasons. Firstly, it may not be possible to objectively measure our own preferences at any given time due to the presence of uncertainty – we often make decisions in the dark, or at least without the full facts being available and no certainty as to the full consequences of any action. Secondly, I would argue that even if it were possible to calculate with complete certainty our own preferences it is not possible to determine with any degree of accuracy comparative preferences. It is perfectly possible to conceive of a situation where the rich person can derive more utility from the retention of his or her final 1% of income in order to purchase a yacht or take a luxury holiday than the poorer person would gain in being able to use that additional 1% on the weekly grocery shop. In saying that redistribution of income and wealth increases the overall level of utility, therefore, the socialist actually places the policy-maker in an impossible situation since there is no way of knowing if redistribution will increase the sum of happiness.

114 I owe these thoughts to Raymond Plant. R. Plant, *Modern Political Thought* (Oxford: Blackwell, 1991)

Happiness should not therefore be the guiding principle that underpins the idea of social justice. In saying this, it is not my intention to argue that socialism should not be concerned with increasing the sum of happiness and there are now several indicators of happiness and well-being that were not present when Crosland wrote. But it should not be the explicit objective of socialist policy for the reasons outlined. If it was to be the explicit objective then it places socialism in a weak position intellectually.

THE LIMITS OF UTILITY

Instead the principles underpinning social justice and redistribution should be liberty and rights.¹¹⁵ Liberty is here understood in its positive form – that is *freedom to* rather than *freedom from*. Economic liberals such as Hayek sought to dismiss the positive conception of liberty (believing that it implied an infinite demand on the resources of the state) since there were unlimited human wants, each demanding resources with no way to decide objectively between them.¹¹⁶ The result would be government overload as occurred, or so they claimed, in the 1970s as the welfare state grew in an attempt to meet the unlimited demands that had been placed on it. A governing system, as witnessed in Britain after 1945, which was based on trying to ensure that a positive conception of liberty was maintained would lead to extensive pressure group competition and a state of ungovernability. In contrast a negative conception of liberty, meaning that individuals are free so long as they are not subject to coercion, would be resource neutral, since it would best be achieved in the competitive marketplace, where individuals can choose where to work and to spend their money relatively free from the constraints of taxation and regulation, which are in essence coercive.

115 Again, my thinking on these issues has been shaped by numerous discussions with Raymond Plant. In addition to the above book see also R. Plant *Equality, Markets and the State* (London: Fabian Society, 1984) and K. Hoover and R. Plant, *Conservative Capitalism in Britain and the United States: A Critical Appraisal* (London: Routledge, 1989).

116 For Hayek's thoughts on these and other issues see his book *The Constitution of Liberty* (London: Routledge, 1960).

The counter-argument of social democrats is that the negative conception of liberty does not make sense. The academic and Labour peer, Raymond Plant, expressed this most clearly in asking the question *what is liberty for?* The answer was self-evidently to be able to do things, thus implying the positive conception of liberty – the freedom to act. If this argument is accepted then the aim of redistribution can be more usefully expressed as the increase in the sum of liberty. It is more convincing to say that a policy of greater equality can increase the sum of liberty. Some liberties can be considered more fundamental than others and redistribution will allow those more fundamental liberties to be realised. For example, we said before how it is difficult to be certain that by redistributing 1% of income from the rich person to the poor person an increase in utility will result, since it is feasible that the purchase of a yacht can derive more utility for the rich person than the same additional income can satisfy the poorer person's ability to spend more on weekly necessities. But it would seem convincing to many that the freedom to purchase decent quality groceries is a more fundamental liberty than the freedom to buy a yacht so in a very clear way we can see how the sum of liberty has been increased. It may or may not be the case that the sum of happiness has increased after this redistributive act but the sum of liberty has increased.

An allied concept is that of rights. Again, economic liberals sought to argue that there was a clear distinction to be drawn between negative and positive rights. The right not to be killed or assaulted was non-resource dependent and could therefore be seen as an objective right. In contrast, positive (or welfare) rights were resource dependent and were therefore not to be considered objective rights. The right to welfare was dependent upon the capacity of the government to provide such rights and was therefore less of a right and more of a gift to be bestowed should the government of the day wish to do so. Just as with the positive conception of liberty, so to the positive conception of rights would lead to overload as the unlimited claims of those who demanded

this 'right' to welfare would mount up and drain the resources of the state. However, it is possible to defend the positive conception of rights since all forms of rights depend on, and are limited by, the resources needed to enforce those rights. This was true of positive as well as negative rights – the need to resource the police, courts etc – and so there was no categorical distinction to be drawn between these two forms of rights. Again, rights provide a more solid philosophical basis for social justice and redistribution. To use the example given above once more we can say, and again there would appear to be a social consensus on this issue, that the right to food, shelter, basic income etc, are more fundamental than the 'right' to a yacht. A more equal distribution of income and wealth would therefore result in basic rights being met.

SOCIALISM AND ABUNDANCE

So far I have argued that equality and social justice are justified more convincingly with reference to rights and liberty than to utility. The remainder of this chapter deals with other issues relevant to a Croslandite conception of happiness.

As mentioned above, Crosland placed great emphasis on economic growth and believed that Keynesian economic techniques were sufficient to achieve it. He was to be disappointed and was to express this in his later work. However, there are several other pertinent issues in relation to economic growth which need to be discussed here. The first is that Crosland placed such emphasis on economic growth not only because he was sceptical about the possibility of further significant redistribution of income without undermining incentives but also because he believed that there was a natural tendency within society to oppose direct measures of fiscal redistribution. The rich were not prepared to see a deterioration in their absolute position and so the only way of achieving a 'levelling-up' strategy of improving the relative position of the poor while maintaining the absolute position of the better off would be

through sustained economic growth. What was not predicted was the appeal of the economic liberal policy of improving both the absolute and the relative position of the rich, as occurred between 1979 and 1997. This counter-strategy clearly highlighted the need for a moral case for redistribution, as outlined above.

Crosland's desire to see higher rates of economic growth also came under attack from two quarters. The Labour left believed that in promoting economic growth, Crosland was also encouraging materialism. This was argued not least because of the fact that the final chapter of *The Future of Socialism* is dedicated to the topic of the pursuit of happiness in an era of abundance where the economic problems that had concerned all socialist intellectuals to date had been overcome. Such a period of prosperity would allow the conditions for as much freedom as possible to enjoy those activities which gave people most satisfaction – the extension of leisure time and of cultural activities were given particular emphasis. The Labour left regarded this as an acquisitive society and one that did not take into account the power of capitalist interests over the lives of individuals. One popular idea, picked up by some on the Labour left, was that of the power of advertisers as argued by JK Galbraith, who believed that through extensive advertising campaigns the large corporations could manipulate the desires of millions of individuals.¹¹⁷ This comes rather close to the idea of 'false consciousness' present within much Marxist literature. Both theories share in common the belief that the real interests of the individual are not the ones they believe them to be. Such arguments are intended to be liberating, freeing individuals from those who exercise power over them, but both suffer from the difficulty of who decides what their 'real interests' are and far from being liberating can quite easily turn in to authoritarianism. From this it is possible to assume that individuals are capable of determining for themselves what makes them happy.

117 J. K. Galbraith, *The New Industrial State* (London: Hamish Hamilton, 1968)

The environmentalist lobby also sought to reject Crosland's emphasis on high economic growth believing that it would cause major ecological destruction. The so-called 'zero-growth' lobby of the 1970s believed that any economic growth would be harmful to the environment and that production should not be based on profit but should instead be local, small-scale and concerned with meeting sufficiency. This argument was dismissed by Crosland who believed that the environmental lobby was essentially a middle-class pressure group seeking to defend the interests of the small towns and rural communities in which they lived. While rejecting such zero-growth arguments it is possible to be more sympathetic to the idea of environmentally-sustainable growth and to take account of externalities in the production process as part of general well-being. Moreover, there has been a growing realisation since the 1970s of the ecological damage that economic activity has produced. Again the literature on happiness is important in this respect because it stresses the limits to economic growth as the primary indicator of happiness. Economic growth that is harmful to the environment is likely to foster greater unhappiness.

One final issue is the relevance of economic policy for contemporary social democrats. Crosland believed that the problems of economic underperformance had been resolved. He failed to foresee the economic downturn of the 1970s. However, he was not alone. The claims made by some at the heart of New Labour also suggested that the problem of economic underperformance had been resolved – statements along the lines of 'no more boom and bust' were not just political weapons to hurl at opponents. They were also meant to imply that the new 'social democratic supply-side' policy framework and ideas such as 'neo-classical endogenous growth theory' were believed to be the ways in which economic growth would be maintained. Clearly events over the past 12-18 months have shattered this idea of long-run economic expansion and leave the old economic concerns of socialist intellectuals with the economy, which Crosland believed in 1956 would soon pass, at the centre of any contemporary concern with social democracy and individual happiness.

4. GALBRAITH: AFFLUENCE AND THE END OF SOCIAL DEMOCRACY?

Will Hutton

We live in an era of abundance. Even the disadvantaged enjoy a life expectancy, material well-being and access to living standards that would have seemed dazzling to most middle-class people 50 years ago. A car, a television, fitted carpet and central heating – even a mobile phone – are now seen as part of minimum subsistence. The wolf is no longer quite so close to the doors of even the very poor.

The impact of cumulative annual gains in productivity on living standards has long been recognised by economists; the classical economists warned their readers in the early nineteenth century that there would come a time when subsistence income would mean more than a candle, a mattress and sufficient corn for a loaf of daily bread. So it has proved, and on a scale even they could never have guessed at.

Poverty, of course, remains, but the poor benchmark themselves not against the minimum required for survival in a state of nature but, rather, to the circumstances of the average lifestyle in the here and now. They feel poor to the extent that they are excluded from the general fruits of the economy. Exclusion is still desperately felt, but in an affluent society there has been an important change. Poverty certainly threatens life chances and the opportunity to choose a life that, as Amartya Sen says, one has reason to value. But it rarely threatens life itself. Adam Smith could argue that when wages fell below the subsistence level, labourers would have smaller families, thereby diminishing the supply of labour and leading subsequently – after some time-lag – to a self-regulating rise in wages that would then push up the birth rate and encourage labourers to have larger families.¹¹⁸ The supply and demand for

118 A. Smith, *The Wealth of Nations*, vol. 1 (London: Dent, 1956), 71.

labour, he said, was regulated like any other. No such iron law of wages could be hypothesised now.

In fact, many of our embedded assumptions about the economy and its workings – some ageing and some very alive – are a hangover from the days of scarcity when poverty could mean death. They need to be rethought through from first foundations – the core argument of *The Affluent Society*, J.K. Galbraith's seminal book now nearly 50 years old,¹¹⁹ which remains as startlingly prescient as when it was first published. For a generation after its publication, along with his other great book *The New Industrial State*, Galbraith established himself as an economist, public intellectual and political activist who influenced presidents as much as the man and woman in the street. He was a household name whose witty one-liners defined a liberal common sense that could challenge the conventional wisdom both at home and abroad.

GALBRAITH'S CONTRIBUTION

Galbraith saw capitalism through the prism of power, in particular how corporations shape the environment in which they operate – a mismatch between the power-neutral world described by free-market, so-called “classical” economists and economic reality that is devastatingly wide, but which, as Galbraith would say, has been self-interestedly designed to obscure the truth. He stressed that the clue to the ongoing success of now prodigiously productive capitalism is corporations' ability and capacity to conjure up new wants for them to satiate. Profit lies less and less in the sinews of pure manufacture; rather, it lies in the capacity to create markets and new wants. The service sector – in particular advertising, marketing, selling and distribution – is where the capitalist action increasingly resides. The public challenge is to prevent corporate gigantism from trivialising human wants, and to insist that the parallel prosperity of the public realm – from our parks to our schools – is no less central to our individual and social well-being.

119 J.K. Galbraith, *The Affluent Society* (London: Hamish Hamilton, 1958).

Our era of abundance is a long way from the Robinson Crusoe state of nature on which economics builds its assumptions, where hunter-gatherers exchange the food they have grown or killed, and all the parties to the barter know their preferences and need for food. These are individuals at the bottom of Maslow's famous hierarchy of needs.¹²⁰ In those basic conditions, individuals know what they want. If a good is not consumed, it perishes; unless the market clears, goods literally rot. What is produced through hunting and gathering is inextricably linked to what we can consume – and goods are scarce.

But this is no analogy for today. We are individuals whose basic needs for subsistence are now easily satiated in an age of abundance; we are interested in self-actualisation and self-exploration – the top of the hierarchy of needs. Our lives are quests for satisfaction and experience in which we cannot articulate what it is we need because we ourselves are looking for it. And because production is so much more specialised, the direct link between production and consumption that characterises the world of barter breaks down completely. Instead of demand for what we produce being innate, we have to stimulate it through salesmanship, marketing and advertising.

Our preferences are not given. Instead, they are continually being shaped by producers trying to sell us their goods and services. And they need to succeed in their salesmanship, otherwise they don't get the sales on which their production and incomes depend. In the affluent society, the nexus on which economic growth turns includes consumption and the persuasiveness with which we are invoked to consume more and more every year. The system is not based on the satisfaction of basic needs, which, by definition, are stable; rather, it is based on satisfying needs which have to multiply year by year or else the economy stagnates. This

120 Abraham Maslow, *Motivation and Personality*, 2nd edn (New York: Harper & Row, 1970).

is not necessarily hard; human beings have an infinite variety of needs which affluence can express. Economic growth in a society of abundance depends upon the peripatetic uncovering and creation of these new needs, desires and quests for experiences along with furnishing the credit to enable consumers to spend now rather than having to wait and save.

This may seem self-evident, but it took and takes a Galbraith to spell out the profound consequences. The key institutions in a dynamic contemporary capitalist economy in Galbraith's universe are the advertisers (the "hidden persuaders" as Vance Packard later called them) and the suppliers of credit. While today's economic consensus explains the allegedly superior economic performance of the American and British economies compared to, say, France, Germany and Italy as resulting from Anglo-Saxon labour market flexibility, the importance played by their stock markets and a general commitment to enterprise, Galbraith offers an important corrective. Instead, the Anglo-Saxon world has been better at creating a society of restless consumers who assume mountainous volumes of debt to assuage their endlessly stimulated appetite to spend. Think in these terms and Anglo-Saxon economic success is seen through very different spectacles. It is a triumph of rising demand, fuelled by societies that seek satisfaction through individual rather than collective pleasures.

It is this mutual contract – between corporations geared to deliver ever-rising volumes of goods and services and individuals restlessly assuaging wants they did not know they had by spending and spending – that is at the heart of the affluent society. But, as Galbraith argues in *The Affluent Society*, this contract has an inbuilt bias favouring the private sector over the public. It is not that either the public or the private is intrinsically better than the other; it is that a good society requires generous supplies of them both. The problem is that our needs for public goods are not expressed in this mutual private contract between corporation and individual. We

may want better medical treatment, higher-quality teaching and more sophisticated galleries and venues for the performing arts and the like, but there is not the same institutional nexus to supply such public goods to meet the demand generated by the public dimension of our myriad of wants, nor any accompanying system for raising tax revenues with which such public provision might be financed. In fact, the institutional nexus works in reverse: politicians are frightened of taxing – even more so in a conservative climate in which taxes are depicted as coercive and anti-liberty – and so public revenues do well to maintain the status quo rather than adding new public infrastructure and services. In Galbraith's famous formulation, we live in an era of public squalor and private affluence.¹²¹

This has a particular impact on the poor. For while they are not going to die of their poverty, they find themselves at the bottom of a society that is progressively more unequal and less interested or capable of furnishing them with the wherewithal for them and their families to better themselves. Income support for the unemployed, the ill and the incapable allows them to live, but it offers no prospect of pleasure or self-actualisation. The publicly provided schools for the poor offer very limited educational opportunity compared to the state schools in rich neighbourhoods or those wholly financed by private fees.

Galbraith, writing in 1958, during the first decade in which the post-war affluent society had become a social reality, could see clearly that what lay ahead was more inequality and ever more second-class public provision. He anticipated the growth of company investment in intangibles; not just advertising to support brand equity and consumption, but investment in design, R and D, computer software and in the soft skills necessary for workforces to offer customers high value-added experiences. In this complex universe, social mobility would fall. The rich would grow richer,

121 Galbraith, *The Affluent Society*

justifying their fortunate position by the doctrine that their riches were well deserved; the poor would become ever more trapped, condemned by the doctrine that, as they had not bootstrapped themselves out of poverty, their situation was one they had essentially chosen. The rich were morally superior to the poor.

Galbraith's predictions have proved sadly accurate. Social mobility across the industrialised West has fallen,¹²² the middle and upper-middle classes have succeeded in securing the educational passports to membership of the upper income groups, and it is their children who are disproportionately represented at the better universities, business and law schools. The welfare state has increasingly become a support framework for the poor with little of the investment in intangibles that has characterised the private sector, and a framework for the poor inevitably becomes a poor framework. Public infrastructure in Britain and the US has not kept pace with the rise in living standards; the general picture has been one of genteel decline. Yet private society has become progressively more rich and affluent, and with it the entrenchment of a culture of justification, complacency and "contentment". The better off justify being better off because they believe that in some way they deserve it. In Britain, after 15 years of exceptional economic growth, profits at a record share of GDP and the incomes of the top 1% rising astronomically, charitable giving by the rich is static. Nor has there been a surge of private endowments, social patronage or experimentation with models for wider social and public improvement. The British rich person's overriding preoccupation is tax evasion and avoidance.

What Galbraith also foresaw, and which became more explicit in his writings as he grew older, is how the affluent society would beget a new conservative political philosophy.¹²³ In Britain, the rise of the Labour party and One Nation Toryism before and after the Second World War were reflections of the need to use government power to alleviate the

122 Will Hutton, *The World We're In* (Abacus, London 2002), 166–7, 274.

123 J.K. Galbraith, *The Culture of Contentment* (London: Penguin, 1993).

otherwise desperate condition of the working class during the recession years of the 1930s, and with it avert a potential political challenge to capitalism. But affluence both removes the urgency of such a political response and undermines the progressive coalition. The swelling ranks of the affluent middle class do not feel the same urge to express collective solidarity and use public goods; they can pay for private goods and their quest for satisfaction not through collective action but in individual acts of spending that will satiate a newly articulated need. They are predisposed to believe that the canons of Thatcherism and free market fundamentalism offer them choice, liberty and self-expression, and that these are better values than collective endeavour, the public interest and mutual sacrifice to achieve common ends.

Galbraith believes – and I agree with him – that the good society needs both public and private. The majority with the get-up-and-go to cast their vote may be rooted in the self-interested middle class, but somewhere in the back of their heads, thinks Galbraith, lies a recognition that altruism and the common interest are not values that should be completely binned. A life well lived is not only about amassing riches for one's own and one's descendants' satisfaction. Decent housing and decent health benefit not just those with access, but everyone; we all enjoy the psychic benefit of living in a fair society. A way should be found – he floats the idea of a sales tax – that will provide the state with the wherewithal with which to act more purposefully.

NEW LABOUR'S STRUGGLE

Watching New Labour struggle to find a persuasive progressive language and programme to succeed Blair, I wonder if Galbraith's pessimistic analysis is not more right than even he knew. We live in conservative times across the West, and social democrats' capacity to find a philosophy and build a coalition that will further their aims in an affluent society is ever more difficult. Trade unions are so weak not just because of anti-union legislation, but because persuading the newly affluent – and intensely individualistic – young people

of today, especially in the service sector, to join a union to further their career and prospects is almost impossible. They just don't see the point; and even if they are sympathetic, they see no reason to sacrifice their individual freedom of manoeuvre in order to achieve collective ends. Life without a union is not severe enough – and the liberty foregone is too precious – to justify union membership.

And how do progressive politicians find a language to appeal to the affluent rich to support the disadvantaged poor? Welfarism, dependence, hand-outs, feather-bedding: all are pejorative sobriquets to be hurled against the activist progressive politician who wants to do something. It is better to make no challenge to what business wants, whatever its wider consequences; to advertise that you are expanding those parts of the welfare state like education and health that will benefit the middle class; to risk no political capital on arguing for redistribution; and to do what you do quietly: this is the essence of New Labour's position. As a political formula, it worked for Blair, with his Chancellor keeping the party faithful happy by quietly briefing that he would do more if he ever had the freedom, while Blair assuaged the centre.

But a programme of social democracy requires more, and so does the health of British politics. Brown has hesitated between striking out on an updated but clearly contemporary version of social democracy, and continuing with Tony Blair's approach but with no Gordon Brown to keep him honest, so tacking even further to the right. It is this indecision that is proving fatal to his prime-ministership, undermining his claim either to be a conviction politician or to have a clear vision for the country.

Brown's indecision, however, is part of a wider crisis of the left in an affluent society. Social democracy has to extend people's demand for choice and high-quality experience from the private realm into the public; the public sector has to be as good at exciting demands, and of meeting them, as the private. This requires a

multiplicity of providers, competition, an acceptance that some citizens may have their demands better met than others, and a willingness both to raise taxes and to find other means of revenue-raising in order to pay for the increased services. Public provision in an affluent society requires a Blairite embrace of a reconceptualised system of delivery and payment, otherwise the social democratic game is lost. This does not come easily to the left, committed as it is to equality of provision, however second rate.

On the other hand, social democrats have to be more willing to patrol, regulate and direct business activity than they have been hitherto. Climate change and the rise of what the outgoing chief government scientist Sir David King calls our “obesogenic environment” are just two areas where private business decision-making has to be located in a wider social and environmental context. Equally, the obvious inequity between the government, providing £30 billion of finance to the stricken bank Northern Rock, and the shareholders who retain the right to direct the company despite its evident lack of value without taxpayer support, has exposed the one-sided nature of the contract between the financial system and society. Governments can expect propriety and integrity in the management of banks, and regulate to ensure it. because the quid pro quo is the willingness to provide limitless credit if things go wrong.

Galbraith would have agreed. A revived social democracy requires two new thrusts: ultra Blairism on public sector reform together with a new willingness to construct the architecture in which corporations behave, better to serve the public and social interest. A third thrust is radically to overhaul the means by which we support the poor, while shaming the rich into paying their fair share of the bill. Economies, Galbraith understood well, are at heart moral propositions. Our politicians on the left, if they are to be successful, have to understand that truth and accept the responsibility that falls to them within the political spectrum to argue for it. Because if they do not, nobody else will.

5. SCITOVSKY: SATIETY AND CREATIVE CONSUMPTION

Marina Bianchi

Tibor Scitovsky, who died in 2002, was one of his generation's most creative economists. His work covered a wide range, from international trade and growth to monopoly power and competition. But his main interest, and principal legacy, was to have clarified the welfare implications of economic interactions. In *The Joyless Economy*¹²⁴ he explored a previously neglected area, the role that 'stimulating' activities in all their variety – sports, arts, conversation, intellectual activities – can have on individual enjoyment and social well-being. Scitovsky broke with economic orthodoxy by examining the processes at work in the formation of preferences, and the ways these may respond to variables such as variety, novelty and change. His attempt to "bring joy into economics" did not have much immediate impact on mainstream economic thinking. Yet in the past decade or so, all his central insights have become subjects of independent research, and many of the questions he posed are now among those guiding current psychological and economic research.

SCITOVSKY'S JOURNEY

Tibor Scitovsky was born in Budapest, Hungary, in 1910. In 1920, his father, a civil servant, became both President of the Hungarian General Credit Bank, the largest in the country, and a lifelong member of the upper chamber of the Hungarian Parliament. As Scitovsky records in his *Memoirs*,¹²⁵ the rise in family affluence brought by his father's new position allowed his parents to indulge fully their passion for collecting art and antiques. Their new house in Budapest was a mansion of 18,000 square feet, beautifully

124 Tibor Scitovsky, *The Joyless Economy: The Psychology of Human Satisfaction* (Oxford: Oxford University Press, 1992).

125 Tibor Scitovsky, "Memoirs", undated typescript, in Scitovsky Papers (Rare Book, Manuscript, and Special Collections Library, Duke University, Durham, NC), 10.

furnished and decorated with the luxury of eighteenth-century France. (The house still exists: expropriated in 1952 by Hungary's communist government, it was sold to the British, and remains, to this date, the British ambassador's residence.) These childhood years, he recounts, had a great influence on him, shaping his attitude towards the many enjoyments life can offer beyond work and income.

Scitovsky attended Law school in Budapest, though with no great enthusiasm. He then went to Trinity College, Cambridge. There, after two years of "floundering" around, he switched to economics – a subject that he found more stimulating. After a period back in Hungary, he returned to England to study at the LSE, where he discovered Keynes's *General Theory*, which, given the context of the Great Depression, he felt made traditional texts look "stale and stuffy".¹²⁶

His early academic work investigated the potential for reconciling Keynesian unemployment with neoclassical economic theory. However, his novel research on the relationship between involuntary unemployment and interest rates in financial markets, a topic that remained of long-term interest to him, was not much noticed.

Having served with the American Army in Europe – he had spent a period of study in the US – at the end of the war Scitovsky moved to the United States, where he was appointed to a tenured position at Stanford University.

Until the late 1960s, Scitovsky wrote on a wide array of economic problems, always taking an original approach. He began with the problem of price determination, where he stressed the role of specialised knowledge and information costs in creating

126 Tibor Scitovsky, "Hindsight Economics", in Scitovsky, *Economic Theory and Reality: Selected Essays on their Disparities and Reconciliation* (Aldershot: Edward Elgar Publishing, 1995), 225–6.

monopolistic rents through non-price competition. Early on, he also explored, in novel fashion, the problem of the interrelations between first- and second-hand financial markets. He also worked on the welfare effects of governmental tariffs, on economic integration, and on grants-in-aid for third world countries.

At the end of the 1960s, he accepted a job in Paris at the Development Centre of the OECD, where he became increasingly interested in motivational psychology. This led him to explore the different sources of individual satisfaction, which culminated in the publication of *The Joyless Economy* in 1976.

This new phase of his intellectual life, in particular the resulting book, was barely understood by his fellow economists. But Scitovsky described it as one of the most difficult tasks he ever undertook, as well as one of the most exciting: one that greatly added to his self-knowledge and his understanding of others. For Scitovsky the new direction of his work represented a natural and logical extension of his previous interests. His attention to the problem of welfare had alerted him to the effects that individual behaviours have on personal well-being, while recognising that individuals may act with incomplete knowledge of their sources of satisfaction, an evident counterpart to his previous work on the costs of information. Finally, coming to the United States from Europe, he was always sensitive to the differences in education and culture between the two. It was these, he felt, that, more than income or affluence, helped explain the differences in lifestyles that he observed.¹²⁷

SKILFUL CONSUMPTION

When Scitovsky began to question the economist's assumption "that consumers can be trusted to know what is best for them",

127 Ibid., 229, 234–6.

he realised that he himself had no view of the components of a good life, of the sources of desires and enjoyments as distinct from simple wants.¹²⁸ It was, he said, from the lesser-known writings of Cambridge economists such as Marshall, Keynes and, especially, Hawtrey that he started to glean some insights. Marshall had uncovered the importance that “self-rewarding” activities, those pursued for their own sake, have in motivating individual actions. Keynes, for his part, had stressed how the driving force of entrepreneurial activity was not mere profit, but the excitement of engaging in a risky game. For him, continued capital accumulation and technical progress would bring us close to want-satiation and open up new opportunities to live wisely, agreeably and well. Yet, he was concerned that this new freedom from need would pose a problem for the ordinary person with no special talent to occupy himself.¹²⁹ Neither Marshall nor Keynes, however, integrated these ideas into their economic theory. It was, instead, Hawtrey who gave detailed theoretical relevance to them. Hawtrey distinguished between two forms of goods and activities, those aimed at relieving pain and distress, which he called defensive, and those aimed at producing positive pleasure, which he called creative. This distinction in Scitovsky’s hands became that on which his own new theory of choice turned. He modified Hawtrey’s distinction into one between two different forms of satisfaction: those deriving from comfort – activities that ease and free life from pain and bother – and those deriving from stimulation – self-rewarding and creative activities that provide most of life’s pleasure.

This distinction is important because the motivations and incentives that work for the one form of satisfaction are not the same as those that work for the other. Behind the desire to sleep, eat or drink there is a need; for rest, for example, or for relieving hunger and thirst. By contrast, pleasurable activities such as

128 Scitovsky, “Memoirs”, 105a.

129 See Scitovsky, “How to Bring Joy Into Economics”, in Tibor Scitovsky, *Human Desires and Economic Satisfaction: Essays on the Frontiers of Economics* (New York: New York University Press, 1986), 188.

reading, playing, walking, exploring and talking with friends are independent of need and are sought for their own sake. In fact, behind these activities there might also be needs – for stimulation or for the relief of boredom. Yet these needs are not discriminative: innumerable activities can supply physical or mental challenges, but it requires skill to select them and make them enjoyable. As Hawtrey had already forcefully argued, while defensive consumption rests mainly on familiar routines and habits, to enjoy creative activities requires active effort on our part, an effort of knowledge, imagination and exposure.¹³⁰ Creative consumption is also skilful consumption.

However, it was in a new body of neuro-psychological research that Scitovsky found an organising framework and empirical support for his new insights. The motivational model that emerged from those studies, linked especially to the work of the neuro-psychologist Daniel Berlyne, focused on the concept of arousal – the activation of the central nervous system by external stimuli – and the ways in which an individual's feelings of ill- or well-being are related to these stimuli.¹³¹ Contrary to previous theories of optimal arousal, and backed by a consistent body of empirical evidence, in Berlyne's approach feelings of pleasure seemed to respond not to the levels of the stimulus associated with a given experience, but to changes in the stimulus potential.

Novelty, surprise, variety, complexity, uncertainty and contrast have the potential to stimulate pleasurable feelings and keep our attention, curiosity and interest alive. As a consequence, all the situations that tend to *increase* the stimulus potential, those which modify the perceived novelty and variety of an experience when

130 Ralph George Hawtrey, *The Economic Problem* (London: Longmans, Green and Co., 1926), 189–90, and Scitovsky, *Economic Theory and Reality*, 236.

131 See Daniel E. Berlyne, *Aesthetics and Psychobiology* (New York: Appleton Century Crofts, 1971), *Pleasure, Reward, Preference*, ed. Berlyne and K.B. Madsen (New York: Academic Press, 1973) and Scitovsky, *Joyless Economy*, 18, 21.

this is felt to be too low and boring, are pleasure enhancing. So too are situations that decrease the stimulus potential of an experience when this is felt to be too high, over-burdening or threatening. Pleasure is maximal when novelty, variety, uncertainty and so on are felt to be neither too high nor too low. Yet reaching a position of maximum pleasure is not the same as reaching a position of rest, the equilibrium position of economic models. Repeating an experience inevitably erodes its novelty potential: maximum pleasure, when repeated, is diminished.

Not all activities and experiences share this fate, however. There are some that for their complexity, internal variety and combinatory relations with other forms of activity are able endogenously to produce change and become a source of sustained pleasure. These are the creative activities which, by contrast with defensive ones, are not subject to satiety.

Had Scitovsky simply stopped at this point, his contribution to a theory of choice would already have had rather radical and challenging implications. Berlyne's motivational model enlarges the scope of individual choice and incentives as depicted in economic models. In those models, to choose optimally is, after all, rather simple. Preferences are known and so is the individual's real income constraint. All that is required of subjects is to choose the most preferred set of goods that is within their budget. This optimal position, once reached, is also a position of rest. In Scitovsky's modified approach, however, staying in an equilibrium position inevitably modifies it, as it must if sameness brings boredom and reduces satisfaction. By implication, more is involved in explaining pleasure-yielding choices than just prices and income. There is, first of all, the time and frequency of an experience: since the stimulating power of novelty and variety is strictly dependent on the time that elapses between experiences, the same activity – listening to a piece of music or eating the same meal – can become appealing again provided some time has passed since the last

exposure. As a consequence, knowledge and skills are important, for time must be managed and the potential of variety in creative activities discovered. The pleasure of experiences that are too easy to learn tends also to fade easily. Finally, the social context of choice also must be considered. Social interdependencies in consumption can amplify or reduce the novelty potential of an experience and consequently its enjoyment. The emergence of a new trend in movies, literature, or clothing, for example, gives salience to what is novel and makes it visible. But the same trend, when too diffused and repeated, becomes stale.¹³²

Scitovsky often argued that in earlier, less affluent times, stimulating experiences were often decided for us, exogenously. Rich meals and many daily comforts, being rarer and only intermittently available, were also a more lasting source of stimulation and pleasure.¹³³ Now it is the consumer who has to act entrepreneurially and look for ways of managing these experiences that affect well-being. Learning therefore becomes crucial, a source of discerning choices though also of innovation and enjoyment. Having already discovered in his studies on monopoly the link between the distribution of knowledge and the capability to innovate, Scitovsky was ready to capture the more dynamic view of choice by consumers that was implied in Berlyne's model.

Scitovsky always insisted that, important though they are, there might be difficulties in acquiring consumption skills.

HABITUATION AND ADDICTION

Defensive and creative consumption in fact compete with each

132 I have discussed these issues in Marina Bianchi, "Novelty, Preferences, and Fashion: When Goods Are Unsettling", *Journal of Economic Behavior and Organization* 47 (2002), 1–18. The more active role that consumers play in this alternative approach is analysed in *The Active Consumer. Novelty and Surprise in Consumer Choice*, ed. Marina Bianchi (London and New York: Routledge, 1998).

133 Scitovsky, *Joyless Economy*, 66–7.

other for consumers' time, money and human resources. And for Scitovsky, creative activities are at a systematic competitive disadvantage relative to defensive ones. A first disadvantage is one noted already: creative activities require investments of time and effort. No matter how simple they might seem, for example conversing with friends, still they require attention, time, openness and knowledge. As a consequence, the pleasure associated with these activities is often not immediate but arises only after these investments are made. Only after one has suffered many falls and minor injuries does skiing become enjoyable, and the same is true with many sports. Moreover, since the pleasure associated to them is delayed, one has to overcome the doubt as to whether it will ever arrive.

The problem of opting for activities that have delayed and uncertain rewards has been much studied in economics, since investments, financial and otherwise, have these very characteristics. Recently, however, students of habit-formation and addiction have uncovered patterns of behaviour that challenge some of the assumptions and conclusions of traditional theory.¹³⁴ In particular, empirical evidence seems to support the idea that agents, when confronted with choices whose rewards are not immediate but distributed over time, can be affected by two distinct forms of myopia.

According to the first of these, described by a model of choice known as "melioration theory", agents may be unable to calculate all the effects that present consumption has on future consumption and its enjoyment (e.g. using the car now may affect my future attitude to walking). Instead, they may end up simply

134 Mainly that errors do not cancel out with experience, but are systematic; see Richard H. Thaler, "Some Empirical Evidence on Dynamic Inconsistency", *Economic Letters* 8 (1981), 201–7. Some empirical evidence on dynamic inconsistency is in Richard H. Thaler, *Quasi Rational Economics* (New York: Russell Sage Foundation, 1991), 127–33. Analyses and case studies of addiction that assume a quasi rational model of choice are in Jon Elster and Ole-Jørgen Skog, *Getting Hooked. Rationality and Addiction* (Cambridge: Cambridge University Press, 1999). The rational addiction model has been developed by Gary Becker and Kevin Murphy in "A Theory of Rational Addiction", *Journal of Political Economy* 96 (1988), 675–700.

settling for the consumption alternative that gives them higher (average) utility at each moment of choice (let's drive *this* time). The equilibrium result of these actions, chosen piecemeal, corresponds to an allocation of resources that might be non-optimal – in other words, that might be less rewarding than had the agents been farsighted (I end up doing a lot of driving and little walking, though I would be better pleased if it were otherwise).¹³⁵

The second form of myopia causes agents to end up making sub-optimal choices even if they have foreknowledge of all the effects of past choices. This myopia results from the fact that the distance in time of rewards influences the ranking of the alternatives.¹³⁶ When the moment of choice is distant, the delayed but more rewarding alternative is ranked higher (tomorrow morning I shall exercise), but when the moment of choice arrives, the ranking reverts to the more proximate, even if lower, reward (when morning arrives I stay in bed). In short, rewards appear larger the nearer they are.¹³⁷

The shortsightedness of piecemeal actions and the magnifying of proximate rewards can explain why people might fall into patterns of behaviour that reduce rather than enhance pleasure. But such patterns, once established, are also difficult to break. Both the need to compensate for the loss of pleasure due to habituation, and the need to avoid the pain of breaking a habit provide incentives that reinforce rather than weaken these forms of behaviour.

For Scitovsky, comfort-seeking activities belong to those welfare-reducing pursuits that, once established, become a behavioural

135 Richard J. Herrnstein and Drazen Prelec, "Melioration", in *Choice Over Time*, ed. George Loewenstein and Jon Elster (New York: Russell Sage Foundation, 1992), 241.

136 Robert H. Strotz, "Myopia and Inconsistency in Dynamic Utility Maximization", *Review of Economic Studies* 23 (1955–6), 165–80.

137 George Ainslie and Nick Haslam, "Hyperbolic Discounting", in *Choice Over Time*, ed. Loewenstein and Elster, 57–92; see also Thaler, "Some Empirical Evidence", 127.

trap. Using an explanation very similar to that of melioration theorists, Scitovsky shows how comforts can be seductive. Easy to acquire, satisfactions deriving from comfort reveal their potential harmful effects only slowly, but at that point it is too late for agents to step out of their habitual pursuits.

One of Scitovsky's most telling insights was that society at large tends to reinforce the competitive disadvantage of creative activities. On the one hand, he held that both American Puritanism and a dominant culture of production had converged to downplay the importance of acquiring skills and competence in consumption. And the result of this was paradoxical: the unparalleled increases in productivity and richness that industrial production has created have been made without the parallel development of the skills necessary to enjoy them well.¹³⁸ At the same time, industrial efficiency seems to favour comfort activities over creative ones. Driving fast cars reduces distances, and vacuum cleaners compress the time involved in housekeeping, but we cannot compress the time required to listen to a symphony, read a book or tell a story to a friend. Additionally, in an economy of mass reproduction and increased diffusion of standardised goods, novelty disappears faster, often leaving (unskilled) consumers with the sole option of consuming at an ever-increasing pace to maintain satisfaction.¹³⁹

THE PROBLEM OF BOREDOM

One expression of the biases just mentioned is the problem of boredom. It was this problem that led Scitovsky to challenge economists' use of national income as a measure of national welfare. He was among the first to comment on the studies of the American economist Richard Easterlin, on the relation between income and self-reported estimates of happiness. These studies

138 Scitovsky, "What's Wrong With the Arts is What's Wrong With Society", in Scitovsky, *Human Desires and Economic Satisfaction*.

139 Scitovsky, *Joyless Economy*, 257.

revealed a very low correlation between individual happiness and the steady and continuous rise of income. What was missing from the explanation of well-being that income alone failed to capture?

Scitovsky himself listed possibilities: status, work satisfaction, novelty and habituation.¹⁴⁰ Recent studies and data on happiness across countries have confirmed Easterlin's original results.¹⁴¹ They have also confirmed Scitovsky's intuition about the relevance to well-being of status – both individuals' relative position in society and their absolute work satisfaction.¹⁴² The negative effects that adaptation and habits may have on well-being have also been confirmed.¹⁴³

On the analysis of novelty, Scitovsky, however, remains highly original. His ideas on the role of creative consumption in sustaining well-being, on the formation of consumption skills, and even the specific consumption technology of this dimension of happiness, are areas of research that have yet to be fully explored.

In his later years Scitovsky added yet another dimension to the role of novelty. He noted that the damage that a systematic lack of novelty can cause – the problem of unrelieved boredom – falls especially heavily on the “idle poor” and on unoccupied youth.¹⁴⁴ In recounting the personal and intellectual conditions that prompted the writing of *The Joyless Economy*, Scitovsky often reproached himself for having completely ignored the “idle poor”. The book, he says, dealt with boredom and its relief only from the point of view of those people

140 *ibid.*, 139.

141 See for example Andrew J. Oswald, “Happiness and Economic Performance”, *Economic Journal* 107 (1997), 1815–31; Ed Diener, “Subjective Well-being: Three Decades of Progress”, *Psychological Bulletin* 125 (1999), 276–302; Bruno Frey and Alois Stutzer, *Happiness and Economics. How the Economy and Institutions Affect Well-being* (Princeton: Princeton University Press, 2002).

142 See Richard Layard, *Happiness: Lessons From a New Science* (New York: Penguin Press, 2005).

143 See Shane Frederick and George Loewenstein, “Hedonic Adaptation”, in *Scientific Perspectives on Enjoyment, Suffering and Well-Being*, ed. D. Kahneman et al. (New York: Russell Sage Foundation, 1999), 302–29; Robert Frank, *Luxury Fever. Why Money Fails to Satisfy in an Era of Excess* (New York: The Free Press, 1999).

144 Scitovsky, “The Desire for Excitement in Modern Society”, in Scitovsky, *Human Desires and Economic Satisfaction*, 131–2.

for whom boredom is a minor nuisance. It is not so for the long-term unemployed or unemployable who have more leisure time than they know how to use.¹⁴⁵ They suffer from chronic boredom, a malady as terrible as starvation, and one that can have fatal consequences. For in the absence of skills for relieving boredom in a creative way, it is easy to revert to the excitement of violence and vandalism.¹⁴⁶

Scitovsky also confessed that in the rush to publish the book, he failed to realise and stress the fundamental role that education has, not only in making life more pleasant and enjoyable, but also in preventing those harmful activities that relieve boredom but disrupt society. It was to the effects of boredom and the civilising role of education (and parental care) that Scitovsky devoted most of his attention and research in his later years.¹⁴⁷

BEYOND SATIETY

"You only have to look around you at all the people who are dieting and jogging to realise that, with respect to some needs at least, a large part of the advanced countries' populations have not only reached but passed the point of satiety." So noted Scitovsky in 1987.¹⁴⁸ Yet, he added, the opposite implicit assumption, that consumers' demands are insatiable, lies behind much thinking about how to achieve full employment.¹⁴⁹ How to reconcile this assumption with the satiability of wants?

In *The Joyless Economy*, commenting on Hawtrey's characterisation of defensive goods, Scitovsky recalled that not all defensive activities cater to wants that are satiable. Addictions

145 Scitovsky, "My Own Criticism of *The Joyless Economy*", *Critical Review* 10 (1996), 600.

146 Scitovsky, "Memoirs", 106–7.

147 See Scitovsky, "The Wages of Boredom", *New Perspectives Quarterly* (Spring, 2000), 45–51, and Scitovsky, "Boredom, Its Causes and Consequences", undated typescript, 9.

148 Scitovsky, "Growth in the Affluent Society," in Scitovsky, *Economic Theory and Reality*, 97–108.

149 *Ibid.*, 97.

and strong habits are an example. Once a habit is formed, as we have seen, the decreased pleasure that accompanies repeated consumption is compensated for by an escalation of the amount of consumption of the same kind. Even some social comforts, such as the desire for status, can become insatiable. Competing for status is an unending game because no competitive advantage can be permanent. The relative gain of today becomes the loss of tomorrow when new winners emerge.¹⁵⁰ In both cases, when comforts become insatiable either because of habituation or because of an unending competition for status, the results for well-being are negative.

It follows that creative activities, from the enjoyment of friendship to engaging in the arts, would be better candidates as sources of unending demand. Yet, as we have seen, Scitovsky thought that no effort in developed economies has been devoted to the creation of consumption skills comparable to that devoted to creating production skills. The result is a distortion that translates into an over-investment of individual and social resources in defensive activities and an under-investment in creative ones. This insight is perhaps Scitovsky's single greatest legacy.

CONCLUSION

What normative conclusions can we draw from this brief discussion? First of all, and obviously, that it would improve individual and social well-being to redress the balance in favour of activities that have a more creative, self-rewarding and enduring effect on enjoyment. This means a greater regard for a liberal educational system, one that privileges generalised skills, individual involvement and active participation. But it also means greater

150 I have criticised these arguments, particularly that status competition has only negative effects on welfare, in Marina Bianchi, "If Happiness Is So Important, Why Do We Know So Little About It?" in *Handbook on the Economics of Happiness*, ed. Luigino Bruni and Pier Luigi Porta (London: Edward Elgar Publishing, 2006), 127–50.

attention to the early years of learning where many of one's first habits are formed. Public pre-schooling, extended paid maternity – and paternity – leave and the shortening of the working week, as a means to facilitate parents' availability to their children, were Scitovsky's own repeated policy recommendations.

This means also, however, that consumption is looked at with freer eyes, as an activity that has an innovative dimension that is not different from that displayed in production. All too often, even in recent studies, consumption is represented with a moralising attitude, one that identifies it with consumerism and materialism. This representation usually includes idealising a world of frugality and of moderation in consumption. But if goods and activities are creative, consumers may actually generate value and not destroy it. The key is not to consume less, but to consume skilfully and with discernment.

AFTERWORD

THE GREATEST HAPPINESS PRINCIPLE: ITS TIME HAS COME

Richard Layard

A good society is one where people are as happy as possible, and as few as possible are miserable. That is what many enlightened people believed in the eighteenth and nineteenth centuries. The time has come to reassert that humane philosophy and to put it into practice.¹⁵¹

As I shall argue, the belief was always right. But it was difficult to put it into practice because we knew so little about the causes of happiness. Over the past 30 years, however, we have learned a great deal, as a result of the explosive growth in the new science of happiness. At the same time, it has become more imperative than ever to focus on happiness as the objective of public policy. For we have largely eliminated the obvious evils of absolute poverty and premature death. But, despite rapid rises in living standards, happiness has not risen over the past 50 years in Britain or the USA. If we want further rises in happiness, we need to focus seriously on what really causes happiness and misery.

I will begin by discussing the causes of happiness and why it has not risen.¹⁵² I shall then defend the greatest happiness principle and show how it differs from the principles of laissez-faire economics. Finally, I shall illustrate how it should alter our priorities for public policy.

THE CAUSES OF HAPPINESS

Happiness is an objective dimension of all our experience – like temperature. At every instant we feel good or bad, on a scale that

151 I would like to thank Brian Barry for help with this paper.

152 See Richard Layard, *Happiness: Lessons from a New Science* (London: Penguin Books, 2005). Allen Lane gives the evidence.

runs from the extremes of misery to utmost bliss. Whether we feel good or bad is affected by many factors running from physical comfort to our inner sense of meaning, and “pleasure and pain” are not adequate terms for what we are talking about. What matters is of course the totality of our happiness over the months and years. The science enables us to measure this and to attempt to explain it.

To measure happiness, we can ask a person how happy he is – or we can ask his friends or independent investigators. These reports are highly correlated. The big breakthrough has been in neuroscience. Researchers have identified an area in the left front of the brain where good feelings are experienced, and another in the right front where bad feelings are experienced. Activity in these brain areas alters sharply when people have good or bad experiences. And when we compare people, those who describe themselves as happy are more active on the left side than unhappy people, and less active on the right side. So the old behaviourist idea that we cannot know how other people feel has at last been put back in the dustbin where it belongs.

So, how are we doing? When Britons or Americans are asked how happy they are, there appears to have been no improvement in happiness over the past 50 years – nor do the same individuals report themselves as happier over time, even though they are richer. Moreover, psychiatric surveys show that more people suffer from depression, and crime is also significantly higher – another indicator of dissatisfaction. These are devastating facts that cannot be ignored.

What explains them? Why has happiness not increased at the same time that living standards have risen so sharply? And why in particular is there no increase in happiness at the upper tail of the income distribution, when income inequality has increased so much?

To answer these questions we have to look at the causes of happiness. In every study, satisfaction with family/personal life is the most important, in terms of variance explained. Financial satisfaction generally comes next, but this is not well correlated with income, for reasons I'll explain. Then comes work – whether you have work (if you want it) and whether you like your work. This is followed by your satisfaction with your community. And of course good health and political freedom have big effects.

So how are we doing on these various causes? Incomes are up, but there is little increase in financial satisfaction. This is because people are to a large extent comparing their incomes with what others like them are getting or with what they themselves have got used to. If your comparator income is rising as fast as your actual income, this blunts the gain in happiness as actual incomes rise.

Moreover, as income rises, extra income brings less extra happiness. The science of happiness enables us to measure this effect – an extra £1 for a rich person brings one-tenth as much extra happiness as it would to a person one-tenth as rich.¹⁵³ So it is not surprising that big rises in upper incomes bring so little extra happiness.

I do however believe that over the past 50 years our rise in living standards has had some positive effects on our overall happiness. But this has been offset by the negative effects of worsening human relationships – more broken families, more pressure at work and less cohesive communities.

For most people a key determinant of happiness is whether they feel that other people are on their side – or alternatively that they are a threat. So we learn a lot from how people reply to

153 Richard Layard, Guy Mayraz and Stephen Nickell, "The Marginal Utility of Income" (LSE mimeo, September 2006).

questions about trust. A question often asked is: "Would you say that most people can be trusted, or would you say that you can't be too careful in dealing with people?" In Britain and the US the percentage who say "Yes, most people can be trusted" has fallen from 55 per cent in 1960 to under 35 per cent today. By contrast, in continental European countries, where data exist from 1980 only, trust has, if anything, been increasing.

Since human life began, senior citizens have lamented a supposed decline of morals. But here is some further evidence of a decline in the past 50 years. At various times, samples of Americans have been asked whether they believe that people lead "as good lives – moral and honest – as they used to". In 1952, as many said "Yes" as said "No". By 1998, three times as many said "No".

The decline in trust is especially distressing when it affects children. In a WHO survey of 11–15-year-olds, the children were asked whether they agreed that "most of the students in my class(es) are kind and helpful". The percentages saying "Yes" were over 75 per cent in Sweden, Switzerland and Germany, 53 per cent in the United States and less than 46 per cent in Russia and England.

A key problem seems to be the growth of individualism (stemming in particular from the USA), which says that your main objective is to make the most of yourself – which often means to do the best for yourself compared to other people. This is a terrifying and lonely objective. People do of course feel obligations to other people as well, but these are not based on any clear set of ideas. The old religious sanction is gone, and so too is the post-war religion of social solidarity. We are left with no clear concept of the common good.

We definitely need such a concept if we are to have a cohesive society. And it has to be an ideal which includes the welfare of all. If we had such a concept, it would not only help us think about

policy, but, more important, it would motivate each citizen to contribute to the good of others and to get satisfaction from doing so.

THE GREATEST HAPPINESS PRINCIPLE

So here is the concept we need:

the common good consists in the happiness of all;
 the good society is one where people are as happy as possible, and as few as possible are miserable;
 the right action (and the right policy) is the one that produces the greatest happiness and, especially, the least misery.

This is of course what Bentham and many British thinkers in the eighteenth and nineteenth centuries believed. I have added only one modification to Bentham. I believe the relief of misery is more important than the promotion of great happiness. So it is more socially desirable to increase the happiness of a miserable person than to increase by the same amount the happiness of someone who is already happy. This is an important change from Bentham's view that all that matters is the sum of happiness – so that extra happiness is equally valuable whoever experiences it. This "additive assumption" of Bentham's has been frequently used as an argument against his version of utilitarianism – and rightly so. But it in no way invalidates a modified version of utilitarianism in which society's welfare depends only on the happiness of the citizens, but with different weights for citizens at different levels of happiness.¹⁵⁴

¹⁵⁴ In formal terms, if we assume social welfare is measured by $\sum h_i^\alpha / \alpha$ where h_i is the happiness of the i th person and $\alpha \leq 1$, ethical choice is concerned with the value of α . If $\alpha = 1$, we have a Benthamite approach, if $\alpha = -\infty$, we have a Rawlsian one. The main debate in ethics should now be about the value of α .

But many people question the whole basis of an approach that focuses on happiness. Sen, Williams and Nozick, among others, have made major criticisms.¹⁵⁵ The main ones relate to “other goods”, expediency, rights, agency, adaptation and the nanny state.

OTHER GOODS

Why the greatest possible happiness? What is so special about happiness? Why not the greatest possible health, autonomy, accomplishment, and so on? The answer is that happiness is the only experience that is self-evidently good. If I ask you why health is good, you can give reasons: people should not feel pain, they should be able to function well, be of use to others, and so on. Or, if asked why autonomy is good, you will find reasons: people feel better when they can control their lives. And so on. But if I ask you why happiness is good, you can find no reason: you will say that it's self-evident. The reason for this is deep in our biology. We are programmed to enjoy experiences that are good for our survival, and that is why we have survived. So the desire to be happy is a completely central feature of our nature.

Fortunately, we have also been programmed in part to have a sense of fairness. If a mean has to be divided, most of us accept (sometimes grudgingly) that it should be divided 50:50 – on the basis that in principle others count as much as we do.

If you put this idea together with the fact that each of us wants to be happy, you arrive at the Benthamite principle. It is both idealistic and realistic. It puts others on an equal footing with ourselves, where they should be, but (unlike some moral systems) it also allows us to take our own happiness into account as well.

¹⁵⁵ Robert Nozick, *Anarchy, State and Utopia* (New York: Basic Books 1974); Amartya Sen, *Inequality Re-examined* (Oxford: Oxford University Press, 1992); Amartya Sen and Bernard Williams, *Utilitarianism and Beyond* (New York: Cambridge University Press, 1982).

EXPEDIENCY

The second objection is that the rule is impractical and encourages expediency. Not so. We all know we cannot evaluate every action moment by moment against the overall Benthamite principle. That is why we have to have sub-rules, like honesty, promise-keeping, kindness and so on, which we normally follow as a matter of course and feel bad if we do not. And that is also why we need clearly defined rights embedded in a constitution. But when moral rules come into conflict with each other (or legal rights do), we need an overarching principle to guide us, and this is what Bentham provides.

The rule is also criticised for putting ends before means, by being consequentialist. This is a misconception. If you take a decision, the consequences include the whole sequence of feelings experienced by those affected – those experienced during the action (the means) as well as those that follow it (the ends). A horrible action causing great pain would require extraordinarily good (and certain) outcomes to justify it. Indeed it would normally hurt the feelings of the author and he should be programmed to hate doing it.

RIGHTS

Another objection to the principle is that it does not start from human rights or desirable “capabilities”. But how can we start there? If we start writing down a list of human rights, any reasonable person will say, why do you include this and not that? On what basis do you make your selection? Why do these rights or capabilities matter more than any others you might include? A very reasonable answer is that some rights or capabilities are more conducive to human happiness than others. But then you are not starting from rights, you are starting from happiness.

In his discussion of desirable capabilities, Sen acknowledges the obvious problem of how we compare the importance of

advancing one set of capabilities with another. He suggests that we choose the weights by letting the population vote. But voting must be preceded by rational debate. How would a citizen decide how to cast his vote? He would surely want to compare the relative importance of different capabilities in contributing to some overall objective. What more obvious objective than human happiness?

Moreover, political philosophy should be a sub-set of moral philosophy. In a democracy, what people vote for will reflect their general moral system. Those who argue for a wide range of positive rights must explain how the population can be induced to support them. I doubt whether this is possible unless people feel some general obligation or duty to promote the welfare of their fellow citizens. So what we need is a moral (and political philosophy) that starts from some general duty to promote the (weighted) happiness of all, as best we can.

AGENCY

One important good, as I have said, is the sense of control over your life, and people generally enjoy a pound they have earned more than one they have been given. These are important truths which are often labelled as the importance of "agency". But they do not challenge the principle of the greatest happiness.

What would challenge that principle would be the assertion that, even if you sensed you had control, that would not be enough – you need to have *actual* control. Nozick has argued for that view via a fanciful thought experiment. Imagine a machine, he says, to which your inert body can be attached but which can make you feel exactly as if you were leading a normal active life. Would you plug in, asks Nozick, expecting the answer "No"? And if the answer is "No", says Nozick, this shows that feeling happy and active is not enough – you actually have to do something.

Most of us probably would say “No”, but not because agency matters more than experience. We would not believe the machine could deliver the same experience (no machine ever could), and someone might even switch it off. Or we might want to bring happiness to others, which we could not do through the machine. And so on. Nozick’s is a flawed test and we can safely continue to believe that all that ultimately matters are the feelings that we and others experience.

ADAPTATION

Another objection is that humans adapt: some people can be happy even when external circumstances are harsh. People can adapt in part to poverty. According to Sen, this might be used to justify leaving them in poverty. But of course the corollary also holds: people adapt to wealth and get limited extra pleasure from it. So adaptation does not blunt the case for redistribution – the rich will largely adapt to the loss of income.

In fact, happiness research provides by far the most powerful evidence there is in favour of redistribution. Within any one country, there is sharply diminishing marginal utility of relative income. And across countries there is sharply diminishing marginal utility of absolute income: this is the clearest argument for third world “aid” that I know.

However, reverting to adaptation, it cannot be right to have a social philosophy which ignores it. It is one of the most fundamental properties of all living organisms. Why ignore it, especially when this has no especially conservative implications? When it suits him, Sen invokes subjective emotion. For example in rich countries he focuses on relative rather than absolute income, arguing rightly that people should be able “to appear in public without shame”. This involves an explicit appeal to people’s subjective states. However, when it comes to adaptation, he objects. But, surely,

we should be even-handed, and base all policy on its impact on people's feelings. If some things are easier to adapt to than others, and some, like mental illness, are harder to adapt to, this is highly relevant to public policy.

THE NANNY STATE AND LAISSEZ-FAIRE ECONOMICS

Finally, there are some people who might accept the greatest happiness principle as a private ethical guide but reject its use for public policy. It is easy to see why supporters of a minimal state should not want to base government upon it.

As we know from welfare economics, if we take tastes as given, private voluntary exchange will produce the most efficient possible outcome unless there are economies of scale, information problems or external effects (where one agent affects another directly and not through voluntary exchange.) This powerful theorem implies correctly that any effective society must rely heavily on the unfettered choices of self-determining agents.

But the assumptions also underline where state activity is needed. These conditions include the huge variety of cases where agents affect others directly (e.g. through crime or advertising) or where public tastes could be improved to the benefit of all (e.g. through moral education). This raises the spectre of an overactive state regulating much of our life.

But here we should immediately go back to psychology and the causes of happiness. People do not like regulation as such – it makes them miserable. Almost certainly, bureaucrats obsessed with objective standards already interfere in the name of those standards beyond the level that is justified in terms of happiness. But, equally true, there are some areas where the state could manifestly do more to promote a happy lifestyle. Let me end with a few examples.

PUBLIC POLICY IMPLICATIONS

Taxation and redistribution

In almost any political philosophy, redistribution is one role of the state. The greatest happiness principle bases the case for redistribution partly on the diminishing marginal utility of income. If there were no efficiency cost of redistribution, this fact would argue in favour of total income equality. But there is an efficiency cost, since taxes (spent on services) do discourage work effort.

But happiness research puts work effort into a new perspective. Individuals work partly in order to raise their income relative to others. But it is impossible for the average person to raise his income relative to others. So some of the work effort is wasted. It is like an arms race. Thus, if taxes somewhat discourage work effort, they are orchestrating a desirable arms-limitation agreement. They are reducing the unnecessary sacrifice of family life and social life that excessive work entails.

Existing knowledge shows this is a serious issue, but does not offer a precise figure for policy use. So I am not saying that taxes should be higher than they are – but they should be higher than if you had not considered this point.

Expenditure on mental health

When it comes to expenditure, there is one obvious area of shameful neglect. One in six Britons is currently a diagnosable case of clinical depression and/or chronic anxiety disorder. Only a quarter of these people are in treatment. For most, the only available treatment is pills prescribed by a non-specialist GP. This is in flagrant contravention of NICE guidelines which say these people should also be offered modern evidence-based psychological therapies, which are at least as effective as drugs. They are what the majority of patients want, and, if they cannot have them, many patients prefer to go untreated. This volume of untreated suffering

is especially scandalous when it turns out that treating it would involve no net cost to the Exchequer – because of the attendant savings on incapacity benefits.¹⁵⁶

So why does this situation persist? I believe it reflects a deep-rooted form of materialism, or what one might call “objectivism” – a belief that the subjective world is too fuzzy for us to take it seriously. Yet the subjective world is what we experience each moment of our lives. In truth, the severity of depression and anxiety states can be measured quite accurately, and the best therapists are as dedicated as physicians and surgeons (or more so) to measuring the impact of their treatments.

Building character in childhood

It would of course be much better to prevent mental illness than to have to treat it. This ought to be a major role of our educational system – to implant the seeds of a happy life and of one that brings happiness to others.

Most schools pay too little attention to this. It is not easy to teach but well-tested materials are becoming available at an encouraging rate. (One example is the Penn Resiliency Programme now being used in three UK local authorities.) Teachers should be taught to use these materials, and in secondary schools Personal Social and Health Education (PSHE) ought to be a specialist subject in which teachers can specialise in their postgraduate certificate in education.

Parenting

Another obvious area where the state has to become more involved is the quality of parenting. If bad parenting produces crime and bad behaviour – let alone personal misery – the state must act at many levels.

¹⁵⁶ Richard Layard, David Clark, Martin Knapp and Guy Mayraz, “Cost Benefit Analysis of Psychological Therapy”, *National Institute Economic Review* (2007).

Parenting should be taught in schools. Above all, people should recognise the huge responsibility involved in having children well before they actually decide to have their own. Then parenting classes should be offered to parents around their first pregnancy, and these should cover not only biology but also the emotional side of child-rearing – including its impact on the relations between the parents. And finally there should be high-quality services available when parents run into trouble. There exist evidence-based interventions which should be readily on offer. Here as elsewhere, what is different from the past is that the new interventions rely less on the few people of great wisdom and more on the findings of science which can be implemented by ordinary mortals.

Advertising and gambling

Finally I want to take two examples where tastes are clearly affected by public policy. Advertising is obviously meant to change our tastes, so we are entitled to ask, “Is the change for the better?”. Undoubtedly some advertising provides valuable information. But a lot of advertising makes us feel we need things we previously didn’t need. The advertiser may have only wanted us to buy his brand rather than another. But the overall effect is to make people want more. This means that we are less contented with what we have. The most serious effect is on children, who put parents under intolerable pressure to buy the latest doll or the coolest make of footwear. The waste is extraordinary, and children get the idea that they need this vast array of spending just to be themselves. That is the reason why Sweden bans commercial advertising directed at children under the age of 12.¹⁵⁷ Every country should learn from this example.

Similarly in the case of gambling. Laissez-faire economics says: “If people are willing to pay, let them spend their money as they want.” But the expansion of gambling can so easily produce

157 For the definition of the law, see www.konsumentverket.se.

addicts. Under existing gambling laws, there are at least 150,000 gambling addicts in this country, and this addiction blights both them and their families. If gambling laws were eased, some people might gain a little extra enjoyment at the cost of increased misery for others. It is hard to see how this could be justified.

CONCLUSION

We are at the beginning of a major revolution in public values, reflecting two main forces. One of these is our historical experience. Increasingly, people realise that ever-growing affluence brings less enhanced satisfaction than they expected. There is also a major revulsion against many blinkered forms of managerialism that appeal only to self-interest. People are looking for something more in life – involving less selfishness and more devotion to a common cause.

At the same time there is the new science of happiness, which provides a more accurate account of what makes people happy than the cruder forms of elementary economic theory. It shows, for example, that people who are mainly concerned with their own welfare are less happy than those who are more concerned with others. And it shows that these attitudes can be affected by public policy.

This points the way for a revolution in political philosophy. At present we have no coherent political philosophy that inspires our society. Rampant individualism has filled this vacuum and contributes to alienation from the political process. But individualism is inherently inconsistent. It appears to promote the interest of individuals, but it cannot do so, because the other individuals we would like to encounter are not individualistic.

Instead, we need a political philosophy which is intrinsically defensible but also internally consistent. Consistency means that if people use the philosophy in their individual lives, the result will be the society which the philosophy advocates. The principle of

the greatest happiness satisfies this requirement. We want a society where people desire to produce as much happiness in the world as they can. If everyone thinks like that, they will all end up happier. This is a consistent philosophy.

It would, of course, involve reversing a trend, and many people assume that trends go on forever. That is not how I read history. In many areas I see something more like cycles. For example, we can observe clear ups and downs in the extent to which social responsibility has been stressed in our national lifestyle. In the early seventeenth century it was *de rigueur*; while the eighteenth century was more easy-going. The nineteenth century saw increased social responsibility; while the past 40 years have seen increasing individualism. It is quite possible that the current trend will be reversed again in the coming decades, as it was 200 years ago.

We do not need a return to Victorian values, some of which were pretty gloomy. Instead, we need a philosophy which fully values happiness and enjoyment, but at the same time enjoins us to strive for the happiness of others. And that is the philosophy of the Greatest Happiness.

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Why are we no happier than we once were? Should raising well-being be the aim of government? This book brings together celebrated academics and commentators to look for answers in the work of earlier thinkers, from JS Mill to JK Galbraith.

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