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MEASURING HAPPINESS AND OPPORTUNITY AROUND THE WORLD

Washington, D.C.
Wednesday, September 28, 2011

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P R O C E E D I N G S

MR. TALBOTT: I think given the topic I should start by saying I'm very happy to be here. Renee Jones, the Dutch Ambassador, and I were chatting a moment ago and I said why is the diplomatic corps here for this event? I don't think of happiness as being your business and she said it was basically relief and a corrective after the Bank fund meetings, and NATO, and all of that kind of stuff.

But this is going to be a terrific conversation this afternoon. And I just want to give you a little bit of background, not just on Carol and her work, but also on the book that Bob Faherty and his colleagues at the Brookings Institution Press have published.

This is part of her book on *The Pursuit of Happiness*, is part of a new series of publications that we've been putting out. It's been about a year and a half now and this is the fourth in the series; they're called focus books and they are intended to meet the following criteria.

They are short, which is a good thing for those of us who have a lot to read, they are produced on an extraordinarily quick turnaround thanks to the dexterity of the Brookings Institution Press, they're all on highly pertinent public policy issues as you would expect from anything with a Brookings label on it, and they are meant to be particularly accessible to lay readers, which is to say free of jargon.

And I think that is one of the characteristics indeed of Carol's own scholarship, which is that she has taken a concept which in social science is known as subjective wellbeing and given it a much simpler name, which is happiness. And of course that is a word that has a pretty serious pedigree of its own because it comes from our own Declaration of Independence.

And despite the kind of ordinary sound of the term itself, the work that

Carol has done is of a very high scholarly standard. It's backed up by empirical data, rigorous methodology, and of course it's oriented towards making pragmatic policy prescriptions.

And I think it's kind of interesting, and I'm sure to some degree is rooted in Carol's own work, which goes back a number of years in this subject, that the notion of incorporating happiness into the public policy debate and into public policy itself is really catching on. There are a number of examples of that.

Three years ago, I think it was, President Sarkozy tried to incorporate into the planning of policy in France the ways of measuring national wellbeing. Prime Minister Cameron has sought to measure and no doubt given the situation in the U.K. right now; also restore a high degree of subjective wellbeing or happiness in that country.

In June of this year, the United Nations General Assembly adopted a resolution calling for the index of wellbeing or happiness to be incorporated in the way that development progress was judged around the world.

And this fall, the National Academy of Sciences had a panel on the feasibility of incorporating wellbeing metrics into the statistics whereby we judge how we're doing as a nation. And by the way, Carol herself, took part on a panel that addressed that subject and fed into the United Nations process.

Now speaking of panels, today's panel not only includes the featured author, Carol, but it includes our friend, and I mean that both personally and institutionally, David Brooks, who was here on this platform not that many months ago to launch his own book, *The Social Animal*.

We also have on the panel Belle Sawhill who is one of the principle scholars here at Brookings working on a category of research that we call opportunity and wellbeing. And Belle is also the intellectual Founder of our intriguingly named social

GNOME project.

And then finally, I want to particularly thank another Carol, Carol Lancaster, for being with us today, coming over from the Georgetown School of Foreign Service where she is the Dean. She's been a friend and colleague of mine going back a very long time indeed, including being one of my brother's favorite teachers when he was at Georgetown.

So with that, I will thank all of you for coming in to join us and some talking about happiness and maybe even some happiness and ask Carol to kick us off with the panel.

MS. GRAHAM: All right, well after -- I'm just going to say a few words about the book and then Carol Lancaster is going to both participate on and moderate this very unruly panel that we have. But first of all, thanks to Belle, to Carol, and David for being here. And also to Strobe for his interest and support of this research from the day he walked into Brookings 10 -- some years ago, 10 years ago, a time that mainstream economists thought that those of us who were studying happiness were certifiably nuts. But Strobe thought it was pretty neat and pretty interesting and that support meant a lot.

But now it is indeed a remarkable time for those of us that are studying happiness, or to use the technical term, subjective wellbeing. And we've gone from being on the fringes of economics to being at the center of a lot of debates in mainstream economics.

This year alone I participated in sessions on happiness, or keynote sessions at the American Economic Associations at the World Economic Forum at Davos, any number of other places. But much more important than me, even Fed Chair Ben Bernanke devoted an entire dress to happiness metrics about six months ago.

And as Strobe mentioned, there is a lot of talk also of happiness as a policy objective. When the Sarkozy Commission came out chaired by Nicolas Sarkozy, the President of France, and with two Nobel Prize winners as the figure heads of the Commission, calling for the usage of broader measures of wellbeing, Conservatives in the U.S. considered it to be a left wing attempt to make our economic sclerotic like France's. So it's rather ironic on that front that the latest government to incorporate wellbeing measures seriously into its statistics is indeed the Conservative Cameron Government in Britain as Strobe mentioned.

The U.K. is being followed meanwhile by very obscure economies such as China and Brazil who are both seriously considering the uses of the metrics and the U.N. General Assembly has just adopted a resolution on this, again, as Strobe noted. And even the U.S. is -- we haven't quite had the National Academy of Sciences Panel yet, it's been setup to discuss can we incorporate wellbeing metrics into our census and other forms of our statistics.

So the interesting -- and I think the sense that these metrics can be useful for measuring wellbeing or quality of life in a broader sense has become widespread. So for those of us that were involved in developing what we consider to be a new science, it's exciting times.

And it involves mainly the efforts of economics and psychologists, but we've been joined recently by people who study genetics, medical doctors, people from lots of different professions. And over time, it's become clear that we can measure the determinance of wellbeing across people, across countries, and over time -- and that the basic patterns are very similar in terms of what makes people happy or have higher levels of wellbeing.

So I'm going to show you -- I know economists like to show slides. I'm

only going to show two throughout the whole presentation and it's going to be a short presentation. But this one will make you happy or not, depending where you are on it. This is a pattern -- this is the relationship between happiness and age.

The level of happiness is on the horizontal axis and age is on the -- sorry, the vertical axis and age is on the horizontal axis. It's a U shaped curve. The turning point there is about 48 years. That's based on Latin America data. I was born in Peru and I'm 49 so I obviously have nowhere to go but up.

But this pattern holds worldwide. Every country or every region I've studied happiness, you get this U shaped curve. It varies a little bit; in the U.S. it's about 44 years, in Russia it's about 50. But it really -- it holds in countries of different levels of development. This is controlling for health status and being in a stable partnership, so both of those things matter a lot to wellbeing and older people that don't have good health and don't have a partner in their life, are not as happy.

You can imagine what drives that pattern. There's the typical middle age years, burdens often of young or teenage children and older parents, financial burdens. There could also be a kind of dealing with what you're going to be when you grow up effect. People's aspirations align with reality as they get older. This is up from our Latin America data set, the oldest respondent is 99 in that data set. There could be a senility effect. I'm not sure.

There probably is a happy to be alive effect and actually more importantly though, there is a selection effect because happier people live longer. So you know, the unhappy people die off as they age. So anyway, you can place yourself on that side and think about that if what I say gets too boring after that.

But in addition to this very consistent age pattern, there are other things that are just remarkably consistent across countries and around the world. Income

matters to happiness. So this income doesn't matter to happiness story is not true. On average poor people are much less happy than wealthier people and it has to do with deprivation being bad for happiness.

After having enough money, the relationship gets much more complicated but income does matter. Other things that matter clearly across everyone in the world are being in a stable partnership, being healthy, being employed. In fact, we find that long term spells of unemployment are one of the most deleterious things for people's happiness and as we think about the current state of our economy, I think that is something to think about.

But because these patterns are so persistent, we can then quantify the wellbeing costs or benefits of things that vary across people. So we can look at things like does smoking make you happier or unhappy, what are the effects of obesity on wellbeing, exercising, commuting time, living in a democracy.

We look at all of these things and that's what's made it such an exciting field. I can tell you for example that smoking and obesity are both bad for happiness and exercise is very good for happiness. As a runner that makes me even happier.

Conversely though, we can also look at the causal effects of happiness on other things that we care about; the effects of wellbeing or happiness on health, on performance in the labor market, and on risk taking, among other things. Some new work we're doing is finding that people with higher levels of wellbeing are more productive in the labor market. So there actually -- there is some evidence that higher levels of wellbeing translate into things that we care about both from a societal and public policy perspective.

But this current leap into policy does raise a number of unresolved questions and that's what this book is all about. The most important of these in my view

is what definition of happiness or wellbeing is most relevant to policy.

I think both the panel discussion and everything I'm going to say is going to center on the definition of happiness that includes opportunity and life fulfillment. That's the definition of happiness that I think is most relevant to policy. That's a normative judgment but I'm hoping the panel will comment on that.

So in the book though, and as I've thought a lot about this -- that the definition of happiness that people emphasize in their lives but also as they respond to these surveys, is partly determined by their agency or their capacity to pursue fulfilling lives.

In the absence of that capacity due for instance to lack of education or opportunity, people may place more value on day to day experiences, sort of contentment in the Benthamite sense, and we find around the world indeed that poorer people value friendship and religious activities more than wealthier people. Now, you could conclude that the rich are just greedy jerks and they care about their work and their health while the poor care about friendship and religion, but I think it's actually an agency story.

If you can't change things, then day to day events matter more and we really find that across countries around the world. And I think those with more capacity to lead the kinds of life they want to lead are likely focused and take happiness from pursuing some over arching objective or achievement, life fulfillment in the Aristotelian sense.

So I think of a couple examples. One is if you can imagine the tortured scientist who is trying to cure cancer. Well, as we can measure how people assess their daily lives and how they assess their overall life in general, you can imagine that that tortured scientist may assess that their day to day experience, you know, is probably less

positively.

But when they assess how they feel about their life in general, that that will be higher. That assessment will be higher than say a truck driver who, you know, can't think about driving trucks as changing the world but will enjoy or take joy in day to day events more or it's, you know, it's obviously an example.

There is something else I found more generally across people around the world and in particularly in developing countries, something I've called the happy peasant versus frustrated achiever problem. So you're a paradox.

So we find that very poor peasants who have very little means and are just above being destitute report to be very happy and then people with upward mobility who are making strides and making change report to be miserable. And I think it has a lot to do with this issue of agency and acquiring agency.

So happiness is the colloquial term and it captures a lot of media attention. But those of us that study subjective wellbeing, and Strobe raised the term, we use a range of different questions to capture these different dimensions of wellbeing.

So we can measure them, we can measure wellbeing in the day to day contentment sense, in the life fulfillment sense, in the life purpose sense, all kinds of different ways. And as a science it makes it a very interesting, productive, and wonderful scholarly sort of exercise. But when we think about policy, I think then we may need to make some normative choices about what dimensions of happiness do societies care about; if we're going to start using happiness metrics as benchmarks of progress.

So some societies might be comfortable with emphasizing happiness in the contentment sense, others not. I certainly think that the U.S., which has the pursuit of happiness in the Declaration of Independence and which is traditionally emphasized opportunities over outcomes, would opt for an Aristotelian definition. But I'm hoping that

David, and Belle, and Carol will probably take that up.

But if we went as far as to say happiness was a benchmark for policy and we cared about an Aristotelian definition allowing our citizens to lead fulfilling lives, then promising happiness in that sense, as a policy objective, requires providing all citizens with the agency to pursue it. And I think that's a very large challenge with the U.S. going forward.

As you think about the division of our society, both from income distribution terms but also from opportunities terms, all kinds of ways, something that Belle has worked a lot about, David's written about, and in the international sense and the global sense, that is something I think that international assistance aims to help facilitate but we're far from achieving it and I'm hoping Carol Lancaster will discuss that.

One of the things that I found is in countries in the process of making change and acquiring progress, there's often a lot of unhappiness. People don't like change and acquiring progress, making progress, and changing societies is often associated with unhappiness, sometimes with revolution. It's one of the things that we're studying here, looking at for example what was going on in the Arab Spring countries in terms of wellbeing metrics.

But one of the things I found in my research is that people are much better able to adapt to unpleasant certainty than they are to uncertainty. So let me give you three examples and then I will conclude. On the one hand, people in Afghanistan report to be happier than the world average which seems crazy, but in my view that's an adapting to unpleasant certainty story.

On the other we find something looking across countries called the paradox of unhappy growth. And so accepting that people in countries with higher levels of GDP are happier than people in countries with lower levels of GDP; people in countries

that are growing faster with faster rates of growth are less happy on average than those in countries that are growing more slowly. So why is that?

Well I think it's because fast growth comes with a lot of uncertainty, often a lot of inequality, rewards changing to different skill sets, and with change and that makes people unhappy, at least in the short term even though over time, there's a positive effect of having higher levels of GDP.

I want to show you a last example and it may be relevant to what we are looking at now but this is based on daily data from the Gallup Organization and it's the U.S. during the crisis period. We interviewed, or have responses on 1,000 Americans a day from January of 2008 until January of 2010, so exactly the period of the first crisis.

The red line is the Dow Jones industrial average and the blue line is average happiness levels for the United States. So as you can see, they match each other, the Dow and average happiness. Average levels of happiness during the onset of the financial crisis fell 11 percent in the United States.

Typically, average happiness levels don't move at all; they barely move. So this is a huge drop. But the equally remarkable story is once the uncertainty ended in about March of '09, things didn't become rosy but the feeling that the bottom was dropping out of the markets and we didn't know where it would all go, once it sort of stabilized and the market started to sputter up a little bit, average happiness levels went way up and in fact ended up higher at least at that last data point period than they were before the crisis.

The same respondent said their economic situation was worse than it was before so it's not a Pollyanna story, it's people accepting that they'd had an income loss but they could deal with a certain loss much better than they could deal with uncertainty.

So this is the kind of puzzle insight that these metrics give us. We know that uncertainty is very bad for wellbeing but we also know that people can adapt to unpleasant certainty and that poses a challenge for us -- for those of us studying the topic to kind of disentangle how we could better use those kinds of paradoxes in our metrics and also helping policy makers understand why different kinds of policies can have different effects.

So there's obviously a lot to resolve before happiness can be a policy objective. The use of the metrics in our statistics is a very simple and I think productive thing to do. And many countries are already doing that and I think that already shows what a parameter shifting moment it is.

And to conclude, and I will either sound very optimistic or completely Pollyanna-ish, and you can decide, it may be that the political division that we're looking at now is so debilitating in terms of policy paralysis, that it may provide an opening for us to start to think about providing new metrics and a new focus on evaluating the wellbeing of our, and the world citizens, rather than emphasizing the roots of their divide.

MS. LANCASTER: Thank you. I've been asked to moderate this event and our plan aimed at maximizing our certainty and therefore happiness is to ask David, and Belle, and then me to say a few words about the book and Carol's work and then we'll have a conversation here for a little bit and then we'll open the floor up for questions. So David, would you like to?

MR. BROOKS: Okay; I will start as -- might want with a story. And it's about a woman in the first decade or so of the 20th Century, a name Fannie Perkins, who was walking across lower Manhattan and she heard screams coming out of a building.

She rushes across the square and finds a building is on fire and it's the famous Triangle Shirtwaist Fire. And she sees people with their clothing on fire jumping

out of the building and she sees -- there was one episode she describes where a lot of people are on the roof and they're in a panic, as in 9-11, and they are just jumping to their deaths.

And there's one young man who's helping women, a series of women, up onto the press of the -- the edge of the roof and then they jump to their death. And it's as if he's helping them onto a streetcar, very politely, very gently, and one young woman gives him a big kiss and then jumps. And then after he's helped all of the women on, he himself jumps.

And this is this horrific thing she sees and she decides she had been drifting and decides she's going to dedicate her life to activism on behalf of labor conditions, unions. She changes her name to Francis Perkins to be taken more seriously. She then discovers while a lobbyist more or less, or an activist, in New York state, that no one takes her seriously because she's a young woman.

So she begins dressing like a 70 year old woman and she more or less suppresses her own sexuality to be taken seriously and she gets the nickname Ma Perkins, or Mother Perkins, at a time when she's actually about 30 years old.

And she detests this but she's willing to do it for the cause. She goes to work for Franklin Roosevelt here in Washington, helps found the Social Security System. I thought Carlos Ponzi founded it but apparently it was her. But working for Roosevelt is no walk in the park either.

He was very manipulative; she was quite unpopular in the Cabinet, in part because she was the only woman in it. And she begs to resign and Roosevelt will not let her. And so it's really a miserable experience even though she accomplishes quite a lot.

Her own personal life is not a happy one. Her husband had mental

illness and was very promiscuous. Her daughter also had mental illness, also very promiscuous. And then at the end of her life she goes to Cornell and is more or less alone, estranged from her daughter, husband is dead, and hooks in with a study group led by Allan Bloom of all people.

But it's a lonely tough life and one of the oddities of her life is as a young woman she was proposed to by Sinclair Lewis. And upon her death, one of the pallbearers was Paul Wolfowitz. So that's a pretty big ideological span.

But we would not say that she led a happy life if you wanted to mean joyful and filled with glee all of the time, but I think we would say it was, in the Aristotelian sense, a very meaningful life and a very significant life. And I tell that story because I think it does get, as Carol described, into the difficulties of talking about happiness. And these difficulties are legion.

Danny Kahneman the Nobel Prize winning Psychologist has another difficulty introduces -- there's a difference between our remembering self and our experiencing self. We may -- if you went on vacation and you were told in the middle of the vacation you were going to have amnesia and not remember the vacation, your joy in that vacation would be diminished greatly. And he says the remembering self is actually more powerful than the experiencing self.

Dan Gilbert up at Harvard points out that we're actually very bad at knowing how to achieve happiness; that we spend money in ways that don't maximize our achievement. We tend to buy things which don't really lead to happiness. He gives some good advice, which is to buy experience, not things; pay now for things you're going to enjoy later so you can anticipate them and so on and so on.

And so the essence is that the concept of happiness is a very fraught and complicated subject because, as Carol suggested, there are just so many different

kinds of it and so many different definitions. And I must say when I got into this research and started reading about it; I had trouble taking it seriously because they just ask people are you happy. And my first reaction was they just ask them. I mean is it a sunny day, a cloudy day; this has a big effect on the answers.

Nonetheless, when you look at the research as Carol does, you find they are quite consistent. It actually -- they are measuring something and across country, across time. And I think the great virtue of this book is it takes, in a very short form, all of this different research, a lot of the different controversies about the influence on money and it really gives you a clear sense of where the sides are and it gives you sort of an authoritative judgment on where things are.

And so the first virtue of the book is you just get this, not last word but a definitive authoritative word you can trust on where the research is. The second importance is that it takes you into the realm where I think we need to go, which is to use happiness to talk about research and to talk about public policy.

And the phrase I'd like to leave you with is the phrase moral philosophy through the backdoor. And that's why I prize the value of the happiness research because what it's doing is for many decades we were in the grips of homo economicus, the idea that we're utility maximizing individual creatures who respond in straightforward ways to incentives.

Over the past 30 or 40 years, we've had a whole range of research that complexify that; that say yes, we're rational, we do follow incentives, but there's a whole other realm of our behavior, which is pre rational, which is emotional, which is unconscious. It could make sense but it's not what we would call classically logical. Danny Kahneman and Amos Tversky, the first two guys who really I think -- it in this revolution, did a whole series of experiments showing ways we behave and ways we're not aware of that don't

seem to follow the standard social science model.

Two, I'm a storehouse for these studies, but two that I read recently, Danny Kahneman or somebody did some research into golfers putting. And they study 2.5 million puts and they discovered that the golfers who are putting for par were more accurate and better putters from every distance than the golfers who were putting for birdie. And that's because they fear the bogie more than they desire the birdie. And that's loss aversion.

Another study, and more substantive of in Israel, parole boards here, prisoners' cases, often decide whether to grant them parole and they do on average grant parole 35 percent of the time, except for in the hour after breakfast and lunch in which case they grant parole 65 percent of the time. And so that's a pretty significant effect.

And these are things that are happening below awareness but are real. And the virtue of the research into happiness is that it gives us a break from the hegemony of the economists and gets us talking about these questions of wellbeing. Aristotle and -- however you want to describe it, it gets us debating what wellbeing is. And what it does is it takes us -- it takes the language we're talking about in Washington, the most emotionally avoiding city on Earth, which is standard deviations and equations, and it allows us to talk in a way we're comfortable about moral philosophy.

In the old days they were comfortable talking about moral philosophy in public. We're no longer comfortable but at least now we have a language that leads in that direction.

And it leads in the direction not only of moral philosophy; it leads in the direction of thinking about relationships and groups. The reign of homo economicus was very individualizing; the reign of happiness research is very aware of the power of

relationships.

Kroger, who is now in the White House, did research on what are the activities that contribute most to happiness; well, they are having sex and having dinner with friends. What's the daily activity that's most deleterious to happiness; it's commuting because often you are doing it alone.

And so it -- the happiness research, some researchers say happiness is love full stop. It's just how close your relationships are. That's a very powerful determiner of happiness. And so to me it has the second virtue of reminding us of the power of relationship, then reminding us the power of social context, and correcting the economic over emphasis on individual rational decision making.

And then the final virtue, and if you are talking about moral philosophy and if you're doing it in a way where you're aware of the power of social context, then you begin thinking about policy as how does it affect the virtues of the people in the society. How does it affect citizens, what sort of citizen does this or that policy create or foster or - and that is the ancient Aristotelian question about government, which we've sort of drifted away from.

As George will put it in a book, I think he's now renounced, state craft is soul craft. And you're saying what sort of souls are we creating with our policies? And I think that is the right question to be asking. And I would just wrap up by saying I think in America, we're trying to create people like Francis Perkins, or people like the pioneers, or people like immigrants, who are not necessarily leading joyful lives, but who are leading lives of movement, and mobility, and consequence, and maybe most of all, painful self forgetting. Forgetting themselves in a larger cause.

And just to finish up with something that Strobe mentioned, I once asked somebody in government how they found that working government after a career in

academia and he said every single day sucks but the overall experience is very rewarding.

SPEAKER: Yeah, right; that's true.

MR. BROOKS: And that is a definition of happiness that I think we should think about.

SPEAKER: Well, you are sort of an academia over here so I'm assuming you're pretty happy, in some fundamental sense.

MS. SAWHILL: Much, much more importantly, I'm on the -- way on the upward slope of that curve. So I'm getting happier every year and Carol, there is still hope for you at age 49. I can tell you. I'll give you lots of good news about that.

As usual, David has said some very wise and also some very funny things. He's also taught me some things about Francis Perkins that I didn't know and it's embarrassing that I didn't know them because I happen to be the Francis Perkins fellow of the American Association of Political and Social Sciences, which is supposed to be an honor and I didn't know that story about the Shirtwaist Factory and how her life began. So thank you for educating me and now I realize I should go read a biography for real.

So turning to Carol's book, I think she's really, not only her book but her whole research agenda here at Brookings, is on a really important topic and it's a topic that has the potential, along with her book to be a potential game changer, or as she puts it in the book, a paradigm shifter for some of the reasons that I think David has said so well.

Think about the current political debate in this country. If you want to think about it, some of you I'm sure don't, but it is all about economic growth and how we can get more of it and of course we have, you know, horrible divisions about how we get more economic growth, but there is agreement. There is consensus that economic

growth is the objective that we should be focused on as a nation right now.

And I think that what this book says and what many of us realize but tend to forget is that that's a very narrow perspective. As Carol's book points out and as others has shown before, it leaves out a lot of good things that happen in our lives like family relationships, having dinner with friends, et cetera, and it includes things like the burden put on the environment that increase our GDP but probably are not good for society.

So I think we can be agreed that that's too narrow a perspective and we should broaden this discussion. But then the question becomes what's the alternative and can we actually agree on a measure of happiness or even a concept that we could then use to measure growth national happiness instead of GDP.

And Carol, I think wisely stops short of providing definitive answer to that question. But she has brought in, and a way that I like a lot, insights from research in economics, research in psychology, philosophy, and made a valiant effort to synthesize what we know and begin a new debate.

And as someone who's always believed if you want to change something you first have to try to measure it, I like the idea of beginning a conversation about the fact that GDP is too narrow a metric for policy purposes.

So what is happiness anyway? Huge question, many, many perspectives; Carol writes about them all but she especially emphasizes this distinction between Aristotelian happiness and Benthamite happiness. And Aristotle's view was, you know, you need to led a purposeful life and you get meaning, not just from everyday contentment, but from some sense of having tried to achieve something and hopefully succeeded even if there are frustrations along the way. And the Benthamite view was the one that most economists have focused on. It is utility maximizing but it is in

everyday language; just ordinary contentment with daily experiences.

And I, like Carol, understand the importance of both but gravitate toward the Aristotelian view. I think we should admit though that it's easy to be in favor of the Aristotelian view when you live in an affluent country.

If you were struggling for your means of existence, if you had terrible health, if you know, half of your children were dying before age three, and so forth and so on, and you were in a warzone, you would have a very different view of things. So I don't think we can be too elitist about that.

If there are happy peasants somewhere in the world, and Carol talks about Afghanistan as an example, I think the reason they're happy is because they have great resiliency. They may not have high expectations and they are able to adapt and it's marvelous that has human beings we can adapt to bad circumstances. But I can't imagine a policy framework that accepted that as the goal.

So integral to this Aristotelian view, according to Carol and I agree with this, is this idea of individual agency; is this idea of a desire and at least some ability to change one's situation. And I think that's why this particular definition of happiness suits the U.S., as she's pointed out, because we do have a value system in the United States that values opportunity over outcomes.

We believe in giving everybody an equal shot at the American dream. We don't believe in simply delivering everyone equal outcomes. And so I liked that connection between her preferred view of happiness and the policy or cultural framework in the U.S.

But even if we could resolve all of the philosophical and valued laden questions here, we would still not be sure, you know, how to measure this thing called gross national happiness. And I think that that does point to the need to struggle with

how much opportunity individuals in an advanced country, like the U.S. but in other countries as well, have to achieve their dreams, whatever those dreams may be in the Aristotelian sense of the world.

And one of the things, just to make a brief connection to my own work or my center's work, we are trying to do that now. We are trying to actually measure how much opportunity there is in the United States and begin to shift the discussion about this away from how many people are poor or how much inequality is there towards how much opportunity do we actually have and we're trying to measure that.

So maybe at some point her work and my work will join forces to come up with a better answer. And I look forward to working with her on that task and I hope that her own work and the book is going to give us better ways to measure human progress. So thank you.

MS. LANCASTER: So let me add my thanks to you for writing this book and having this event. I do think you've pulled a lot of stuff together that, you know, I'm sure most of us had somewhere in our heads. You've, I think, shown some of our impulses and instincts to be perhaps justified with empirical material. I'd like to just throw out a few thoughts and then I'd like to try to apply some of what you have worked on, some of your insights, to two or three concrete U.S. foreign policy issues and activities.

First of all, I'd just like to add, you didn't mention this, I don't remember whether it's in the book or not, if I'm not mistaken there is actually a ministry of happiness in Bhutan and somehow I would have thought that would be the place for it. I don't know what they do but I'm eager to visit and find out.

MS. SAWHILL: They do measure gross national happiness.

MS. GRAHAM: They have gross national -- they monitor gross national happiness.

MS. LANCASTER: Well, and probably have a fairly high level of gross national happiness.

MS. SAWHILL: They have a very high technical level too; it's amazing.

MS. LANCASTER: Yeah; I wanted to come back and say, as I understood what you wrote, and I think as Belle did, you were really talking about two kinds of happiness. There's more discussion about different kinds of happiness in your book but the Benthamite, which I would consider, and you do I think, the short of term joy pleasure in life and then the Aristotelian fulfillment, life fulfillment happiness; there may be others.

I would like to suggest that from a policy point of view the first one is probably -- I don't think is relevant. The sort of short term joy or pleasure of life it seems to me is based on whole lot of factors that are not amenable to public policy. It's sort of your son got married; you just won the lottery, that sort of a thing.

But the longer run one, if I can use those terms, the Aristotelian sense of happiness, the life fulfillment, does seem to me to be amenable to policy because the conditions that lead to it, as you I think have argued, are things like education, like health, like agency, you mention political participation, and a number of other things. So if I were going to construct an approach to applying what you have come up with so far, I think that's the definition of happiness that I would want to look at.

And in that sense, I think we're describing the project in U.S. foreign policy and other countries' foreign policies of the last 60 years in using development assistance, public concessional resources to provide it to other countries and other governments as a means of promoting development. And development has a lot of meaning to a lot of people but ultimately the same debate and the same discussion you've just had here. What is meaningful in terms of development, in terms of positive

change in human wellbeing, is it income, is it quality of life indicators such as education and health, or are those means to another end of something called human fulfillment?

We don't talk about that. Amartya Sen talked about it when he wrote his book *Development is Freedom* and I think he in many ways encompassed the capabilities analysis that goes back to Aristotle and that I think you grappled with a little bit. That's an agency issue as well in what you did.

So I think that in the development field, there is a lot of things going on that don't use your terminology and don't use your analysis but fit what you're talking about. But I want to take it a little further because I just see so many ethical complications when we start to talk about public policies, our public policies or our foreign policies, that are intended to bring about greater happiness in other countries.

One of the issues it seems to me you made it very clear in your book that there is often a short term pain, the pain of change, to lead us, that is almost necessary for long term gain. We know the old phrase. And I think that is visible in our lives I'm sure and visible in the lives of many other people. And it raises the question of how much pain is worth long term gain?

I'll tell a quick story of something I observed many years ago. I was on a trip to Africa. It was my first trip to Africa and there were a number of African Americans in this group. Most of them had not been to Africa before and one of them after looking around in Senegal and Mali, and there's some pretty poor conditions or there where then, said gee, slavery may have been bad but I'm so glad I got over to the United States.

Now, that was an ethically, it seems to me, difficult statement to accept because what he was saying is I've got the gain and I'm dismissing the pain that got me here because the pain of slavery and heavens only knows what else.

That's one of the most, it seems to me, stark examples of this tension

between pain and gain and the tension is temporal. If my generation pays the pain and your generation gets the gain, how do we evaluate that? And what does that mean for public policy?

And it is not just temporal but it's distributional. If my religion gets the -- pays the pain or my ethnic group pays the pain and yours gets the gain, where is the justice in that? And it may be there's justice in that but I have no idea how to evaluate that. But it does seem to me these are the issues that begin to be raised by your work and by the kind of things that we've been doing for years but not necessarily looking at them through this lens.

I have another ethical issue that has always worried me in the development field, and I spent a lot of years working in it. So we wish to lead people abroad to a better life and we provide advice, and pressure, and money behind it to help them get there, recognizing there is probably pain in the short run but we are hoping that what comes out in the long run is better for all of them.

What if we get it wrong? What if we give them the wrong advice? So they have short term pain and long term pain. Now I can think of a policy that might fit that or some of it might fit that; structural adjustment.

I don't think it was all bad; the assistance money that was put behind strong pressure on governments to make economic reforms. I think some of that we probably got right and I think some of it we probably didn't and there's still a debate going on as to what the balance is. And the ethical issue there is what is our responsibility to those who have suffered the pain if we get it wrong.

I don't think that's ever been part of the assistance debate. We just walk away from it. But it is part of the ethical approach to what you have been working on, Carol, and what we've all been working on in the field of development that involves our

choices for other people. And there is a whole philosophical literature on this, universalism versus relativism and so on, but I think that your work begins to raise these issues in a different way but they're there and maybe it will encourage us to engage these issues going forward.

I'd just like to say, there are lots of examples of this. You don't have to talk about development; you can talk about democracy promotion. We all believe in democracy, but some places, let me pause it, may be more ready than others.

And that brings me to another point about this, your work, and I think you and I talked about it a little bit. People adjust to pain and that's why we have the happy peasants in Nigeria or Afghanistan. But once in a while they get really fed up. And there's some kind of a tipping point or a trigger that makes them throw away their adversity to the pain of change and demand it at any cost. And we are just seeing it with the Arab Spring.

Is it possible to anticipate those points? Because that would seem to me to be a public policy relevant past time; if we are supporting people in their choices, then the responsibilities for those choices fall less on us and it might be a lot more effective. I'd like to suggest that the invasion of Iraq and the implantation of democracy there might have been a little premature.

And so there are those kinds of issues that are very much part of our normative foreign policy, not so much our national interest based foreign policy, but the foreign policy that involves our trying to bring about beneficial change in the world.

And so I think that your work has, and I hope it will continue to raise these issues and help us think them through and recognize them because in trying to bring happiness to others, however that's defined, we are taking on a huge responsibility. And I think that the public policy implications, and above all the ethical implications of

those, must at some point be grappled with if we are to be able to sleep at night. Thank you.

Now, I want to go from one serious question to another and I'd like to ask David Brooks this question. David, this is a serious question. Can we explain the Tea Party through Carol's analysis? Uncertainty, crisis, pain, anger; is it a femoral when hopefully we'll emerge from this veil of tears, veil of economic tears, or is there something more basic here that doesn't really apply so much or isn't so applicable to Carol's analysis?

MR. BROOKS: Well, my one sentence explanation for the Tea Party is people who use Abbie Hoffman means to achieve Norman Rockwell ends. And what I mean by that is they are sometimes wild but essentially they're trying to go back to what they see as the essential American formula which is that effort should lead to reward; that people who work hard should be rewarded and those who don't work hard should not be rewarded.

And they took a look at Washington, they took a look at Wall Street, and they said all of these bankers and such and such, they didn't play by the rules but they're getting rewarded. These people have bought houses they couldn't afford, they're getting rewarded and I'm getting the shaft. I think that's the essential impulse, which doesn't explain some of the means they get there.

But their reaction and the content of the Tea Party does, I think it is relevant to what you were just talking about, which is they essentially want government out of our lives. And I'll come back to George Will actually on this. He wrote this book *Statecraft of Soulcraft*, saying that when we should think about what kind of people we're creating and how we're adding to or detracting from their happiness when we legislate because any piece of legislation inevitably does that whether you want to or not; tax

codes, welfare policy, it all creates a certain sort of person.

He has since said I don't want government touching that stuff. It can't do it, it can't think intelligently about morality. It should not be paternalistic; it should just get out of the business of values and be consequential. And I take that to be the Tea Party view.

I'm with the earlier George Will, thinking it's inevitable. You're going to affect people so you might as well try to be intelligent about it and grapple with the difficult issue which is how paternalistic you're going to be. And if you think in these happiness terms, if you know that people who don't smoke are happier than people who do, as Carol, I think you wrote it in the book, cigarette taxes may increase happiness.

If you know that people who have very strong relationships as a kid are going to be happier through life, you may want to take an extremely paternalistic view about broken and disorganized neighborhoods and impose order on them through KIPP schools and early childhood education and things.

This is paternalistic. I personally think it's worth doing that because the research shows us it will yield to happiness however you define it. But the members of the Tea Party would not go along with that.

MS. LANCASTER: Well, I wanted to ask you a question about your work and Carol's work because in thinking about Carol's work, Carol talks about the pursuit of happiness and happiness. I think in some ways they're conflated.

If we want to create opportunities for the pursuit of happiness, we are going to make social change if that is what is required of that as -- blocking happiness. So I wonder whether your research isn't really very much like Carol's research; opportunity and the pursuit of happiness.

MS. SAWHILL: Yeah; no, there are definite overlaps between what

she's interested in and what I'm interested in. And by the way, in her book she does talk about the new research on the fact that not everything we do is reasoned and rational, you know, we eat too much, we smoke too much, et cetera.

And the new behavioral economics in fact shows that there's a lot of stuff that we do that we are less happy for having done and David has just talked about that and I think where that leads is towards a somewhat more paternalistic set of policies, and a set of policies that goes along with what will help people in the longer run.

I mean we have shifted in this country from an antipoverty policy that was based primarily on giving people cash welfare to an antipoverty policy which is now totally dominated by giving people something called the earned income tax credit, which is basically a waged subsidy that you only get if you're working. Now there's an issue about what you do if there are no jobs around but it's an excellent example of how you nudge people in the right direction and help them achieve their own goals.

In terms of how we're going about this in our own research, it's to look at what it is in a child's development, whether it's good parenting, whether it's good education, what kind of education, what kind of jobs in your early part of your career, et cetera, that help people get on a good track towards having the kind of opportunity they want. So that's the connection there. But it is very much though the sentiment, if that's the right adjective, the -- view that you give people certain capabilities, you give them certain tools and they will be better off than if you just simply gave the welfare let's say.

MS. LANCASTER: Carol, it's time for you to respond and I guess my question to you is also, so what's next in this research. But you've got a lot of things to talk about I'm sure.

MS. GRAHAM: Well first of all, thanks for all of the wonderful comments and I don't think I can respond to them. They're food for lots of thought and, you know,

very thoughtful and also helpful. A word on sort of this whole paternalism and opportunity thing maybe and then I can say a few words on what's next.

But it strikes me that -- there's some great work and I know you know it David, by Thaler and Sunstein called *Nudge*, which is from behavioral economics looking at, you know, at what level of paternalism are we comfortable when we know that people make a lot of bad choices and yet we can't just impose decisions and it's all about how if you frame choices better for people that you can nudge them in the right direction.

And at some level, I think you can think about the opportunities capabilities approach, in terms of providing opportunities, along those same lines because I think we can also go too far. I mean we can assume that everybody wants opportunities and individual fulfillment and end up with, you know, David's examples of everyday sucks even though the whole experience was great. There's something slightly offsetting about that.

But I'll give you another example that's closer to the poverty and opportunity thing and it's from George Akerlof's wonderful work on identity and he cites this work on kids and gangs in which kids are taken out of their gangs, they've identified really bright kids, and give them scholarships to schools like Andover or Exeter and they go and they're perfectly capable intellectually of handling the experience, but they are completely out of their social context. And they're miserable and it doesn't work so they come back.

But when they come back, they don't fit into any of the gangs at all. They're the subject of complete ridicule and these kids in the end are miserable and so that's sort of ironic. They're made absolutely miserable from a policy or an intervention that was designed to provide them with opportunities to give them a better life and in the end, the outcome is worse than it was before.

And that's an extreme example but I think it is an example of, as we think about providing opportunities and agency and giving people the chance to make a change in their life and take control of their life, which are all I think, you know, important objectives, that we do need to think about their social context and their capacity to make the choices and the consequences of policies and the range of how paternalistic or not they are. Although I very much agree that at some level we need to think about making those choices and nudging people in the right direction.

So yes, Belle's and my work has crossed paths before and I think we now have a lot of ways to do more of that. In terms of what's next, I mean we're at a point where we're developing a little happiness industry where we can measure the wellbeing effects of almost anything from -- we've been looking at gender, on wellbeing around the world, to look -- trying to do some of this, I don't want to call it predictive behavior, but looking at, for example, the Revolutions in the Arab Spring countries, what was happening in terms of wellbeing trends. Is there anything that we can pick up that might have helped us predict what would happen? It's actually pretty difficult.

We find that people in the Arab Spring countries were happier than people in non Arab Spring countries, or at least as happy. The one sign we found was that they were much less optimistic about their future and that was -- and the other thing that was rather ironic about those findings is that it wasn't the youth that were the least happy, it was older people.

Again, not what you would have expected but you can, you know, so we're working a lot of that. But mainly the biggest project is to try and disentangle causality a little more because if we say we about happiness, in the end don't we want to know if happiness causing things we care about or happier people performing that, you know, we care about their wellbeing a happiness but also are they performing better.

We have some indications that they're healthier, more productive, all kinds of potentially good things. But that's very difficult to disentangle empirically, econometrically, and we need good data. We're working a lot on collecting better metrics and that's a broader effort, the National Academy of Sciences Panel is working on that. And so there's a lot to do but it's a lot of fun.

MS. LANCASTER: Can I make a comment, Carol, about your comments, which were about the ethical issues raised by who bears the pain and who receives the gain of any sort of change because I those are really critical questions and we maybe should have talked about them more. I mean on the inner generational questions are particularly difficult.

What leads so many of us to do things for our children; bear a lot of pain in order to make their lives better? I don't think it's hard to explain that. You certainly can't explain it in a traditional economics framework, you know, maybe you can read the social animal and get some better sense of it.

MR. BROOKS: It's all explained there.

MS. GRAHAM: You know, there's this wonderful research on time use by Alan Krueger and Danny Kahneman that shows that after commuting the least happy time of the day for these women in the original study was time spent with their children versus almost every respondent always says when they identify the most important things in their lives, it's their children. And you try and square these two circles.

MS. LANCASTER: Yeah; right.

MS. GRAHAM: Well, I think personally, you know, if you're driving down Rockville Pike and you didn't finish your paper and you're trying to get to a soccer practice, that's not a great moment. From a day to day sense there are lots of things about the pressure of children and making the kind of sacrifices that Belle is talking about

for their future that aren't always happy moments but in this broader life evaluation sense, most people's children are indeed incredibly important.

So I think that's something that -- and those inner temporal choices is something maybe that the wellbeing literature can help with. But I also agree to your pain versus gain analogies are really helpful.

MR. BROOKS: Can I say one minute in praise of Mr. Bentham, which I rarely do? We shouldn't downgrade this momentary happiness. It does have tremendously huge positive effects. Just today I'm reading about empathy. Empathy helps you think well or think the right thoughts about people who are suffering. It correlates very badly with actual behavior. You might feel sorry for the homeless person across the street but you're probably not going to be motivated to walk across the street to hand them a dollar.

But having a momentary bit of joy correlates much better with charity; so for example, when they give people easy tests which they succeed at, they're much more likely to do good works, if they find a quarter in a payphone, much more likely to do good works. This momentary burst of joy can produce actually kind of profound positive social good.

MS. LANCASTER: That's interesting; another part of your future research. I want to give the folks in the audience a chance to ask some questions. I don't know whether we have a microphone somewhere; okay. So could I invite you to ask questions, make comments, and please introduce yourself as you do so and put your hand up? Gentleman in the front.

MR. MITCHELL: Thanks. I'm Garrett Mitchell and I write the Mitchell Report. And I want to ask Carol a question that I suspect may not sound like a serious one but it's intended to be. And that is, you've been at this category of research for some

time, presumably prior to that you've been doing other things and economic research, et cetera. And I'm interested to know whether the experience that you have had with this has been a happy experience and whether it has been happier than experiences doing economic research and related things that you encountered before you did this.

MS. GRAHAM: Well that's a great question. It's hard to say because I started off as a Development Economist working on the micro level coping strategies of the poor all over the world, starting in Latin America where I'm from, but looking at market transitions in Africa, East Asia, Eastern Europe, and at that point I didn't have children and I was happy to tromp around the world.

And I think the kind of life experience benefit that I got from, you know, being in the field and then, you know, coming back and writing that up in a more traditional economics framework was a remarkable experience.

That said, I found this particular line of work to be incredibly fulfilling. I fell into it by mistake. I was looking at people coming out of poverty and trying to get a sense of how they thought they had done and kept getting these findings where the people doing the best said they were doing the worse. And so I fell into at that point -- research that combined the efforts of economists and psychologist, which at the time was perceived to be certifiably loopy.

And it turned out that, I think through the efforts of many people, we were able to develop these metrics that are not only robust, but are now very well accepted and are possibly changing the way we think about at least some economics questions and that's an exciting place to be.

And the number of questions we can get at, it provides a whole, you know, host of things that you can try and understand about human behavior and improving human wellbeing that's sort of endless. I mean it really is an exciting field to be

in. I don't think it's just a temporary fad.

I think some of the interest in it may be a moment, sort of a burst of interest, but I think in terms of a metric that can help us understand a lot going forward, it's -- that makes me happy. It's great to be involved with it.

MR. BROOKS: I have a research idea that grows out of that which is when they do these surveys of academics and who's more, who gives to charity, who's more moral, who's more altruistic. Economists are always at the bottom. They are the most selfish. But I wonder if developmental economists --

MS. LANCASTER: They don't like free writing.

MR. BROOKS: Exactly. But I wonder if happiness economists actually do better. It's a good -- I would like to know.

MS. GRAHAM: Well, we'll have to work on that. I'll get back to you with an answer.

MS. LANCASTER: Yes, the gentleman there.

MR. GONZALEZ: Hi, my name is Pablo Gonzalez, Consultant of the IDP. Carol, this is a question about the definition of happiness because I understand the research -- on the premise that there's no definition of happiness and you ask people a general question but you don't know if they understand happiness differently.

I mean every person could have a different conception of happiness. But then when you look at the data you can come up with a definition of happiness ex post and you can tell the policy maker I have a definition of happiness based on the research. So isn't there a contradiction there?

MS. GRAHAM: Well, we've come far from the early days. The initial surveys just ask people generally speaking how happy are you with your life, generally speaking how satisfied are you with your life, and each respondent defines that for him or

herself.

There are some advantages there because you don't impose a culturally, you know, defined definition on people and we've found remarkably similar patterns across people around the world. Using that question we also found that the relationship between income, both at the individual level but mainly at the per capita GDP level and happiness wasn't that straightforward.

Since then, as it's developed and the metrics have developed, we still use that question calling that sort of an open ended happiness question, but benchmark that against people's responses to everything ranging from how often did you smile yesterday, the kind of joy and affect questions, how worried were you yesterday, that allows to look at the relationship between negative and positive affect and variables of interest.

There's a question called the best possible life question and it's in the Gallup world poll, it's a question introduced by Sociologist Howard Cantrell years ago but it's now back in use a lot, and it says please imagine the best possible life you can think of; how does your life compare to that best possible life. Well it turns out we find that around the world that responses to that question both within and across individuals and then across countries, correlates much more closely with income. Because as people -- that isn't an open ended happiness question, it's a relative happiness question.

If you ask somebody in Togo to imagine the best possible life, you know, they're going to think beyond, in today's world, they're going to think beyond Togo. The same goes with somebody in Denmark. They'll know they have it pretty good.

And just a stark example of that, even though people in Afghanistan smiled more often yesterday than people in Cuba, and even though they're happier on an open ended happiness question than the world average, they're much lower than the

world average on the best possible life question.

So we're starting to use different questions to get at different things. And that's part of the effort. The British Government is incorporating five kinds of questions into their statistics. One is, you know, affect questions; capturing joy, and sadness, or worry. One is open ended life satisfaction, relative life satisfaction has in the best possible life. A sort of what we call an Aristotelian -- question about life purpose and then I think it's a job satisfaction question.

I don't remember the last one; but so, again, trying to be able to measure these different dimensions of wellbeing. So open ended happiness is something we still look at, care about, but we're able to disentangle the concept a lot more robustly now.

MS. LANCASTER: Yes.

SPEAKER: My question is about the role of the religion. And when I say religion, I mean in two senses. One, is there any significant difference between religious and non religious people? And second, is there any significant difference between religions? Thank you.

MS. GRAHAM: That's a great question. And I don't put religion on sort of the standard findings because it varies. And so basically people who have faith are happier than people that don't have faith around the world. Now, we don't know the direction of causality. Is it that happy people are more likely to have faith or that the people that have faith are happier? The same goes with marriage actually. We know that happier people marry each other, right. So we don't know if in fact that the marriage finding is as much about that as about marriage making people happy.

But with religion, so people that have faith are happier but I've looked at different context and I've found that in places where religion is a divisive force, in Afghanistan and Central Asia and some other places where sort of extreme religions

have started to be not, you know, social things but sort of divisive thing, then religion doesn't have a positive effect.

In contrast, there's a wonderful study by a colleague of mine, Andrew Clark, in Europe that looks at the effects of religion in European countries and this is where it's, you know, religions of modest force, and he finds that even Atheists are happier when they live in a neighborhood where there are more religious people around them because of I think the socialization effect. It's just the kind of --

And then lastly, we find that around the world people in poor countries and poor people in wealthier countries, we find that religion is a more important variable in the happiness of those people than in the happiness of wealthier people. For wealthier people it tends to be work and health.

Now again, you could argue maybe morals are terrible among wealthier people or you could -- if you go back to this kind of agency interpretation, it could be that in the absence of agency and the absence of ability to control your own life, religion provides an outlet versus for people who have sort of agency, work and health is their agency and that matters more. It doesn't mean that religion doesn't matter to wealthier people but the relative weight is much lower. Anyway, I hope I've answered you.

MS. LANCASTER: Maybe I can take -- we're getting towards the witching hour. Maybe I can just take one or two questions then and ask Carol or any of the panelists to answer. So, right here please.

MR. DOEGE: Thank you. I'm Richard Doege. I'm next door at Johns Hopkins Sais and I'm happy to teach economics. I hope I'm not the only one who remembers Abraham Maslow. Maslow, I think, has a context in this discussion and I hope it also might have a conclusion or an illustration of a conclusion in this discussion. Maslow's hierarchy of needs was aimed at increasing productivity, which was what we

were concerned with in the 40's and the 50's. Happiness was a pretty silly issue then.

But now, we have something that seems correlated with the Maslow hierarchy, and might for the purpose of good policy making, be rendered in its conclusion in something as simple as a hierarchy or a triangle that is meaningful and useful to policy makers. Is there a context for Maslow and will there be a possibility of having rendering something so simple at the end as a hierarchy to advance the ability to use this as a policy? Thank you.

MS. LANCASTER: Thank you. Other questions? Yes; my former student.

MS. GRAHAM: And my current student.

MS. LANCASTER: Is a happy man, I'm sure.

MS. GRAHAM: Oh, must be.

SPEAKER: About to be a father so yes, indeed, very happy. I'm -- from the University of Maryland. There's a lot of talk in sort of the -- in the policy debates these days, in this country in particular about sort of the extents and the design of social safety nets, about the level of taxes, and who should pay taxes. And you know, often times you hear a Scandinavian country has come up in these discussions. And since we're discussing happiness it just so happens that the Scandinavian countries are also the happiest countries in the world on average.

And I wonder if, you know, in your research, if you're research can shed some lights on -- I mean is it, you know, uncertainty, you know, you've talked about how uncertainty makes people unhappy. Is it the fact that social safety nets that are extensive in Scandinavian countries, you know, they take the uncertainty away; is that why the happiness is high?

Is it inequality, which is generally low in those countries that, you know,

and this latter point relates to I guess one of the important aspects in the happiness research that shows that not only absolute income, but also relative income matters a lot?

You know, how all of this relates to actual policies is of course something that should be treated with caution, but I wonder if in your research you've found things that can, you know, add to these discussions. Thank you.

MS. LANCASTER: If there is one very short question we can take it, otherwise I'm going to turn this over to Carol and the other panelists. Short question? Okay; right back there.

MR. NAVERTO: Hi, Tom Naverto with the State Department's Policy Planning Staff. I just wonder if you have -- my question is about development and I wonder if you have temporal data that would show a nation going from poverty through the change and having its decline and then rise up through prosperity and have a U shaped curve as a country, similar to the U shaped curve we have as individuals over our lifetimes?

MS. LANCASTER: Okay, Carol and then maybe Belle and David to wind up.

MS. GRAHAM: Okay, I'll try and be quick with three difficult questions. Well, some more difficult than others. Maslow, it's very relevant. I mean one of the things that we know is deprivation is terrible for happiness and that once people's basic needs are met than the determinance of happiness, at least a role that income plays in determining happiness, becomes much more complicated. Health, employment, all of these other things matter, all the way up the income ladder, but once basic needs are met, how much income matters versus relative income versus all kinds of other things, start to be more interesting so to speak. So Maslow's right in there.

On the inequality Scandinavia question, it's Saundu knows it's of interest to both of us and it's a difficult question to disentangle is how does inequality matter to happiness or wellbeing. I'll simplify it without going into too much detail about Scandinavians because I don't think I have time.

But basically, inequality matters to happiness or wellbeing depending on two things. One is how you measure it. I guess we like to measure things at Brookings. But it matters a lot because if you just throw the country's -- coefficient into the right hand side of an equation, which a lot of people do, they never get anything.

And the reason is that country level inequality for the most part doesn't matter to people; the reference norm is too big. Different cultures have different tolerance for inequality, so versus inequality at the professional level, at the neighborhood level, at -- smaller reference norms can matter a lot. But related to that, how it matters has a lot to do with what it signals.

In the U.S., and I haven't seen data since the crisis and I would like to see that, but until the economic crisis with sort of the bubble bursting about our economic model a little bit, inequality has always signaled opportunity and there was a sense that people were rewarded fairly. I think there's been a lot of discussion in recent years about whether or not that's the case. But so prior studies of inequality on the wellbeing of Americans, never found a negative effect, precisely because inequality didn't signal injustice.

In contrast, when we studied inequality in Latin America, we find that it does make the poor much less happy because inequality used to signal persistent disadvantage for the poor. That's actually not the case in terms of Latin American's mobility rates. And in the U.S. mobility rates don't bear out the myth. So a lot of it is what people perceive inequality to signal and how that affects wellbeing.

And on the temporal data and growth, I wish we did. We're trying to get at that by looking at -- this paradox of unhappy growth is based on just observations, a five year period of growth. But we are trying to collect a longer term data set for sort of since World War II on for the world as a whole and look at to see sort of long term growth, short term growth, and then we can also compare that to countries' trends in terms of GDP growth. So in a year I can probably answer you.

MS. LANCASTER: Belle, final thoughts? And then --

MS. SAWHILL: Well, I just agree very much with what Carol said and what you yourself said about Maslow. I thought the same thing and I think the Aristotelian concept is a little bit -- I mean it only applies, I think once your basic needs have been met.

On this question over here, you know, the Scandinavian countries have, as you pointed out, better safety nets, more progressive tax, or higher levels of taxation, bigger public sectors, and they have a lot more equality or less inequality than we do in the U.S.

They also have more mobility. In fact, you know, I believe there's a relationship between the two. First of all, they're small countries. They tend to be relatively homogeneous, but the rungs on the ladder are not so far apart because they don't have so much inequality and because they are smaller and more homogeneous, and therefore, people have an easier time climbing the ladder. And I think that, you know, there are interesting connections there that -- and Carol pointed out some of the others.

MS. LANCASTER: David, a last word?

MR. BROOKS: Finally a disagreement. First, the research that I've read suggests that Maslow was wrong; that there is no hierarchy of need and as we've

understood childhood more, we understand children at phenomenally early ages are seeking all of the stuff on what he thought was a hierarchy. So they're not moving up the ladder, they're just -- they want it all right away.

And that doesn't mean income is irrelevant, but it does mean that you're not moving from step one, to step two, step three, step four. There's no hierarchy. And so that's my understanding of where the research is.

And then the final quick point, I would take advantage of the Scandinavian discussion to maybe make the point, which is maybe a conservative point though, and Matt Glazer wrote this book, which is to emphasize the limits of social policy. That policy does affect things like happiness but it's probably a relatively limited effect compared to culture and history and all of that other stuff.

And that my understanding of the data is that Scandinavians in Scandinavia are amazingly like Scandinavians in the U.S.; similar poverty rates, similar healthcare outcomes even though we have very different healthcare systems, similar marriage rates. That the long influences of culture and history are probably much more powerful even on happiness than anything the government does.

MS. LANCASTER: Well, thank you. I guess I can say on behalf of Brookings, since I've been chairing this, to thank you for coming. Thank you for participating and if I can say on behalf of all of us outsiders, thank Brookings for putting on such an interesting panel and congratulations Carol.

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I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

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Expires: November 30, 2012