



Chapter 7

RESTORING AMERICAN HAPPINESS

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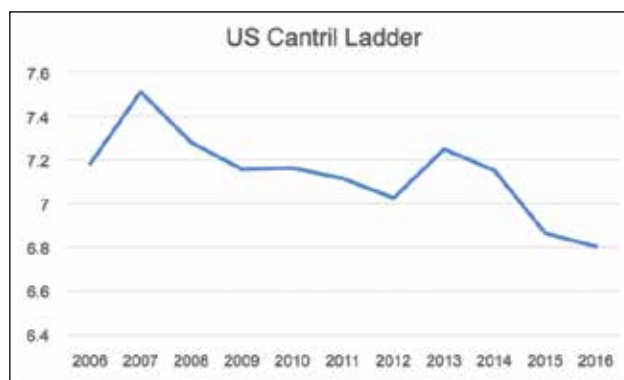
The central paradox of the modern American economy, as identified by Richard Easterlin (1964, 2016), is this: income per person has increased roughly three times since 1960, but measured happiness has not risen. The situation has gotten worse in recent years: per capita GDP is still rising, but happiness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

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

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

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

Figure 7.1. US Happiness Score, 2006-2016



Source: Gallup International Cantril ladder

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

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

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

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

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

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

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

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

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

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

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

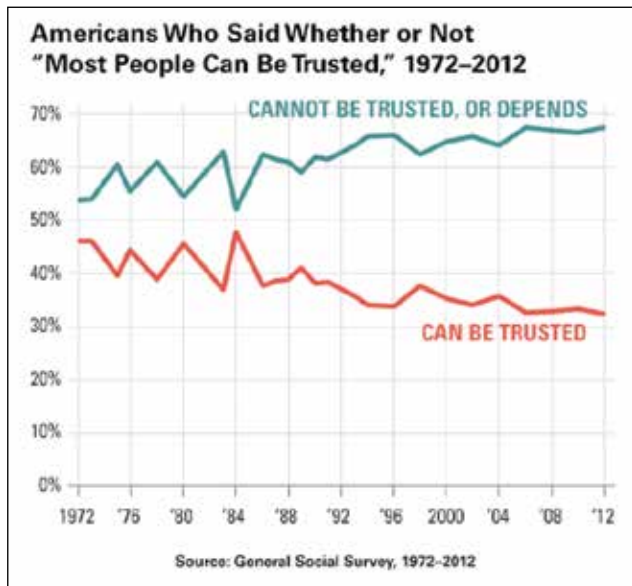
We can see this in the following thought experiment. Suppose that the U.S. were to return to the 2006/7 baselines for the social variables. This

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

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

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

Figure 7.2. Decline of Generalized Trust



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

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

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

Figure 7.3. Decline in US Trust in Government

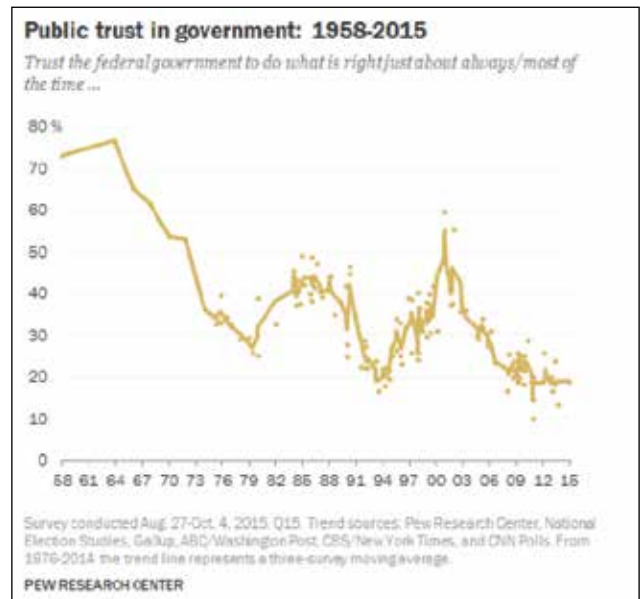
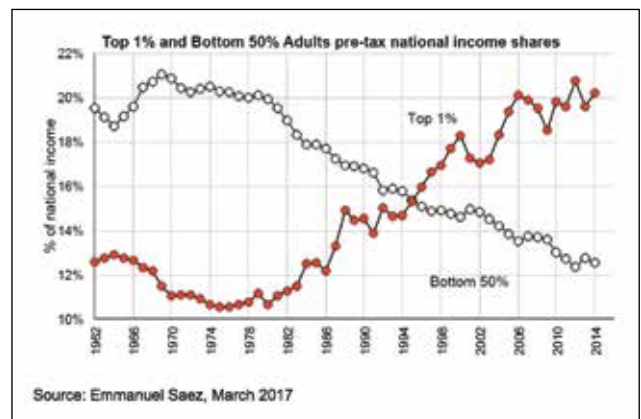


Figure 7.4. The Rise of Inequality in the United States, 1962-2014



It is of course well-known that social capital in the United States has been in decline for several decades now. Robert Putnam's¹ pioneering research played a major role in opening the eyes of Americans to the fraying of social ties. In recent years, the evidence of social crises has become overwhelming, across every aspect of social life. A small group at the top of the income distribution has continued to make striking gains in wealth and income, while the rest of society has faced economic stagnation or decline, worsening public health indicators including

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

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

At the same time, the extent of pro-social behavior among Americans seems to be on the decline. In one well-known experiment, stamped and addressed envelopes were dropped in public areas (sidewalks, shopping malls, phone booths), to see whether people pick them up and put them in a mailbox. This is a measure of helping behavior among strangers. A recent study² showed that the extent of helping behavior by U.S. residents declined sharply between 2001 and 2011, but this was not true for Canadian residents.

Another very stark indicator of social collapse is the startling finding that mortality rates are rising for middle-aged white, non-Hispanic men and women.³ This trend stands in sharp contrast to the experience of Western Europe and Canada, where mortality rates continue to fall. What makes the United States case so disturbing and revealing is that it is clearly a social crisis as much as a health crisis—the increased mortality rates are accounted for mainly by drug and alcohol poisoning, suicide, and chronic liver disease and cirrhosis.

There are several factors at work in this interconnected destruction of social capital, and their relative importance has not been determined with any precision or consensus. I would point to five.

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

The second, and closely related, factor is the soaring income and wealth inequality. Since the 1980s, America has been in a new gilded age, with tax cuts for the rich, special privileges for the wealthy to hide income in offshore tax havens, the destruction of union power, financial deregulation, and other steps to

Of course, the big money in politics keeps the political direction towards further tax cuts and benefits for the super-rich.

The third factor is the decline in social trust related to the post-1965 surge in immigration to the United States, especially the rise of the Hispanic population. Putnam⁴ reported that communities with higher ethnic diversity also have lower measures of social trust.⁵ This finding seems true for the United States, but not consistently so for other countries (such as

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