

## ***Professor Richard Easterlin: In Memoriam***

Andrew J Oswald.

*The author is Professor of Economics and Behavioural Science at the University of Warwick. He is also Chair of the Advisory Panel at the IZA Institute in Bonn, and an honorary Senior Research Fellow at the Oxford Wellbeing Research Centre.*

Just before Christmas 2024, a colossus died.

Richard ('Dick') Easterlin was my friend. I loved him for his warmth, his wisdom, his continuous generosity of spirit, his gentle brilliance, and his humanity. I had hoped to be at his 100<sup>th</sup> birthday party. Many, many of my friends and of Dick's network of colleagues around the world loved him too. I imagine they will write their own tales of this scholarly giant.

I am aware that intellectual obituaries and memorial articles are not meant to begin this way -- by talking about feelings.

But here it seems exactly appropriate: Dick Easterlin spent most of his professional life examining data on, and discussing the importance of, human feelings. Hence I think a tribute to him can and perhaps should begin that way. He would have recognized the importance of feelings among those who remain to write, and to read, memorials.

To understand Professor Easterlin, if you never met him, the central thing to grasp is that he was an intellectual iconoclast. He was arguably even perhaps the iconoclast's iconoclast, because his ideas were conceptually rebellious within fields of study that in some cases were themselves, I suppose, analytically rebellious. Those fields included the economics of happiness and the statistical study of people's fertility decisions.

A key purpose of universities is to foster and debate revolutionary ideas. That is why they seek to employ the rare men and women who are extreme iconoclasts.

Richard Easterlin's most remarkable idea turns much of standard Economics upside down (and remains disputed by large numbers of conventional thinkers). It is the argument, now famously called the Easterlin Paradox, that as nations grow richer they do not grow happier. This is either wrong or one of the most profound notions ever put forward by a researcher in any field of academia. In either case, that disconcerting proposition and its associated evidence has in principle to be faced by each prime minister, finance minister, and president on our planet. My view is that over the next hundred years they will eventually have to, so we will see such a conceptual confrontation. Climate change may hasten the uncomfortable reckoning.

There was nothing deliberately obdurate or willful about the Easterlinian choice to say things that others had never said. He simply saw the world differently -- more shrewdly, more humanly, more humanely. I do not know why he was like this. Perhaps the roots of such things lie in childhood and upbringing; perhaps they are provoked by innate personality. A glance at his CV shows that this precious ability began decades before I first met him, which was at the

conference "Economics and The Pursuit of Happiness", Nuffield College Oxford, 11 - 12 February 2000.

Dick Easterlin went so strongly against the intellectual herd that it required decades for his most fundamental ideas to take hold. The famous 1974 paper, which he told me he found impossible to publish in a regular refereed economics journal, ends with the following sentences: "If the view suggested here has merit, economic growth does not raise a society to some ultimate state of plenty. Rather, the growth process itself engenders ever-growing wants that lead it ever onward." In my view, this has the ring of truth. Since those words were written, I think it might be fair to say that such judgments, expressed in a variety of ways, and often without formal statistical evidence, have become relatively common.

Since early 1974, material riches have been spread, especially throughout a fortunate elite minority, but also in part across the majority of citizens too, at least within the modern industrialized nations. However, do we see rejoicing and widespread contentment in a consistent way? Concerns about mental health and work overload are now everywhere in the media and in informal discussions around dinner tables in prosperous countries. That was not a feature of life in 1974, nor even in the early 2000s. Formal study of mental-health scores through time are also not encouraging. Richard Easterlin would say, and I think correctly, that humans find it almost impossible to feel happier as they get richer if they see all those around them becoming richer. People, although they do not mean to do it, are intrinsically relativistic in how they feel and do their social comparisons.

Today -- and here regression equations are not needed -- we are living in a visible and continuing laboratory experiment. All readers will be familiar with it.

The BMWs get faster, larger (despite shrinking family sizes), more glamorous. Newspapers like the Financial Times and the Economist carry advertising photographs of intricate men's watches, ones that sell for prices that could buy an apartment in most of the world's cities, and are purchased by individuals who all carry mobile phones that tell the time anyway. Is the great tide of economic progress in the advantaged nations leading self-evidently to increasingly cheerful, carefree, smiling citizens?

The second main concept for which Dick Easterlin is known is a contribution to demography. It is often called the Easterlin Hypothesis or Easterlin Effect. Large cohort size, the argument goes, leads to worse circumstances for the citizens born in those cohorts. Low relative status - - in terms of economic prosperity for the individuals, especially when psychologically compared to that of their parents -- then alters how those individuals behave. They have fewer babies. They marry later. They display signs of alienation. The ups and downs of birth rates in this way have a foundational role, years later, in how well a society functions.

It is enthralling to read the 1974 paper today. I believe, although cannot be certain, that I first saw it in the late 1970s, while a student, standing in a dimly lit corner of the library that was attached to the Institute of Economics and Statistics in Manor Road at Oxford. At that time, I was studying the theory of relative deprivation, and Easterlin's arguments made sense to me. But I was principally focused on mathematical models; so I am not sure how much I took in.

It was another 15 years, working with Andrew Clark and David Blanchflower, before I became interested in formal work on happiness data.

Table 2 of Easterlin (1974), using data from the year 1970 in the USA, depicts the now-known strong positive gradient relationship between the income of a person and the reported happiness of that person. Richer individuals give higher happiness scores. Of the people in the top-income category reported by Easterlin, 56% of them say they were Very Happy. The table then shows, powerfully, how there is a monotonic decline after that: as the incomes of groups become steadily lower (this is as a cross-section), the percentage of Very Happy citizens drops in turn ... eventually to just 29% among low-income men and women. Although the pattern is not corrected in an econometric sense for any of a large number of potential confounding variables, such as marriage and health and education and age, one might think that economists of every type would be pleased by this monotonic pattern. All first-year undergraduates are taught that a person's utility level increases with the level of their income.

Surprisingly, the conclusion that Easterlin made famous (his Paradox) is only marginally evident in the 1974 article for which he has become appropriately famous. I will not report the whole of the key table, which is Table 8 in Easterlin (1974), but it gives the % numbers of the US population who report different levels of happiness. The data run from 1946 to 1970. In 1946, 39% of Americans declared themselves 'very happy'. In 1970, the last year in Easterlin's sample, 43% of Americans did so. Equivalently, in 1946, 10% of Americans gave the lowest possible answer, that of 'not very happy'. By 1970, that unhappy percentage had dropped to 6%. I am not sure how many scholars today read the famous 1974 article. It is not clear that the Easterlin Paradox emerges from the original article in the way that has been presumed. Nevertheless, modern data have suggested a considerable deal of support for the Easterlin Paradox (even though not all researchers agree, and there are certainly swings up and down in the mean level of reported happiness in a nation, particularly in response to movements in the aggregate unemployment rate, so it is necessary to solve out for the underlying trend). An example is the striking case of China through time that is described in Easterlin et al. 2012. Whether the Easterlin Paradox is exactly true, or simply approximately true and thus valuable because of the questioning insights into modern society to which it points, remains debated.

I have come to realize that astounding thinkers often sense the correct conclusions -- Easterlin and O'Connor 2022 seems to me another example -- early on without having access to unequivocally clear evidence. That is a sign of genius, in the proper sense of the word.

Few of us are able to be many, many decades ahead of our time. Dick Easterlin was. I miss him. We all do.

What a man; what a thinker.

### **Career notes**

Richard A. Easterlin studied engineering at the Stevens Institute of Technology and went on to obtain a Ph.D. in Economics from the University of Pennsylvania in 1953 (where Simon

Kuznets was an advisor). He was on the faculty there from that year onwards until 1982. He then moved to the University of Southern California where eventually he became a University Professor. Dick Easterlin was a Fellow of the American Academy of Arts and Sciences, the National Academy of Sciences, and the Econometric Society. He was a Distinguished Fellow of the American Economic Association, won the IZA Prize in Labor Economics from the Institute for the Study of Labor in Bonn in Germany, and many other awards, including recently being made a Clarivate Citations Laureate.

### **Some of Richard Easterlin's important articles [chronologically]**

Easterlin, RA (1961), "The American baby boom in historical perspective", *American Economic Review* 51: 869-911.

Easterlin, RA (1966), "Relation of economic factors to recent and projected fertility changes", *Demography* 3: 131-153.

Easterlin, RA (1973), "Does money buy happiness?", *Public Interest* 30: 3-10.

Easterlin, RA (1974). "Does economic growth improve the human lot? Some empirical evidence" In Paul A. David; Melvin W. Reder (eds.). *Nations and Households in Economic Growth: Essays in Honor of Moses Abramovitz*. New York: Academic Press.

Easterlin, RA (1978), "What will 1984 be like? Socioeconomic implications of recent twists in age structure", *Demography* 15: 397-432.

Easterlin, RA (1995), "Will raising the incomes of all increase the happiness of all?", *Journal of Economic Behavior & Organization* 27: 35-47.

Easterlin, RA, R Morgan, M Switek, F Wang (2012), "China's life satisfaction, 1990-2010", *Proceedings of the National Academy of Sciences of the USA* 109: 9775-9780.

Easterlin, RA and KJ O'Connor (2022), "Explaining happiness trends in Europe", *Proceedings of the National Academy of Sciences of the USA* 119: article e2210639119.

### **Some articles on the Easterlin Paradox (chronologically)**

Blanchflower, DG and AJ Oswald (2004), "Well-being over time in Britain and the USA", *Journal of Public Economics* 88: 1359-1386.

R Clark, AE, P Frijters and MA Shields (2008), "Relative income, happiness, and utility: An explanation for the Easterlin paradox and other puzzles", *Journal of Economic Literature* 46: 95-144.

Di Tella, R and R MacCulloch (2008), "Gross national happiness as an answer to the Easterlin Paradox?", *Journal of Development Economics* 86: 22-42.

Stevenson, B and J Wolfers (2008), "Economic growth and subjective well-being: Reassessing the Easterlin Paradox", *Brookings Papers on Economic Activity* 1: 1-102.

Oishi, S and S Kesebir (2015), “Income inequality explains why economic growth does not always translate to an increase in happiness”, *Psychological Science* 26: 1630-1638.

Mikucka, M, F Sarracino and JK Dubrow (2017), “When does economic growth improve life satisfaction? Multilevel analysis of the roles of social trust and income inequality in 46 countries, 1981-2012”, *World Development* 93: 447-459.

### **A recent textbook**

Layard, R and J E De Neve (2023), *Wellbeing: Science and Policy*, Cambridge University Press. Open access. Online ISBN:9781009298957

**Recent articles for young economists interested in where the field is today (although it should be noted that in the Web of Science there are approximately 3000 new articles per year, across all disciplines, that have ‘happiness’ in their title, abstract or key words). [chronological order]**

Brodeur, A, AE Clark, S Fleche and N Powdthavee (2021), “COVID-19, lockdowns and well-being: Evidence from Google Trends”, *Journal of Public Economics* 193: article 104346.

Kaiser, C and AJ Oswald (2022), “The scientific value of numerical measures of human feelings”, *Proceedings of the National Academy of Sciences of the USA* 119: e2210412119.

Liu, S and N Netzer (2023), “Happy times: Measuring happiness using response times”, *American Economic Review* 113: 3289-3322.

Benjamin, DJ, JD Guzman, M Fleurbaey, O Heffetz and M Kimball (2023), “What do happiness data mean? Theory and survey evidence”, *Journal of the European Economic Association* 21: 2377-2412.