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Public policy argument

Inequality and (Un)Happiness in America

From *Gross National Happiness: Why Happiness Matters for America—and How We Can Get More of It*

Arthur Brooks

In the following excerpt from "Inequality and (Un)Happiness in America," Arthur Brooks suggests that public policy should be driven by our knowledge of what causes happiness, and he argues that happiness is affected by beliefs about income mobility (people's ability to move from one economic class to another). "Inequality and (Un)Happiness in America" is from Brooks's book *Gross National Happiness: Why Happiness Matters for America—and How We Can Get More of It* (2008). Brooks is president of the think tank American Enterprise Institute for Public Policy Research.

Focus on Genre A public policy argument, *Gross National Happiness* relies on statistical evidence to support a double-layered thesis. The first layer of Brooks's thesis makes a causal argument, asserting that one thing causes another. The second layer of his thesis argues that this causality should determine public policy—in this case, policies regarding welfare, taxes for the rich, and the minimum wage.

Although it's important to critically assess the evidence used to support any argument, it's especially important in the case of causal arguments. Arguments about one thing causing another are difficult to support, largely because many things result not just from one cause but rather from a multitude of causes that interact with one another. In fact, many professors from a variety of disciplines tend to avoid the word *cause*, instead suggesting that one thing *contributes* to another, *shapes* it, or *influences* it.

As you read Brooks's argument, carefully assess the evidence he uses to support his claims of causality. Because his claims are often supported by a numbered citation, it's a good idea to refer to the appropriate endnote when you come across a citation. Assess the degree to which each source cited seems to "match" the claim being made, and see if you can generate any rival hypotheses (alternative explanations) that might provide other accounts of what causes what. Finally, assess Brooks's implicit claims about who is responsible for the problems he discusses.

Many intellectuals and scholars have built whole careers around the subject of income inequality. It is practically an academic article of faith that inequality per se is socially destructive and should be avoided wherever and whenever possible. The prevailing view is that the fairest, least envious societies—that is, the *happiest* societies—are the most economically equal ones. And thus, if we want a happier citizenry, we need less economic inequality.

Perhaps they're right—after all, equality appears side by side with happiness in the U.S. Declaration of Independence: "We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness." To be sure, most people understand this sentence as referring to political equality, or equality before the law. But a loose interpretation that includes income equality doesn't necessarily make someone a utopian leftist.

But there are good reasons to question the supposed link between inequality and unhappiness. For one thing, the prevailing intellectual view on inequality doesn't seem to match the views expressed by most normal, nonacademic folks. Although some ordinary people of my acquaintance might complain about the enormous compensation of CEOs, I rarely have heard them express any shock or outrage at the great wealth of America's richest people: successful entrepreneurs. On the contrary, they say they hope their *kids* might become the next Bill Gates or Warren Buffett. Most people I know actually admire those successful folks and don't begrudge them their success.

More convincing than my personal experiences are the data showing no link at all between rising inequality and unhappiness. If inequality were so depressing for us, we would expect to see American happiness falling. Yet average happiness has *not* fallen. Remember that, in 1972, 30 percent of the population said they were very happy with their lives. In 1982, 31 percent reported this level of happiness; in 1993, 32 percent; and in 2004, 31 percent. This total lack of significant change in average reported happiness occurred over the same period in which income inequality increased by nearly half. Statistically, income inequality does not explain any of the fluctuations in happiness or unhappiness over the past three decades.[1]

5 Nor does income inequality explain happiness differences between American communities. Looking at 30,000 households in forty-nine American communities in 2000, we see that the variation between income levels in communities explained nothing about how many people in each stated that they were very happy. Take two very different communities: the Latino community in Cleveland, Ohio, and the city of Boulder, Colorado. Boulder is characterized by far higher income inequality than Cleveland's Hispanic community, yet its citizens are more than twice as likely—45 percent versus 18 percent—to say they are very happy. Income inequality does not lie anywhere behind this happiness gap.[2]

So is this inequality bad for our nation's happiness, or not? Despite all the rhetoric from populist politicians and egalitarian academics, a good hard look at the best available data tells us that, in fact, inequality does *not* cause unhappiness in America. And efforts to diminish economic inequality—without creating economic opportunity—will actually lower America's gross national happiness, not raise it. . . .

About half of all American adults think economic inequality is a major problem, and about half of them do not. Do these two groups differ in some way that might explain the contrasting attitudes? As it turns out, their opinions cannot be explained by income, class, race, or education. Instead, what best predicts an individual's views on income inequality is his or her beliefs about income *mobility*—that is, about whether Americans have opportunities to get ahead economically. And it is these beliefs about mobility, not beliefs about income inequality, that lie directly behind much happiness and unhappiness. Those who believe that they and other Americans can get ahead with hard work and perseverance—that America offers paths to success—are generally happy and unfazed by economic inequality. Those who think that economic mobility in the United States is an illusion are relatively unhappy and tend to complain about income inequality.

In other words, some Americans are unhappy because they don't believe they have opportunities to succeed, but they complain about income inequality, as if this were the root cause of their problem. If our leaders focus on getting rid of income inequality, however, the underlying problem—lack of income mobility—will not improve, nor will happiness. (In fact, it will get worse, because the treatment for inequality exacerbates problems with mobility.) They are mistaking a symptom for a root cause.

People mistake symptoms for root causes all the time. If I am an alcoholic, my relationship with my spouse will probably suffer, and that will make me unhappy. I might complain about the bad relationship, even though my drinking is the real problem. I can work on the relationship all I want, but as long as I keep drinking, things probably won't get better. In fact, the longer I ignore the root cause, the worse it will get and the less likely I am to get back the happiness in my relationship.

And so it goes with inequality, immobility, and happiness. Let's look at the evidence. 10

First, feelings about mobility and inequality go together. Imagine you are asked the following question: "How much upward mobility—children doing better than the family they come from—do you think there is in America: a lot, some, or not much?" If you think there is not much upward mobility in America—you are not a big believer in American opportunity—you will be 46 percent more likely than people who believe there is a lot of mobility to say that income differences in our society are too large. In addition, you will be 63 percent more likely to say that income inequality is a "serious problem," and you will be 71 percent more likely to say that the government should do more to reduce inequality. Perceived immobility is what drives concern about income inequality, pure and simple.[3]

Or take the following statement: "While people may begin with different opportunities, hard work and perseverance can usually overcome those disadvantages." Imagine two people who are identical with respect to income, education, race, sex, religious participation, and family situation. The only difference is that the first person agrees with that statement, while the second disagrees. The optimist about work and perseverance will be 31 percentage points less likely than the pessimist to say inequality in America is too high. He will also be 39 points less likely to say that inequality is a big problem, and 32 points less likely to advocate for more government intervention to lower inequality. Note that this difference is *not* due to the fact that the optimist is more economically successful, better educated, or of a different race than the pessimist—the two are identical in these ways. This is purely a difference in views about opportunity.[4]

This pessimism about opportunity is clearly linked to unhappiness. In 2004, 700 American adults were presented with a statement about opportunity and asked whether they agreed or disagreed. The statement was: "The way things are in America, people like me and my family have a good chance of improving our standard of living." Those who agreed were 44 percent more likely than those who disagreed to say they were very happy in life. The optimists were also 40 percent less likely than the pessimists to say they felt like they were "no good at all" at times, and they were 20 percent less likely to say they felt like a failure.[5]

As we have found again and again, happiness follows earned success (not money) and a sense of control in our lives. Indeed, people who feel they do not have control over their own successes are generally miserable. In 2001, people who said they did not feel responsible for their own successes—whether they enjoyed successes or not, mind you—spent about 25 percent more time feeling sad than those who said they did feel responsible for their own successes.[6]

Pessimism about mobility and worries about income inequality are both associated with unhappiness. But only the former is the *cause* of unhappiness.

Imagine two demographically identical people who have the same beliefs about mobility. The inequality they personally experience—the difference between their own incomes and average incomes in their communities—is uncorrelated with their happiness. But what happens when one person believes that his family has a chance of improving its standard of living while the other person does not? The believer in mobility will be 12 percentage points more likely to be very happy than the nonbeliever.[7]

In other words, people who feel economically immobile are generally unhappier than those who feel more mobile. If we ask them about income inequality, they will say they don't like it. But it is not inequality that is driving their unhappiness—it is their perceived immobility. To confuse the two is to commit what economists call the "association-causation fallacy." It is like saying that height leads to intelligence just because, on average, we see that tall kids in developing countries do the best in school. (The real reason is that taller kids, on average, have better nutrition than shorter kids, which leads to both height and intellectual ability.)

It works something like this. Imagine you have a job at a factory, and have no other realistic employment opportunities. Seventy-five percent of the workers, like you, earn a low wage, although enough to get by. The other quarter are no more talented (in your opinion)—nor do they appear to work any harder than you do—yet they earn twice as much as you and live in relative luxury. What would you like? Obviously, the opportunity to make it into the privileged class. But since this is impossible, you instead complain about the unfairness of the difference between your wage and theirs. But if there were a clear path to the upper class and a realistic prospect of making it there if you worked hard enough, you wouldn't complain about inequality. In fact, you might even like inequality, because it would demonstrate what you could attain.

British researchers have found this to be precisely the case: People's happiness rises when the average income increases relative to their own income, if they believe they have opportunities to succeed; they interpret the income average as a measure of their own potential. The fact that Bill Gates is so rich probably raises the happiness of America's optimists, because it demonstrates to them what somebody can do with hard work, good ideas, great luck, and a system that protects free enterprise. Gates is not a duke or a prince; there is no evidence that God especially likes him. He simply had a lot of opportunities and made the most of them.[8]

In contrast, it is depressing to think that no matter how hard you work or how clever you are, you can never get ahead. This is why, when people feel there is a lack of opportunity to advance at their workplace, they often quit their jobs. Indeed, 70 percent of those who say their chances for promotion are good are very satisfied with their jobs, versus just 42 percent who say their chances for promotion are not good. We need clear paths to success, not guarantees of income equality, to be happy. Guarantees of equality actually take us in the wrong direction.[9]

20 The true relationship between mobility and happiness explains why happiness levels in America have not fallen over time, even though income inequality has risen. Unequal as it is, economically speaking, America is still a happy land of opportunity.

Those who are unhappy about income inequality favor public policies that redistribute resources. Seventy percent of people who feel that income inequality is a serious problem say the government should do more than it is doing at present to reduce the income gap. Only 33 percent of those who believe it is less than a serious problem think the government should do more.

There are a number of ways that government can do more to bring about greater equality—by instituting, for example, the kinds of policies advocated by Senator [John] Edwards. Funding welfare programs and other kinds of income support for the poor is one way. Another type of redistributive policy seeks to mandate minimum wages for the poor, placing the burden (policymakers believe) on private companies. And since equality can be achieved not just by giving to the poor, but also by bringing the top down, we can get greater equality by increasing income taxes on the rich, a redistributive policy we will no doubt see after 2008 if a Democratic candidate is elected. Democrats are also generally enthusiastic about increasing the estate tax, which limits the amount of wealth passed on from one generation to the next.

A major problem with all these policies is that they tend to have dramatic unintended consequences that hurt those they are intended to help. Welfare programs have a long history of inducing misery—provoking dependency among beneficiaries, for example, and disengaging money from earned success. Minimum wages create unemployment disproportionately among the least skilled, most at-risk members of the workforce. At the same time, policies that bring the top down change the incentives of the wealthy in ways that hurt the poor as well. Punitive income taxes reduce entrepreneurship, meaning fewer jobs created, less economic growth, less in tax revenues, and less charitable giving—all to the detriment of those left behind.[10]

Ironically, these inequality policies don't even address our main problem, if a happy society is our goal. We know that inequality per se simply does not lie directly behind life satisfaction. In some cases—even among people of modest means—inequality can actually raise happiness by holding out the promise of

rewards for future success. Rather, what makes people unhappy, either intrinsically or by way of social strife and ill-health, is immobility. Those left behind in the economy will almost certainly *not* become happier if we simply redistribute more income.

25 This is why egalitarian policies always hold out the promise of happiness but never deliver on that promise. Every movement to stamp out economic inequality has looked toward, as George Orwell termed it in *1984*, "our new happy life." Yet that happiness is always out in the future, never in the present. Stalin called himself in Soviet propaganda the "Constructor of Happiness"—a moniker that would be comical today were it not for the tens of millions of Soviet citizens who died as a result of the repression that accompanied his pursuit of egalitarian projects such as the push to collectivized farming.[11]

Furthermore, policies to redress income inequality hardly affect *true* inequality at all. Policymakers and economists rarely denounce the scandal of inequality in work effort, creativity, talent, or enthusiasm. We almost never hear about the outrage that is America's inequality in time with friends, love, faith, or fun—even though these are things most of us care about more than we do money. We know that married people, for example, tend to have much happier lives than singles, but no progressive politician I know of is out there declaring war on bachelor life. To believe that we truly redress inequality in our society by moving cash around is to take a materialistic—and totally unrealistic—view of life. To focus on income redistribution is to profess a mechanistic and impoverished understanding of the resources Americans truly value. . . .

It is absolutely true that there is economic inequality in America—in fact, the gap between the richest and poorest members of society is far wider than in many other developed countries. But there is also far more opportunity, which is what is fundamentally important to both our personal happiness and our gross national happiness. Hard work and perseverance *do* hold the key to jumping from one economic class to the next. While it is true we must solve the problems of absolute deprivation, such as hunger and homelessness, we must also recognize that the promise of rewards for hard work render the remaining inequality benign at worst—and a positive stimulant to achievement at best. Redistribution and taxation, beyond that necessary to pay for some key services, can weaken America's willingness and ability to progress.

Knowing this, we should direct our policies not at wiping out economic inequality, but at enhancing economic mobility. This means improving educational opportunities; aggressively addressing cultural impediments to success; enhancing the fluidity of labor markets; encouraging the investor revolution, which reaches further and further down the income-distribution chain every decade; and stimulating the climate of American entrepreneurship.

Many people, particularly on the political left, will call me a Pollyanna for claiming that Americans can really get ahead with hard work and perseverance. They will point out that those who reject the idea of opportunity and mobility might be *unhappy*—but that doesn't necessarily make them *wrong*. They will even point to some oft-cited research to show that not everyone enjoys equal access to the American Dream. For example, one famous study from the early 1970s looked at the economic success of schoolchildren as they grew up and concluded that school quality could not do much to redress inequalities in income. The author of the study asserted that deeper factors—such as discrimination and cultural problems—were largely to blame for ongoing economic gaps. If schools don't bring the bottom up in America, many have thus argued, isn't equal opportunity really just an illusion? And if the disease is incurable, shouldn't we just move right to the symptoms and lower economic inequality?[12]

Subsequent studies have greatly weakened such arguments, however. Whatever the limitations of our education system for improving the lives of the underprivileged, there is in fact an amazing amount of economic mobility in America. Research from the U.S. Census Bureau, the Federal Reserve, and the U.S. Treasury Department have all shown that, as a general rule, about one-fifth of the people in the lowest income quintile will move to a higher quintile within a year, and about half will rise within a decade. To be sure, this tells us that about half will *not* have risen, and the research also says that a significant proportion of people will fall to a lower quintile over the same period (which must be true, mathematically). But all in all, it puts paid to the claim that economic mobility is in any way unusual in America. Millions and millions of poor Americans climb out of the ranks of poverty every year.[13]

While there are a few prominent conservatives who complain about income inequality, it is an issue owned primarily by the political left. Rank-and-file liberals are more than twice as likely as conservatives to say income inequality is a "serious problem." This is not just because of income differences: Seventy-seven percent of liberals with above-average incomes think inequality is a serious problem, but only 40 percent of conservatives with below-average incomes agree with them.[14]

This is not to say that liberals care *only* about inequality and not about opportunity. Liberals do worry about social mobility. But they're far more pessimistic about it: Even liberals who have themselves succeeded are less convinced than conservatives—including poorer conservatives—that economic

mobility is actually possible in America. And this difference is one of the biggest reasons American conservatives are happier than American liberals today. Forty-eight percent of lower-income conservatives believe there's a lot of upward income mobility in America, versus 26 percent of upper-income liberals. And 90 percent of the poorer—but optimistic—conservatives said that hard work and perseverance can overcome disadvantage, versus just 65 percent of richer liberals. If a liberal and a conservative are identical in terms of income, education, sex, family situation, and race, the liberal will be 20 percentage points less likely than the conservative to say that hard work leads to success among the disadvantaged.[15]

These attitudes are exhibited every day in egalitarian policies promoted by the Democratic Party, which broadcasts the message that there is little opportunity for certain groups, who must instead fight for redistributive policies. According to the Democratic National Committee, "The federal minimum wage is so disgracefully low that now, during a period of extraordinary prosperity for the nation's corporations and wealthiest families, the average CEO earns as much in just a few hours on the first workday of the year as a full-time minimum wage worker earns the entire year."[16]

Democratic officials no doubt only want to help the poor when they make such statements. But these statements are nonetheless depressing—and not just to me. Research shows that messages have an effect not only on those they reach, but also on those who deliver them. In one provocative study, researchers found that when they asked normal, happy human subjects in an experiment to repeat depressing sentences, the subjects quickly began to show signs of depression. It requires no stretch of the imagination to conclude that an unhappy message about America's lack of opportunity and mobility will make the proponents of this message unhappy.[17]

In contrast, the happy political right in America reinforces its good mood whenever conservatives express faith in the American promise that anyone can get ahead with hard work and perseverance. This view is evidence of a light heart, not a hard one. What our nation must do is work tirelessly to ensure that this promise never becomes hollow.

Notes

1. General Social Surveys (GSS) 1972–2004; *Statistical Abstract of the United States* (various years).
2. *Social Capital Community Benchmark Survey* (SCCBS) [machine-readable data file] (Cambridge, Mass.: Saguaro Seminar at the John F. Kennedy School of Government, Harvard University [producer]; Storrs, Conn.: The Roper Center for Public Opinion Research, University of Connecticut [distributor], 2000). I regressed the percentage saying in each family that they were "very happy" on the income variance in each

community as well as on the mean income level in each community. The coefficient on the variance was insignificant; the mean income level, in contrast, was significant, at the 10 percent level.

3. Campbell Public Affairs Institute, The Maxwell Poll on Civic Engagement and Inequality [dataset] (Syracuse, N.Y.: Maxwell School of Citizenship and Public Affairs, 2005).
4. Ibid. These results are based on probit models in which the beliefs about inequality are regressed on beliefs about the importance of work and perseverance, as well as a vector of the demographics listed. The marginal coefficients are estimated at the mean values of the regressors.
5. 2004 GSS.
6. John Mirowsky and Catherine E. Ross, "Aging, Status, and Sense of Control (ASOC), 1995, 1998, 2001," Computer file ICPSR03334-v2 (Columbus: Ohio State University [producer], 2001; Ann Arbor, Mich.: Inter-University Consortium for Political and Social Research [distributor], 2005-12-15). In this study, people were asked whether they agreed or disagreed with the statement that they were responsible for their own successes. Those who "agreed" or "agreed strongly" said they felt sad, on average, 0.96 days per week. Those who "disagreed" or "disagreed strongly" were sad an average of 1.2 days per week.
7. 2004 GSS. To measure the actual inequality people experience, we compare their income with that of others of their same sex, age, and education level—what economists call their "reference group." This analysis regresses a dummy variable indicating that someone says he or she is "very happy" on household income, the absolute distance of income to the reference income, the amount by which income exceeds (or falls short of) the reference, a dummy for a response that the person agrees that he or she has a good chance of improving living standards, and a vector of demographics. The marginal effects are estimated as the probit coefficients evaluated at the mean values of the regressors. Models in which each income measure is estimated separately (to ensure against collinearity problems in the full model) produce virtually identical results.
8. Andrew E. Clark, "Inequality-Aversion and Income Mobility: A Direct Test," Centre National de la Recherche Scientifique (CNRS) and Department and Laboratory of Applied and Theoretical Economics (DELTA)–Fédération Jourdan Working Paper 2003-11 (2003); Claudia Senik, "What Can We Learn from Subjective Data? The Case of Income and Well-Being," CNRS and DELTA–Fédération Jourdan Working Paper 2003-06 (2003).
9. 2002 GSS.
10. As Irving Kristol put it, "The problem with our current welfare programs is not that they are costly—which they are—but that they have such perverse consequences for people they are supposed to benefit." Irving Kristol, "A Conservative Welfare State," *Wall Street Journal*, June 14, 1993.
11. George Orwell, *1984* (New York: New American Library, 1983), p. 40; Darrin M. McMahon, *Happiness: A History* (New York: Atlantic Monthly Press, 2006), p. 403.
12. Christopher Jencks, *Inequality: A Reassessment of the Effect of Family and Schooling in America* (New York: Basic Books, 1972). Jencks's work grew out of James S. Coleman's 1966 "Coleman Report" ("Equality of Educational Opportunity [Coleman] Study [EEOS]" [Washington, D.C.: U.S. Department of Health, Education, and Welfare, Office of Education/National Center for Education Statistics, 1966].)

13. Bruce Bartlett, "Income Mobility Belies Liberal Myth," National Center for Policy Analysis, August 23, 2000, http://www.ncpa.org/oped/bartlett/aug2300.html; "Movin' On Up" (editorial), *Wall Street Journal*, November 13, 2007, p. A24.
14. 2005 Maxwell Poll.
15. Ibid. These results are based on a probit model in which the beliefs about the importance of hard work are regressed on political views as well as a vector of demographics. The marginal coefficients are estimated at the mean values of the regressors.
16. Democratic National Committee, "Stop the Diversionary Tactics and Raise the Minimum Wage!" 2006, http://www.democrats.org/a/2006/08/stop_the_divers.php.
17. Stefan Klein describes this study in his book *The Science of Happiness: How Our Brains Make Us Happy—and What We Can Do to Get Happier* (New York: Marlowe, 2006), p. 185.

Questions for Critical Reading

1. Were you persuaded by Brooks's arguments that unhappiness is caused not by income *inequality* but by beliefs about income *mobility*—and that policies such as welfare, a mandated minimum wage, and higher taxes for the rich are counterproductive? Why or why not?

2. Public policy arguments such as Brooks's could be organized by first advocating for a policy and then providing reasons and evidence—or, conversely, by first providing reasons and evidence and then advocating for a policy (or policies), as Brooks does. Why do you think Brooks didn't start the chapter by claiming that policies such as welfare, a mandated minimum wage, and higher taxes for the rich are counterproductive? What might he have gained by waiting until later in the chapter to argue that these policies are problematic?

3. Recall that because people's beliefs about causality (what causes what) can influence both public policy and people's behavior, it's important to question claims of causality, whether they are made by Brooks or anyone else.

When Brooks claims that pessimism about income mobility "is the *cause* of unhappiness" (para. 15; emphasis original), he says that we need to avoid commiting the association-causation fallacy (para. 16)—that we shouldn't be fooled into thinking that a third factor, income inequality, causes unhappiness just because income inequality may happen to occur along with unhappiness. Although Brooks considers and argues against this rival hypothesis (alternative explanation), he doesn't consider the following rival hypotheses. As you read this list, consider whether any of these rival hypotheses might be valid:

- Instead of pessimism about income mobility causing unhappiness, as Brooks claims, it could be the reverse—that unhappiness makes people more likely to be pessimistic about income mobility.