

**John Hood's Daily Journal****Flashback: This Side of Paradise****By John Hood****July 20, 2011**

*Getting ready for a trip to Oregon, so for today I am pleased — one might even say happy — to offer this flashback to a 2009 column.*

RALEIGH – Today, I’m happy to recommend some additional reading about a subject in which I’ve long maintained an interest: happiness itself.

The quality of research on trends in personal happiness and satisfaction has improved significantly in recent years. Researchers can not only examine survey results across cultures and going back in time, but they can also study the connection perceived well-being to social, economic, religious, and public-policy variables.

As I have [previously observed](#), there’s already good evidence to believe that, all other things being equal, increases in personal, political, and economic freedom lead to increases in personal happiness and satisfaction. Freedom, in short, seems to make you happier. Being in the [freedom](#) business, I was quite happy to hear that conclusion.

Will Wilkinson, a research fellow at the Cato Institute, has just published a new paper that applies the findings of happiness research to a hot public-policy controversy: economic inequality.

Again, I’ve written in the [past](#) about this important topic, observing that attempts to measure inequality by comparing differences in reported income inevitably overstate the degree of that inequality and fail to detect its major causes. Comparing the average consumption of each quintile of the population, a far better measure of standard of living, dramatically reduces economic inequality. But even that, says Wilkinson, misses the point.

Economic well-being is difficult to capture in any standard dataset. Aggregates still mislead. For example, if the overall inflation rate in an economy is 3 percent, that doesn’t mean that everyone is experiencing the same rise in the prices of goods and services actually consumed. Wilkinson presents good evidence for the proposition that the price of goods disproportionately consumed by the wealthy has been going up a lot faster over time than the price of disproportionately consumed by the poor, such as food and clothing. Adjusting household spending accordingly would further narrow apparent gaps in well-being.

Moreover, the gain in personal utility per dollar spent on a good is typically higher for those of modest means than for those of wealth. For example, the gain in personal satisfaction from purchasing one’s first refrigerator, television, or car is often much greater than the gain from upgrading to a larger or more luxurious refrigerator, television, or car. If you judge such matters only by using aggregate income or consumption data, you can’t possibly get at the fundamental question.

Wilkinson does:

*The weight of evidence supports the idea that there has been no increase in real consumption inequality. Further, the possibility that standards of living have actually become more equal is supported by several strands of evidence, including the decline of inequality in life satisfaction since the 1970s. Fixating on income inequality may have caused us to miss one of the biggest stories of modern times: America may have become materially more equal. And no one noticed.*

Well, perhaps that's overstating thing a bit. Some of us **have** noticed. But among those who haven't noticed the real trend are far too many politicians, journalists, activists, and self-appointed "advocates" for the poor continue to peddle the notion that America is an increasingly unequal place.

The current recession has been no picnic. Plenty of people are suffering its effects. But over the past few decades, the vast majority of families in North Carolina and the rest of the country have experienced progress, not regress, and gaps in personal happiness have shrunk, not grown.

Should we be completely satisfied with the amount of progress? Of course not. There's always room for improvement. But should we be happy about it? Absolutely.

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