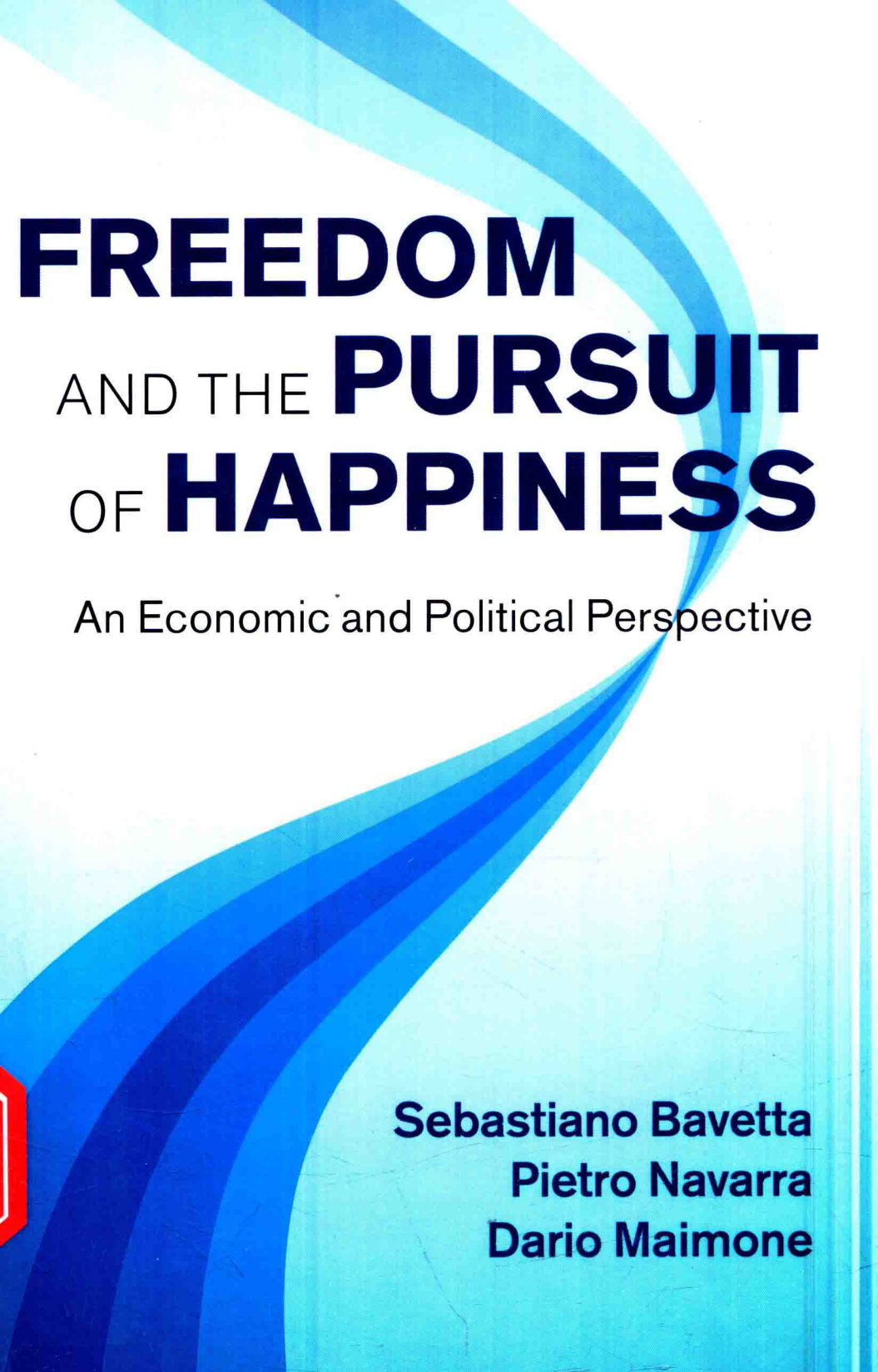




FREEDOM AND THE **PURSUIT** OF **HAPPINESS**

An Economic and Political Perspective

Sebastiano Bavetta
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Freedom and the Pursuit of Happiness

An Economic and Political Perspective

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FREEDOM AND THE PURSUIT OF HAPPINESS

An Economic and Political Perspective

This book is about the relationship between different concepts of freedom and happiness. The authors distinguish three concepts for which an empirical measure of freedom exists: opportunity to choose (negative freedom), capability to choose (positive freedom), and autonomy to choose (autonomy freedom). These measures allow to depict a comprehensive account of the relationship between freedom and well-being by comparing channels through which freedoms affect people's perception of well-being or quality of life. The book also explores whether the different conceptions of freedom complement or replace each other in the determination of the level of well-being. In so doing, the authors make freedoms a tool for policy making and are able to say which conception is the most effective for well-being, as circumstances change. The results have implications for a justification of a free society: maximizing freedoms is good for its favorable consequences upon individual well-being, a fundamental value for the judgment of human advantage.

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Preface

The sense of tragedy that pervades a substantial part of nineteenth- and twentieth-century Sicilian literature – Italian literature written by Sicilian writers, we should rather say – is crystallized, time and again, in the theme of death contemplation. The memorable scene – masterfully portrayed by Luchino Visconti in his 1963 movie *The Leopard* – of the Prince of Lampedusa longing for death after leaving the magnificent ball given in honor of Tancredi and Angelica's betrothal marks his desire to shrug off the unbearable burden of decadence that death only may satisfy. History has changed. The transformation of the institutions and traditions in which the leopards have been thriving and, eventually, the overturn of their relative position of power in the social structure loom large and incipient. The Prince's generation is doomed and whereas he regards his days as the time of the leopards, he's aware that the future rather belongs to jackals and hyenas. It is a future in which he refuses to partake. No wonder his lust for death, his passionate and tragic wish to leave the stage to the new, deeply despised actors, to whom history handed the keys of the social order. No more is left to his generation of leopards, stuck in the relentless contemplation of a vanished golden age, than to reclaim death to wash away the hopeless and desperate observation of the spiritual dearth left by the rolling of time.

And yet, the contrast could not be starker. None of the true leopards, despite their cosmic pessimism, can be imagined as less than a full man. They are not only rich in material possessions, financial means, wealth, powerful connections, and variety of opportunities; they are cultured and passionate persons, accomplished in the arts and sciences, thriving as much in intellectual interests as they are in material pleasures. They are purveyors of the eudamonistic life goals set by Aristotle – of which death contemplation is, in their decadent attitude, an indispensable part – and, at the same time,

fully absorbed by the Epicurean pleasures generously offered to those living under the Mediterranean sun. It is hard to imagine how they could wish to terminate the wonderful experiences of their own terrestrial lives.

Perhaps it is the burden of age and the incipient physical weaknesses that exert a powerful force in the Prince's contemplation of death. Or, perhaps, there is a subtler explanation, pertaining to social analysis rather than to the study of psychology, that sheds light upon his attitude: the fatalist view that destiny is ineludible and a man's greatness rests only in his proud acceptance of life's gifts and burdens. As a matter of fact, the days of the leopards, traceable to the early second half of the nineteenth century, saw the end of an older, feudal order in Sicily and the collapse of a set of values and norms that the leopards regarded with great admiration. Among those norms and beliefs, honor holds a central position as well as the blind respect due to long-standing traditions and unquestioned authority. No space was left for the values, norms, institutions, and beliefs that, in those precise years, were leading elsewhere to the affirmation of the modern economy: no reference to the desire to exercise one's own judgment in the interpretation and modification of social life; no wish to act on one's own imagination or to stick to one's own – autonomously formed – values; no acceptance of the idea of competition as a tool to test personal traits of character and to unveil the goodness of ideas and acts; no sense of one's own experience in life as a challenging voyage into the unknown. In a word, no modernist attitudes, as Edmund Phelps says in his recent *Mass Flourishing*.

Though this explanation hardly does justice to the Prince's character as portrayed by Tomasi di Lampedusa, we are convinced that modernist attitudes shed light on the "production" of happiness and that lack thereof on the degree of unhappiness of a people. In the literary license accorded to lyrical writings, the Prince's fatalist attitudes translate into a tragic love and passionate desire for an end that reveals the depth of his personal unhappiness. In the colder language of science – to whom few licenses should be accorded – modernist values walk hand in hand with higher recorded levels of people's satisfaction and, moreover, have a substantial marginal effect in the production of happiness, *ceteris paribus*. This is the most prominent message of the present book.

Modernist values were a scarce commodity in the leopard's society because they speak the language of freedoms, largely unknown in an environment barely exposed to the ideas of the Enlightenment. Modernist values thrive where people have opportunities, governments interfere little and predictably, and individuals cultivate the sense of mastering their own lives. Each of these freedoms contributes to knit a fabric of society in which each

person acquires the sense of the uniqueness of his or her own life project and perceives, at the same time, the opportunity and the desire to realize it. It is the realization of one's own life project that makes one happy as a human being, as this book's results attest.

It is the widespread diffusion of freedoms then that ties together a bunch of – loosely identified – modernist values, on the one hand, to the pursuit of happiness, on the other. Our greatest challenge, henceforth, is to measure the prevalence of freedoms and to establish whether they bear any consequence on well-being. If they do, this is because they allow certain values (modernist in a loose sense) to flourish that have to do with self-realization and control over the course of one's life.

The recent research effort conducted by Bavetta and Navarra to assess the extent of freedom comes to our rescue. The concept of *autonomy freedom* offers a quantitative indication of the affirmation of the desire to act on one's imagination or to exercise one's judgment in social life. Moreover, its empirical assessment is based on the idea of choice, the same idea that guides the measurement of the two other freedom indicators – government interference and availability of opportunities.

By measuring freedoms, we are therefore able to gauge indirectly the prevalence of modernist values and, to the extent that they are connected to happiness, to shed light on the latter's production. The results are thought provoking and orthogonal to the established knowledge. Freedoms are always a significant determinant of happiness. Also, the greater the degree of freedom offered by the institutional environment, the stronger the effects produced by autonomy freedom in the determination of happiness. Against much received wisdom, extending the possibility for choice does not depress people's satisfaction since it enlarges the chances of affirming oneself. In more general terms, freeing institutions so as to grant wider opportunities increases the chances of rooting individual life in one's autonomously formed view of the good, leading, ultimately, to higher degrees of satisfaction. A good society should then allow people the widest opportunity to manifest their individuality.

Yet, there is more. Scientific interest on happiness, at both the theoretical and the policy levels, has emerged in the last few decades, unscathed by the usual volatility that affects research fashions. In the language of financial markets, we could say that the "fundamentals" of such an interest are deep and well founded, so substantial investments are justified. It would be unfair to limit this book's range of operations to the research stream on happiness, no matter how fecund it is. Another theme looms large. In *The Economics of Freedom*, Bavetta and Navarra argued in favor of a society that,

at the same time, is not burdened by pervasive government interference in individuals' choices and is characterized by a diffuse perception among its members that they are ultimately responsible for the outcomes of their lives. Such a society, if it exists, possesses many characteristics favorable to growth and dynamism since it makes the soil fertile for experimentation and for modernist values. The argument offered in *The Economics of Freedom*, however, cared only about whether "overall free" societies were conducive to good outcomes. It never tested whether they were also favorable to the affirmation of happiness. The contribution to a discourse on the good social arrangements offered in that book was therefore connected to the idea that freedom has value but did not explicitly disclose the value of what can be done with what freedom allows one to do.

This book addresses the value of what we can do with freedom: its specific value in terms of production of happiness. We quantify this specific value and offer two insights. First, a defense of a free society is reinforced by our results, in particular by the observation that freedoms contribute to happiness. Second and more importantly, we conclude that a major role among freedoms in the production of happiness is played by the possibility to act according to one's judgment. The importance of this conclusion should not be underestimated, above all in libertarian circles. As a matter of fact, it suggests that a view of freedom that explicitly includes and measures autonomy is a better predictor of happiness production than a view merely based on noninterference. This conclusion reinforces our view that a richer analytics for freedom is a major investigative effort that deserves careful attention. Freedom is too important in our social life to leave a discussion about its nature and consequences to ideologically laden philosophical disputes.

Our intellectual obligations range wide. We are indebted to the Philosophy, Politics and Economics Program at the University of Pennsylvania. It provided a formidable environment for the study of the relation between freedom and happiness, intellectually deep, sophisticated, and stimulating. We are also indebted to Cristina Bicchieri, who successfully runs the PPE program at U Penn. Cristina is a gifted person who has revamped a field of study – social philosophy – that had fallen into oblivion. Her perceptive suggestions have been an essential guide in the elaboration of this particular project, as well as in shaping our collaboration with the program.

We would also like to thank our institutions in Italy: the Università di Palermo for Bavetta and the Università di Messina for Maimone and Navarra. They steadily supported our research effort and helped us to complete it in a short period of time. The difficult days that the Italian higher

education system is experiencing have been made less painful by the relentless support that we have been offered in the making of this project.

We are also grateful to the students in the Philosophy, Politics and Economics Program at the University of Pennsylvania who attended Bavetta and Navarra's course on freedom during the last three years. Their questions and intense engagement on the material we presented – including chapters of this book – contributed to improve the final result and convinced us that we were plowing a fecund soil. Our gratitude must also travel to the other side of the Atlantic, to the graduate students in the Economics and Institutions doctoral program at the University of Rome Tor Vergata. Their challenges were hard to cope with. We hope that the topics of this book – quite heterodox in the program they attended – have represented to them more than a mere diversion in the education that they received. Among them we want to thank Francesca Lipari and Maria Marino, who have carried in their own thesis the idea of autonomy freedom beyond the boundaries of this book.

We have incurred a significant intellectual debt with Walter Distaso, Leone Leonida, and Stefan Voigt. Walter and Leone have offered constant guidance through the complexities of the econometrics without losing sight of the conceptual message, and Stefan through the complexities of the conceptual message without losing sight of the technicalities. While any error is exclusively our responsibility, the betterment of the overall quality of this book owes a great deal to the three of them.

A specific part of this project was conducted with Peter Miller, who works with us on the Personal Freedom project at the University of Pennsylvania. Peter has offered a thorough and extremely competent search of the literature on political freedom and on the relations between political freedom, political institutions, and personal happiness. He contributed many insights that improved upon the analysis of the role of political freedom in the determination of happiness.

Emilio Pacheco, Filippo Sabetti, Ashley Thomas Lenihan, Alberto Mingardi, Geoffrey Brennan, Dennis Mueller, Sebastiano Maffettone, Pierluigi Barrotta, Patrick Lynch, Sheena Iyengar, and Fabio Padovano, who participated in a Liberty Fund colloquium on the idea of autonomy freedom hosted on the beautiful little bay of Villa Igia in Palermo, have all offered important advice and insights on the notions of freedom and on the relation between freedom and happiness. Dennis Mueller, in particular, has subjected the idea of autonomy freedom and its consequences to a frank and thorough analysis, for which we are grateful. So has Emilio Pacheco, whose view of liberty is probably more mainstream than the approach purported here, and yet – we are confident – he will detect and acknowledge the virtues and

the far-reaching implications of our proposal. We are very grateful to the Liberty Fund for its support in the organization of the colloquium and for giving us a wonderful opportunity to debate our research interests.

Bernie Grofman and Martin van Hees deserve special mention. During his visit to New York University's Straus Institute, we met Bernie time and again. Admittedly, not all our meetings were concerned with happiness but they surely contributed to the creation of happiness. A production of *Breakfast at Tiffany's*, a bunch of highly rated restaurants, and plenty of pleasurable conversations: that's all we needed, and the heavy rain that too often accompanied us could not spoil it. Bernie has offered continual advice on how to best frame our discourse on freedom and happiness and on the relation between political freedom and the extent to which people are happy. Martin van Hees has a strong opinion about the idea of negative freedom, which does not explicitly include autonomous behavior. We had many conversations with him on the importance of autonomy as an independent component of negative freedom, and this book offers an argument for why we want to keep autonomous behavior separate yet still part of negative freedom. We are not sure whether he will be convinced, but we suspect that our respective points of view are not as far apart as it seems. So, maybe we don't need to convince him: Martin is already on our side.

The ideas discussed in this book have been presented in different forms and in bits and pieces at many seminars and conferences. An incomplete list must include the University of Bayreuth, after a very kind invitation from Matthew Braham. Under the spell of Wagner's justly celebrated opera house a substantial debt we have incurred is to Gabriele Cappai who, beside being a wonderful host, has been extremely helpful with suggestions, challenging conversations, and intellectual advice. This book owes him a lot. We are privileged to also mention in this list the Università di Milano Bicocca – in particular Michela Cella, Floriana Cerniglia, Pier Luigi Porta, Luca Stanca, and Luigino Bruni; the Università di Pavia, in particular the Italian Public Economics annual meeting; the American Public Choice Society Meeting; the Department of Economics of the Università di Palermo and Giorgio Fazio, Valentino Dardanoni, Luigi Balletta, and Daria Mendola, in particular; and the University of Essex Liberty League (in particular, Jacob Jilek).

A special mention must go to the Heritage Foundation and, foremost, to Terry Miller and Anthony Kim, Director and Senior Policy Analyst, respectively, at the foundation's Center for International Trade and Economics. They invited us to give a talk in their beautiful Washington, D.C., headquarters, near Union Station, that overlooks the Capitol's dome. The seminar produced a paper that was published in the 2011 edition of the *Heritage*

Index of Economic Freedom and offered the opportunity to discuss the idea of freedoms and happiness in the measurement of freedom's homeland.

The ideas discussed in this book are part of a larger research effort that we are conducting at the University of Pennsylvania on the measurement of personal freedom and its policy and political implications. We are grateful to the John Templeton Foundation for financial support and for the opportunity to put together a group of first-rate senior and junior scholars from different disciplines engaged in a scientific enquiry on the powerful consequences of being free. Within the John Templeton Foundation we wish to express our gratitude to Mauro Di Lorenzo, Daniel Green, and Chris Levenick.

It is no secret that a book's success owes a lot to the publisher's editor, especially if he or she is a great editor, as in our case. We could not be more fortunate to have Scott Parris at Cambridge University Press and then Kristin Purdy and Kate Gavino, after Scott left the Press. Scott's support of our project and his dedication and care in the transformation of the manuscript into this book have been important throughout the entire editorial process and have enormously improved upon the final result. Finally, we wish to thank the referees who went through two drafts of this book for their suggestions and patience.

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ONE

Introduction

In September 2009, after more than one year of work, The *Commission on the Measurement of Economic Performance and Social Progress* (CMEPSP) instituted by the President of the French Republic, Nicholas Sarkozy, released its report. The Commission, chaired by Joseph Stiglitz, gathered more than 20 first class economists and a handful of Nobel Prize winners such as Kenneth Arrow, Daniel Kahneman, James J. Heckman, Amartya Sen and Stiglitz himself. The objective of this distinguished group of scientists was twofold: to examine the limitations of GDP as an indicator of economic performance and social progress and to suggest an alternative and more appropriate measure to capture well-being. The document produced by the Commission highlighted that traditional indicators to assess progress are out of touch with what individual citizens value the most. Therefore, it is necessary to move beyond conventional measures based on mere accumulation of material possession to a new vision in which center stage is taken by well-being and the quality of life of individuals in society.

The idea to shift emphasis from material prosperity to subjective well-being was not isolated to France or to a specific political ideology. The British Prime Minister, David Cameron, questioned the value of GDP as the overriding indicator of success and failure of countries and societies by sustaining the Happiness Formula Program: “We should be thinking not just what is good for putting money in people’s pockets, but what is good for putting joy in people’s hearts.”¹ The motivations underlying the

¹ In November 2011, David Cameron launched a plan to measure the nation’s happiness. The Office of National Statistics started to draw up questionnaires designed to quantify how happy or sad the citizens of the UK are at any moment in time. Similarly, in Italy the National Institute for Statistics (Istat) is implementing a procedure to collect nation-wide information to measure the extent of quality of life enjoyed by the population.

work of the commissions are not new. On the other side of the Atlantic, about forty years ago, in one of his public speeches Robert Kennedy noted that “too much and too long, we seem to have surrendered community excellence and community values in the mere accumulation of material things.” He continued by saying that GDP does not include the beauty of our poetry, the strength of our marriages, the intelligence of our public debate, or the integrity of our public officials. It measures neither our wit nor our courage; neither our wisdom nor our learning; neither our compassion nor our devotion to our country. He concluded that “[GDP] measures everything, in short, except that which makes life worthwhile.” Another important statesman in the United States was aware of the shortfalls of statistical indicators of material prosperity. In the 1934 State of the Union address, Franklin D. Roosevelt warned that “the overwhelming majority of our people seek a greater opportunity for humanity to prosper and find happiness. They recognize that human welfare has not increased and does not increase through materialism and luxury, but that it does progress through integrity, responsibility, and justice.” Moving again in time and space, we observe that Australia’s government too is committed to producing national measures of well-being in order to inspire policy choices. Peter Costello, the longest serving Treasurer in Australian political history, in a recent public speech announced that “Australia’s ranking on the Gross National Happiness index rose by 0.3 points during 2010. The rise is due to strong pro-happiness policies pursued by the coalition government.”

Although President Sarkozy asserted that France would be a pioneer in the use of new techniques to measure well-being, the idea of considering quality of life as the ultimate policy objective of governments has been implemented since 1972 in the Asian kingdom of Buthan. At that time, Jigme Singye Wangchuck, the King of the East Himalayan Buddhist monarchy sandwiched between the world’s two most populous countries, China and India, decided to make his nation’s priority not its GDP, but its GNH, which stands for Gross National Happiness. Under the leadership of the Center for Buthan Studies, a sophisticated survey was developed to measure the population’s general level of well-being. From then onwards, the purpose of development and the role of the state became that of creating conditions to let people search for and pursue what they aspire the most in life.

The central importance that people attach to the quality of their lives retains a long and established tradition in the social sciences. Aristotle’s ethics is built on the indisputable fact that all men aspire to be happy in life. He argues that everyone agrees that *eudaimonia* (commonly translated as