Introduction to Special Issue of *Review of Behavioral Economics* Honoring Richard A. Easterlin

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Abstract: This paper introduces the Special Issue in the *Review of Behavioral Economics* honoring Richard A. Easterlin. It discusses the intellectual roots of his work that suggests an important role for social relations in economic behavior dating from the work of his intellectual ancestor, Thorstein Veblen, and how these came to lead to his innovative Easterlin Hypothesis and Easterlin Paradox. It also provides summaries of the papers in the Special Issue.

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There are very few people who have both a "hypothesis" (Easterlin, 1961) and a "paradox" (Easterlin, 197) named for them. Indeed, I know of only one such person, Richard A. Easterlin, whom this Special Issue of our journal is honoring. Originally the intention was to honor him for his 90th birthday, but as these things go time has passed and he turned 91 some time ago, although still an active member of the Department of Economics at the University of Southern California where he has held a University Professorship since 1999. It is a pleasure and an honor to present to our readers this Special Issue honoring him and his achievements.

Professor Easterlin's career has been long and filled with many honors too numerous to fully list. Born in 1926 in Ridgefield Park, NJ, he received his Bachelor's degree in engineering from the Stevens Institute of Technology, going on to receive his PhD in economics from the University of Pennsylvania in 1953 under the direction of Simon Kuznets. He would serve on the faculty there until 1982, when he moved to USC where he has remained since aside from visits to numerous other institutions. His honors include the following incomplete list: Fellow of the American Academy of Arts and Sciences, 1978; Fellow of the Econometric Society, 1987; Irene B. Taeuber Award of the Population Association of America, 1988; Fellow of the John Simon Guggenheim Foundation, 1988-89; Member of the US National Academy of Sciences, 2006; Distinguished Fellow of the American Economic Association, 2006.

This Special Issue will present papers that both discuss his past career, including his early years as an economic historian and demographer that produced the Easterlin Hypothesis, as well as a paper by him and then others that focus on his more recent work on happiness economics, including the Easterlin Paradox. To introduce this Special Issue I would like to mention certain linking threads that run through his work and that come from before him through his own intellectual ancestry, which he has fulfilled magnificently. The main thread that runs through the work of his intellectual ancestors and that shows up in both his earlier work in economic history and demography as well as his later work on happiness economics is his emphasis on social relations and how people behave psychologically in the

context of the conditions of those around them who set norms and expectations that people strive to follow. His major professor, Simon Kuznets, was much concerned with issues of social relations in his extensive work on income distribution (Kuznets, 1955), which Easterlin joined him in as his student. Kuznets in turn had inherited this concern from his major professor at Columbia University, Wesley Clair Mitchell, founder of the National Bureau of Economic Research, which Kuznets and Easterlin both contributed substantially to. Mitchell is mostly remembered for his work on business cycles, but it has been largely forgotten that his business cycle theories relied heavily on ideas of social and psychological factors influencing capital investment as a driving force of those cycles (Mitchell, 1924). In turn this view reflected ideas of Mitchell's professor at the University of Chicago, Thorstein Veblen (1899), arguably the founder of the view that people's economic behavior is strongly influenced by social pressures from those around them, with Easterlin arguably further developing the original Veblenian ideas more fully than most of those in this intellectual chain that I have just described.[1]

The opening paper in this issue following this Introduction is a memory of Easterlin as a professor and young researcher written by his first PhD student at Penn, Eugene Smolensky ("In the Beginning was Richard A. Easterlin," 2017).[2] Smolensky approaches the topic with his famous wit, but also with keen insight, recounting Easterlin's concern for accurate historical data and a broader perspective on economic thinking. He notes that some have viewed Easterlin as being "anti-theoretical," which may be true at least as regards conventional economic theory. However, his role as an empirical economist in the tradition of Mitchell and Kuznets is profound, especially as regards his co-founding of the *cliometrics* school of economic history, which applies econometric analysis to studying

[1] Two other important figures who have made such arguments, although not in this direct intellectual line, are James S. Duesenberry (1949), whose relative income hypothesis of consumption behavior has largely disappeared from textbooks, even as evidence mounts that it is a superior theory to those competing theories more widely touted, and also Robert Frank (Frank et al., 2014), who strongly represents the Veblenian tradition in modern economics and has supported the work of both Duesenberry and Easterlin.

[2] I cannot refrain from noting that Smolensky was my major professor at the University of Wisconsin-Madison.

economic history. He has never hesitated to let the facts lead him to his conclusions, irrespective of what conventional economic theory or existing priors might say about those conclusions.

Stanley Engerman ("Richard A. Easterlin, Economic Historian, and Demographer," 2017) then recounts more fully Easterlin's work in economic history and demography and his role as a founder of cliometrics. He discusses Easterlin's famous hypothesis that sought to explain the postwar baby boom in the US as reflecting both social expectations of parents comparing themselves to their parents and their cohort, which implied an endogenous cycle of fertility as generations alternate in terms of birth rates and wage rates, a pattern that has continued since he identified it in 1961. He also discusses Easterlin's extensive research on longer term economic growth, a theme of Kuznets, with ideas regarding endogenous demographic cycles fitting into ideas of longer term economic fluctuations along the lines of the Kuznets cycle (Easterlin, 1966) , as well as deeper issues regarding why some nations have grown economically while others have not (Easterlin, 1981), posing a broad view of this issue.

We then present Easterlin's own contribution to this issue, "Paradox Lost," (Easterlin, 2017). This moves on to the topic of happiness economics and especially his "paradox," which he defends against various critics in this paper, suggesting essentially that the paper should probably be subtitled, "Paradox Regained." His paradox amounts to noting that while in most nations cross section studies of the relation between per capita income and happiness (or social wellbeing) measures are positive, time-series within most of them show little relation between economic growth over time and happiness. Critics have argued that cross section studies across nations disprove the latter argument and also have presented some studies arguing a positive relation between income and happiness over business cycles. He responds by noting that cross section studies across nations do not address the time-series issue within nations. He accepts that there are correlations between happiness and business cycles, but argues that for most of the nations involved, the correlations break down when one looks at the longer term horizon of economic growth, drawing on estimates for a variety of 45 nations. He also notes that

for the US, his original example in 1974, there has continued to be no increase in measured happiness since then, despite per capita incomes rising, and that for some nations with rapidly rising incomes, such as India and China, actual declines in measured happiness have occurred.

Carol Graham ("A Tribute to Richard Easterlin: Economist, Demographer, and Gentleman," 2017) follows with the first of a series of papers that not only praise the work of Easterlin, but extend his idea of paradoxes of happiness beyond his original formulation. Drawing on her own past work, Graham notes the paradox in rapidly growing developing nations of the phenomenon of "happy peasants and frustrated achievers," with this possibly explaining the outcomes observed in China that Easterlin discussed. She also notes the serious problem of declining happiness among the white working class within the United States, despite income levels still higher than some other groups in the US as well as most people in the rest of the world.

Claudia Senik ("Gender Gaps in Subjective Wellbeing: A New Paradox to Explore," 2017) considers the apparent paradox of women generally reporting higher levels of happiness than men, even as this cannot be explained by labor market outcomes, income levels, education levels, or more general personality traits. She poses that these might be at least partly explained by a taste for diversity in life activities by women as well as low expectations based on past experience and norms. She notes that a problem with the former is that it is accompanied by frustration on the part of many women about having to choose what to focus on and being stressed by having too many responsibilities. On the latter, to the extent it is true, as womens' expectations about income outcomes rise, this may weaken as an explanation for this apparent paradox.

Robson Morgan and Kelsey James O'Connor ("Experienced Life Cycle Satisfaction in Europe," 2017) contribute to the hotly debated question regarding how measures of happiness vary over the life cycle. They argue that it is widely accepted that accounting for various controls such as income,

employment, and health, happiness tends to follow a U-shaped curve throughout most peoples' lives, starting high in the late teens and early 20s, declining to a low in the late 40s to 50 or so, and then rising steadily after that. However, they seek to study the actual experience of happiness over the life cycle not taking these controls into account, considering data from 17 European nations. They find considerable variation across these countries, but a general tendency towards a possible M-shaped pattern, with happiness rising slightly from the early 20s to a peak around 30, then declining to middle age, to rise again to a new peak around 70, after which decline tends to be observed as health worsens. They recognize that this controversial topic remains open for further research.

Finally, Kelsey James O'Connor ("Happiness and Welfare State Policy Across the World," 2017) weighs in on another contentious issue, the impact of government welfare state policies on reported happiness. It has long been argued that large governments can make people unhappy through their regulations, corruption, and general oppressiveness, with some arguing that "good governance" is more important than the details of welfare state policies. O'Connor studies this with a sample of 104 nations for the 2005-2012 period. Using simply the level of social welfare spending (education, health, pensions) he finds a strong relation between those levels and reported happiness levels after accounting for age-related dependency ratios. Good governance enters in largely through its relation with such levels of social protection spending, with other controls not significant.

We hope that both participants and readers of this Special Issue will appreciate the papers that we have gathered together here to honor Richard A. Easterlin, a most worthy honoree, whom we wish all the best for in his future activities.

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