The good intentions paving company [1]

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By now we should be well on our way to the "Big Society, Small Government" that David Cameron promised us. Now the Coalition is weakening on GDP growth, the idea is to promise us happiness, or at least well-being. Apparently, the government will nudge us towards more wholesome life styles rather than enforcing it through tax and regulation. In December 2010, the Nudge Team in the Cabinet Office published how their insights could be applied to health. The topics covered were: smoking, organ donation, teenage pregnancy, alcohol, diet and weight, diabetes, food hygiene, physical activity, and social care.

So far, so good. Who could argue with improved well-being for us all and it being achieved through our own preferences and behaviour rather than government fiat?

Unfortunately, the programme has both a flaw and a problem. The flaw is the idea that GDP and happiness (i.e. satisfaction with life) are not as independent as the government would have us believe but closely correlated. Look no further than Greece to see the impact of a sharp deterioration on incomes on life satisfaction. In January the IEA published an admirable analysis (?...and the Pursuit of Happiness: Wellbeing and the Role of Government?) showed clearly that GDP led life satisfaction.

It concluded ?Happiness economics, which tries to extend a deficient hedonic morality to the arrangements of an open society, must be pronounced an unworkable project.? Well that?s a bit high-flown but it boils down to the need for government to stick to its knitting, and that includes improving GDP, and desist from trying to manipulate our behaviour to match its preferences.

The problem is measurement. A whole new science of indexing happiness is developing. The OECD has a big hand in this as it wishes to measure well-being across countries. Five years ago, an introductory paper on measuring subjective well-being noted four methods for starters: multi-item scales such as the Positive and Negative Affect Schedule and Satisfaction With Life. More recent important measurement approaches include [3] the Experience Sampling Method, Ecological Momentary Assessment and the Day Reconstruction Method. There have been no shortage of proposals since then but the problem has less to do with confusion than dealing with time effects.

For example, an excessive imbiber of alcohol may report high satisfaction with life until his doctor diagnoses cirrhosis. The observer may know that no good will come of his drinking but if subjective well-being is what is measured, then drinking will increase his score on party nights even if the mornings after tell a different story. It is not just a matter of short-term fluctuations but of factoring in the bad

consequences from many years later. To account for those, the government statisticians have to, in effect, present value the dire future and subtract it from today?s satisfaction.

In other words, we are no longer measuring subjective well-being as promised but what that subjective well-being would be if we were rational people with perfect knowledge of the government?s forecasts for us and if those forecasts were correct. That is a lot of ?ifs? to correct our illusions of our own well-being.

It does not take much manipulation of the figures to provide justification for whatever it is that the Department of Health, for example, wishes to do. It opens the door to more government interference in our lives and choices. They know how to maximise our well-being even if, and especially when, we do not.

So what started out as a benign philosophy, Big Society, Small Government, perversely turns out, and not unusually, to have unintended consequences. The issue is not the means, i.e. whether changing our behaviour is achieved by nudging (behavioural economics) or traditional tax and regulation. The issue is freedom. No one will quarrel with the need for government to tell us what the consequences of our behaviour are likely to be ? assuming the science is valid ? but we should be allowed to make our own choices.

National happiness cannot be divorced from GDP; if our government wants us to be happy (and vote for them), they should concentrate on GDP.. Manipulating subjective well-being statistics to justify further government interference in our lives will not deceive the electorate.

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