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INTRODUCTION

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It is a great joy that *Pursuing Happiness* is back in print. A sparkling work of scholarship, its topic is once again at the forefront of public policy. The originality and depth of its insights, the elegance of its prose, and the directions to which it points our thinking are to be valued as much now as they were two decades ago. Free of technical elaboration, the work is accessible to those with but a smattering of economics while at the same time it contains much that will be of interest to the specialist.

To begin, a short history of our author is in order. In order not only for the usual reasons, but because it provides a sense of the depth and breadth of the unseen foundations underpinning what is presented to the reader. Stanley Lebergott had intended an academic career, but the unending Depression dictated otherwise. With no job openings in academia, prudence counseled to terminate his formal studies after obtaining a Master's degree in 1939 from the University of Michigan. With great good luck he managed to find a position as Junior Economist with the Bureau of Labor Statistics in Washington.

Over the next twenty years Lebergott worked on a broad array of subjects in the field of labor economics and national income. In the 1940s the Government's fear of post-war unemployment necessitated better measures of the labor force, employment patterns and unemployment than were available. Not only did Lebergott assist in improving sampling procedures and survey design, but he directed efforts to extend existing statistical series back to 1900. He developed the BLS broader measure of unemployment that includes part-time and discouraged workers, a measure that bears his name and is in use to this day. Other areas of public concern where he applied his quantitative skills included family income and child welfare, the national income accounts and determinants of the distribution of income. Working at the frontier in these areas, our protagonist managed to publish some twenty-one scholarly articles during this period.

In 1962 Lebergott joined the Economics Department of Wesleyan University where he pursued his teaching and scholarship in the field of American Economic History. To labor and the distribution of income, he added a multitude of new topics – how the American Indian was displaced, why the South lost the Civil War, the driving force for our imperial aggression against Spain and -- beyond the U.S. -- he constructed ingenious measures to cast light on the economics of the Nazi death camps, why Joan of Arc was burned at the stake and the morality of Truman's decision to use the atom bomb. Other topics we shall visit shortly.

The Lebergott research paradigm is distinctive. He does not follow the orthodox procedure of setting out a model and then applying econometric techniques to variables constructed from available statistical sources. Lebergott begins with a high-altitude perception of the quiddity* of a given problem. After isolating two or three underlying features of the environment, he proceeds to construct a single measure –typically one

* "That which makes a thing what it is."

built up from unconventional sources that requires weeks or months of research assistant labors—that captures the direction and force of the underlying cause. Thus the calculation of two profit rates--on U.S. foreign investment and on the national capital stock—reveals the motive force behind U.S. imperialism. The displacement of the American Indian is rooted in a diet and a way of life that requires over 1,600 acres per capita (the key estimate) as against but two acres for the European non-hunter, a disparity predetermining the outcome before the contest began. The military defeat of the Confederacy is illuminated by a calculation of all the manpower Southern planters devoted to cotton cultivation during the war years –cotton that could not be sold but stockpiled for export at war's end; these 2.3 million man-years, withheld from producing critical food and military installations, far exceeded the total of all the Confederate armed forces combined. Wherever Stanley Lebergott passed original contributions dot the landscape.

Consumption: The Critics

In this volume our subject begins his work with a sampling of the wide array of criticisms that over the past century have been directed at the crass materialism of the American consumer. Henry George, Thorstein Veblen, Vance Packard, J. K. Galbraith among the polemicists, but equally critics are to be found among orthodox economists of the highest standing -- Joan Robinson, Tibor Scitovsky, William Nordhaus. Lebergott disassembles the arguments of each and offers enthusiastic rebuttal. Wasteful superfluities, conspicuous consumption, positional goods, unbounded insatiability all are attended to. Given human nature, given the way the world works, and given movement down and up the ladder of the income distribution, Lebergott can find no basis to exclude any element in the GNP as not adding to the nation's welfare.

In his unwillingness to exclude *any* element of GNP, he is also at odds with his professional brethren. There is a group of activities included in measured GNP that are of a protective nature and which orthodox economists think should not be there. Expenditures on national defense, police and public health add nothing to our happiness, although their absence might reduce it. The orthodox interpretation, reaching from Simon Kuznets in the 1930s to Tobin and Nordhaus in the 1980s, is that such expenditures yield no direct satisfaction. As inputs to activities that may or may not yield utility, they are best seen as "regrettable necessities". These and other intermediate expenditures should be excluded from GNP when it is to be taken as a measure of welfare.

Looking deeper into the matter, Lebergott turns their argument on its head and arrives at an opposite conclusion. The more necessary an expenditure, he argues, the more intensely the consumer desires to make them. The distinction between direct and indirect, between intermediate and final is a false one. What consumers regret are not necessary expenditures, rather they regret the state of the world which calls them forth. They regret that disease exists -- if it did not they would spend less on medicine. They support public expenditure on pollution control, given the alternative. They regret there are law-breakers, and so are content to fund police services. Turning from protective measures to an intermediate good, also slated for exclusion, employees are happy to pay for commuting to work, lest they be forced to walk. And, equally to the point, many goods that are designated to be welfare enhancing share in the same protective nature: the frost of winter makes heavy clothes necessary, the heat of summer mandates lighter apparel; physical survival makes necessary a minimum expenditure on food and on shelter. The list goes on. In short, there is no basis for exclusion – all expenditures freely chosen by private individuals or their elected representatives are part and parcel of the pursuit of happiness and properly belong in GNP.

Consumption: The Reality

When our author in the second half of the book turns to examine how consumers have actually behaved, precisely where over the decades they have spent their additional income, we better understand his enthusiasm and we begin to wonder if the critics' bark does not exceed their bite.

Lebergott's data on real consumer expenditure records extraordinary advances in the material welfare of ordinary people in virtually every facet of their lives. In life-prolonging medical care, in the space and quality of housing, in the comfort and speed of transport, in a vastly expanded array of foods, and of recreation.

In the first instance they have spent their additional income in order to extend the amount of time for pursuing "diversified, worthwhile experience". They did this over the period 1900-1930 by increasing their expenditures on gas & oil two thousand-fold; on automobiles, electricity and telephone by forty-fold each. With "daylight" extended into the dark of night there are many more hours to experience restaurants, movies, plays, baseball parks, bowling alleys, and the like. Spending on telephone and automobiles likewise shrank the time in transit.

Perhaps the greatest beneficiary of 20th century consumerism was the housewife. In 1900 among her tasks were cooking, baking, and canning; the making, washing and repair of cloths; house cleaning, child care and medicating the sick. By purchasing many items in the market and spending for a host of electric appliances the time taken in the drudgery of housework was cut from 70 hours per week in 1900 to 30 hours in 1981.

The Pursuit of Happiness

Instinctively we all know the meaning of happiness. However, before we take out the calipers , we would be well advised to take a closer look. Workaday economists often tend to equate happiness with Jeremy Bentham's "utility", but as Lebergott points out it is subject to many limitations. Our author takes his definition from Whitehead and Marshall as "diversified, meaningful experience"; they in turn draw upon Pigou"s formulation of experience as consisting of "states of consciousness'.[1] Welfare is thus inherently subjective and so can not be compared between persons or be objectively measured. And there is a further ambiguity -- over what interval is it to be assessed? Should it be viewed at one point in time, as economists do when noting the price and consumer surplus of a single market transaction; or over the term of a year or more that is

[1] The quotations that follow are drwn from A. C. Pigou, The Economics of Welfare, Macmillian: London 1920, chapters 1 and 2.

captured in the Happiness Surveys; or in Solon's fateful response to Croesus, "Count no man happy until his end is known"?

However, given the subject of this book, the most slippery issue to be resolved is the relationship between *total welfare* (which can not be measured) and its constituent, *economic welfare* (which can be measured). A person may know the joy of physical wellbeing, of interacting with family and friends, of exercising skillful virtuosity as lawyer or electrician,, and of playing chess or participating in NASCAR racing. Certain experiences entail a greater or lesser monetary expenditure, others require none. Between all-some-none, the division line between the two components of welfare -- the economic and the noneconomic-- is difficult or even impossible to trace. In practice the issue is fudged by classifying *all* activities that can be "brought into relation to the measuring rod of money" as constituting economic welfare.

This aspect of welfare—the relationship between its economic and non-economic components—provides a most useful way to frame the disagreement between Galbraith and Lebergott, between the critics of unfettered consumption and its defenders. As the father of welfare economics observed long ago, those causes which act to increase economic welfare may also alter the non-material component. For critics such as Galbraith or "limits to growth" advocates this interaction is of a negative character: those factors which raise material wellbeing "may be cancelled by effects of a contrary kind brought about in other parts of welfare", thereby risking a diminution in total wellbeing.[2]

[2] A.C. Pigou, The Economics of Welfare, London 1920, page 12. Pigou, whose own persuasion was in the "positive interaction" camp, quotes the following passage of the British critic G. Lowes Dickinson writing in the early years of the last century in order to illustrate an extreme assessment of the impact on non-economic welfare

For the enthusiasts of economic growth and expanded consumption the situation is reversed: owing to the educative effects flowing from the new consumer spending the capacity to pursue meaningful experience in the non-economic realm is not reduced, it is enhanced.

How much is enough? Should the American household pursue happiness through additions to consumption year after year, as far as the eye can see? [3] For most of the past three millennia society has held up an ideal of the good life, of a moral or religious end to which humankind should aspire. For the Greeks it was contributing to the flourishing of the Polis, for the Romans it was Republican virtue, for the Jews it was the preservation of God's chosen race. The end sought by Christians and Muslims was the salvation of their immortal souls. All of these cultures made a distinction between "needs", on the one hand, and "wants" or " desires" on the other. Among the latter such manifestations of insatiability as avarice, greed, and the seeking of conspicuous wealth were condemned as morally reprehensible and a barrier to salvation.

For the West all this has changed. Since the Enlightenment the influence of religious values has progressively dimmed and the possibility of continuous economic

"By your works you may be known. Your triumphs in the mechanical arts are the obverse of your failure in all that calls for spiritual insight. Machines of every kind you can make and use to perfection; but you can not build a house, or write a poem or paint a picture; still less can you worship or aspire. Your outer man as well as your inner is dead. Ratiocination takes the place of perception; and your whole life is a syllogism from premises you have not examined to conclusions you have not anticipated or willed." Pigou, page 14.

[3] See Robert and Edward Skidelsky , How Much is Enough: Money and the Good Life, Other Press: New York 2012. A comprehensive treatment of the case for and against insatiability and unlimited growth in per capita income by a philosopher and an economic historian. .

growth –and pari passu that of consumption—has now been realized. With capitalist development markets have proliferated with new products and the capture of yesterday's household activities as the Lebergott statistics describe. The measuring rod of salvation has retracted, the measuring rod of money has lengthened. Vice and virtue, avarice and luxury have given way to utility and disutility. As abundance has grown, the discipline of Economics has not: it remains the science of scarcity, of allocating limited means to unlimited ends. While one can conceive of perfect health and of perfect fulfillment of physical needs, we know from the evermore popular Forbes annual survey of billionaires that the race to perfect wealth has yet to be won. And sadly, philosophers can give us no standard, no moral compass that might constrain the forces of insatiability: there must be complete neutrality among all the competing visions. Society no longer has a coherent concept of the good life.

What may we infer might be the disposition of Stanley Lebergott on these issues? From the marvelous downpour of quotes and upwelling of footnotes reporting the dicta of sages of centuries past, he shows himself to be fully aware of where we have been. As to the distinction between needs and desires, we know from the first page of his Preface that he stands squarely with the relativists: "It is an unacknowledged excellence of modern economics that its foundations are pitched on the sands of desire." He would not deny that there may well be opulence and excess among the two or three percent atop the income pyramid, but would point out that half of all savings- - savings that drive the growth of income and consumption for *all* Americans-- is done by those of the top ten percent. Moreover, the gain of redistributing the excess consumption of this group would only raise average consumption for all Americans by 12 percent, in contrast to the 160 percent it has already risen since 1900.[4] More fundamentally, Lebergott would rather focus on lifting the welfare of 90 percent, not on how to punish the 10 percent.

Are the "sands of desire" to be lamented? No, they are to be celebrated! The American story would have been very different if the foundations were securely planted upon the rock of "need". Although entrepreneurs, risk-taking and the pursuit of profit have played a role, it has been desire for new things and unrelenting choice that have been the secret ingredient. Like Imelda Marcos' 2,900 pairs of shoes, Lebergott joyfully recounts the profusion of brands and models, of substitutes and near-substitutes – not two or three but seventy models of the sleeping bag, not five or ten models of automobiles but over one hundred; of SUVs and pick-up trucks two score ten. In an average supermarket, substitute and near-substitutes items reach eight thousand. In those same supermarkets 84,900 new products were introduced in 1980 but only 14 percent survived ten years later. Major corporations test market hundreds of new brands every year and 70 percent of them fail. Such has been the pursuit of diverse, meaningful experience – of search and winnowing-- that has led the way to the world's highest standard of living.

American Economic Development in the 19th Century

The same theme of overflowing diversity is also to be found in his interpretation of America's economic development in the 19h century. [5] After considering and rejecting

[4] For a discussion and numbers on the relation between the distribution of consumption and the distribution of income, see Lebergott, Consumer Expenditures: New Measures and Old Motives, Princeton University Press: Princeton, 1996, chapter 1; and also his The American Economy: Income, Wealth and Want, Princeton University Press: Princeton, 1976, chapters 10,12, 14, 17.

as insufficient the traditional explanations for the wellsprings of U.S. economic advance – resource endowment, the size of the market, entrepreneurial ability— the author finds the critical ingredient to have been immigrants and the ideas they brought with them, set within a matrix of "space, hope, and ignorance".

Hope of economic and social betterment peopled the continent with wave upon wave of immigrants to whose energy and initiative no bar was placed in a unique open society. Although not as skilled as European counterparts, the labor force showed a reckless adaptiveness that was one component of the permanence of innovation: "here a wine merchant who had been a railway director, a watch merchant who now sold shoes, there a farmer selling butter but formerly the proprietor of a factory making calicos". As a Frenchman wrote home: "The Yankees believe themselves suited to anything, there is no status to which they do not feel predestined, not a situation which they do not feel they understand to its depths. … Everything here speaks in dollars, every thing is measured in dollars, everything is done for dollars."

The lack of specialization fit the state of *ignorance.* American attempts to reproduce English and continental patterns failed. Given the vast differences in resource patterns and relative cost, new approaches had to be tried. "For a given problem, the Sicilian procedure tried by one, the North Wales technique tried by another, the Baden-Baden system proposed by a third, all might work very badly. But one procedure, one dubious compromise did in fact work". And out of the multitude of experiments

[5] Stanley Lebergott, Manpower in Economic Growth: The American Record since 1800 , McGraw Hill: New York 1964. Also his The Americans: An Economic Record, Norton: New York, 1984

conducted by astute men energetically seeking success, it was inevitable that the percentages favored technical advance.

The third distinctive element was *space*. The unlimited availability of fertile farmland kept wages and labor turnover high. The response to both, abetted by falling interest rates, was to move towards labor-saving mechanization, contributing to the phenomenal rise in labor productivity over the century.

The Angel of the Lord

Our final example of Lebergott research is an instance of his “outside the box” perception and reasoning by thought experiment. It is in chapter 7 that he addresses the meaning of differences in per capita income between nations. Elegant and simple , it touches the very stuff of decision-making and aid allocation in the international development arena.

Our author begins with a familiar definition: per capita income is total GNP divided by the size of the population. Just as Dupin in Edgar Allen Poe’s “Purloined Letter”, Lebergott moves to a conclusion of shattering simplicity: the death of every older person must raise society’s measured welfare just as the birth of every child lowers it. As a rough indicator of welfare, per capita income is not only anomalous, it is perverse.

The first step in his argument is to treat the reader to a brief but learned review of ancient and modern views on the utility of increased numbers, ranging from the Jews to the Hindus, from Christians to Muslims, and to secular states. Until very recently the verdict on every front –personal, religious, political-- might be roughly translated as "many children are great wealth." How can their birth then be counted a subtraction from the national welfare?

To get at the quiddity of the conundrum, our author employs a thought experiment that focuses on a family of two. In stage I, family income is spent on final consumption goods. In stage II, the couple decides to adopt a child. The national income accountant notes a shift in family expenditures from airline tickets and restaurant meals to diapers and pediatric care, but the level of aggregate output and the size of the population that consumes it remain unchanged. In stage III, the couple is able to beget a child of its own; the national denominator increases by one. We know that the family 's welfare has increased yet further, but their contribution to GNP per capita is reduced by a third. Along the way, passing through the three stages, we have learned of the relevance of expected satisfaction versus realized satisfaction, statistics on wanted and unwanted pregnancies, and expenditures on foster children versus "own" children.

By examining the problem at its most basic level and postulating a fixed level of consumption expenditure, our author is able to uncover the source of the difficulty. Per capita income comparisons require constancy of tastes. Yet every demographic event in human existence –birth, marriage, death— reflects a decisive change in tastes. Given that such shifts in individual indifference curves are part of the normal human cycle, the use of per capita GNP as an index of change in levels of welfare is not valid. A more accurate, if less parsimonious, measurement procedure is then suggested.

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How might we conclude all of this? With some help from the poet Robert Frost, our final assessment would be that as a scholar standing on the shore and looking out to sea, Stanley Lebergott saw far out and in deep.