



Solon and Croesus, Gerrit van Honthorst, 1624, Kunsthalle Hamburg

## Happiness

Herodotus tells<sup>1</sup> of the travels of Solon, the great Athenian lawgiver and jurist, who set out to travel the known world. Solon comes to Lydia<sup>2</sup> and is brought to its king, Croesus, said to be the wealthiest man in the world. Croesus welcomes his distinguished guest, renowned for his great wisdom, and shows him the treasures he has accumulated, room after room filled with gold and precious jewels. After touring the palace, Croesus asks Solon, "Who is the happiest of human beings?", fully expecting Solon to name him. Instead, Solon pauses, then replies, "Tellus of Athens." Who?

<sup>1</sup> In *History of the Persian Wars*.

<sup>2</sup> Now in western Turkey.

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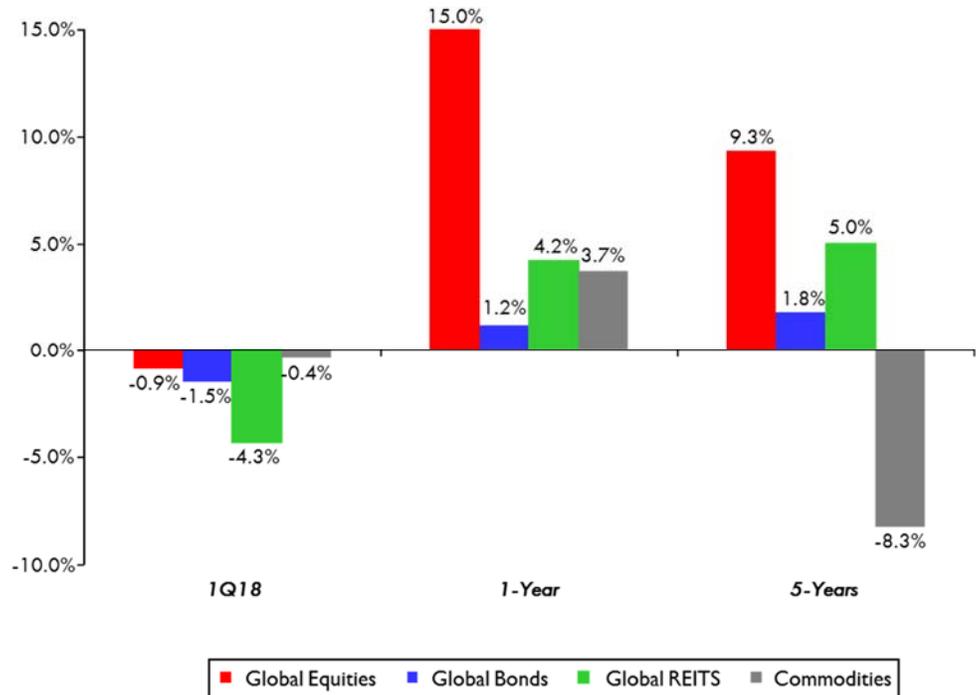
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Solon explains that Tellus had good children, all of whom survived birth and grew into loving and loyal adults. When Athens was attacked and called for citizens to defend the city, Tellus fought, and died, gloriously for Athens, and was buried with public honors. Croesus was incredulous that this was Solon's choice for happiest man, and so asked him who the second happiest must be, again, expecting Solon would name Croesus. Solon paused, and then replied, "Cleobis and Biton from Argos." Again, who? Solon explained that their mother was a priestess of Hera, required to attend a festival in Hera's honor. When the oxen never came,<sup>3</sup> the boys hitched themselves to the cart and brought their mother to the festival. After the feast, the boys lay down to sleep, and never awoke. In honor of their good deed and loyalty, statues of the boys were erected in the temple at Delphi.

Croesus could not understand why Solon would choose these dead men as the happiest over him. Solon explained, *A human life cannot be judged happy until it has been completed.* A good life and a good death is required for happiness. Croesus may seem happy now, but his life was not over, and only the gods know the future.

<sup>3</sup> This was before Uber.

Chart 1 Capital Market Performance



We'll return to Croesus, to see if he had a happy life. After a brief review of the markets, we'll examine some recent data on our own happiness (which may not make you happy).

All major assets classes declined in the first quarter of 2018. A sharp spike in interest rates saw bonds, unusually, underperform stocks. Looking around the world equity markets, the big winners in the quarter were in Africa, led by Tunisia (+30%) and Kenya (+22%). Kenya is on a roll, up 59% in the past year, trailing only Vietnam (+73%) over this period. Pakistan had a good quarter, up 10%, but its one-year decline of 18% puts it at the bottom of the pack.

Breakfast should be cheaper, as prices for lean hogs plunged 20% in the quarter, sugar dropped 18% and coffee fell 6%. On the other side, corn and soybeans jumped 10%, and cocoa soared 35% to record highs, with demand up and supplies down.

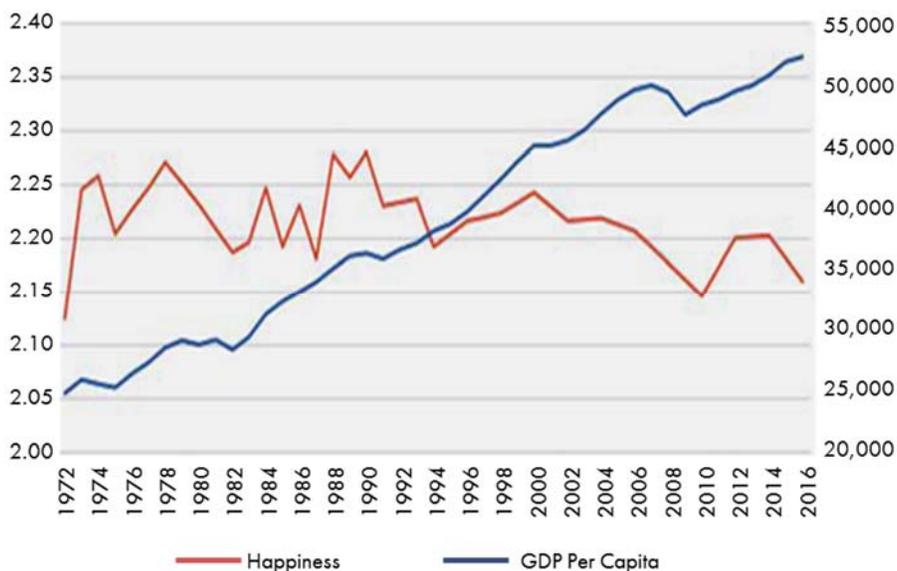
**W**hat is Happiness? How do we get it? Are you happy? For most of human existence, survival was the existential question, not happiness. Even the ancient philosophers saw Happiness as a peripheral concern of contemplation. Plato, writing in *The Republic*, asserted that only those who are moral can be truly happy. The Stoics identified Virtue as the highest endeavor of humankind, from which Happiness follows. It wasn't really until John Locke, writing at the end of the 17<sup>th</sup> century, that Happiness became of central importance to philosophers. In *An Essay Concerning Human Understanding*, Locke wrote, "the necessity of pursuing happiness is the foundation of liberty...the highest perfection of intellectual nature lies in a constant pursuit of true and solid happiness." When Thomas Jefferson sat down to pen the *Declaration of Independence*, he incorporated Locke's phrase as among the "inalienable rights" of "life, liberty and the pursuit of happiness." Thus was Happiness elevated to an essential existential role, where it has remained.

**S**o, what makes us happy? Given the amount of effort we expend working, the accumulation of wealth seems a likely candidate for the source of happiness. Or, more specifically, it is what

we can buy with our wealth that makes us happy. In his seminal 1974 paper, *Does Economic Growth Improve the Human Lot? Some Empirical Evidence*, Richard Easterlin (then at the University of Pennsylvania, now (still, at age 92) at the University of Southern California) argued that after basic needs are met, happiness does not increase with absolute wealth. Subsequent data proved him right (Chart 2). He explained this paradox (which, appropriately, became known as the Easterlin Paradox) by positing that subjective well-being (SWB, psychologists' preferred nomenclature for happiness) was determined by *relative* wealth, not absolute wealth. In other words, where we are in the social pecking order matters more for our happiness than our absolute welfare. Numerous subsequent studies have shown the high value we place on our perceived relative position in society.

Chart 2

Happiness and GDP per Capita in the US 1972-2016

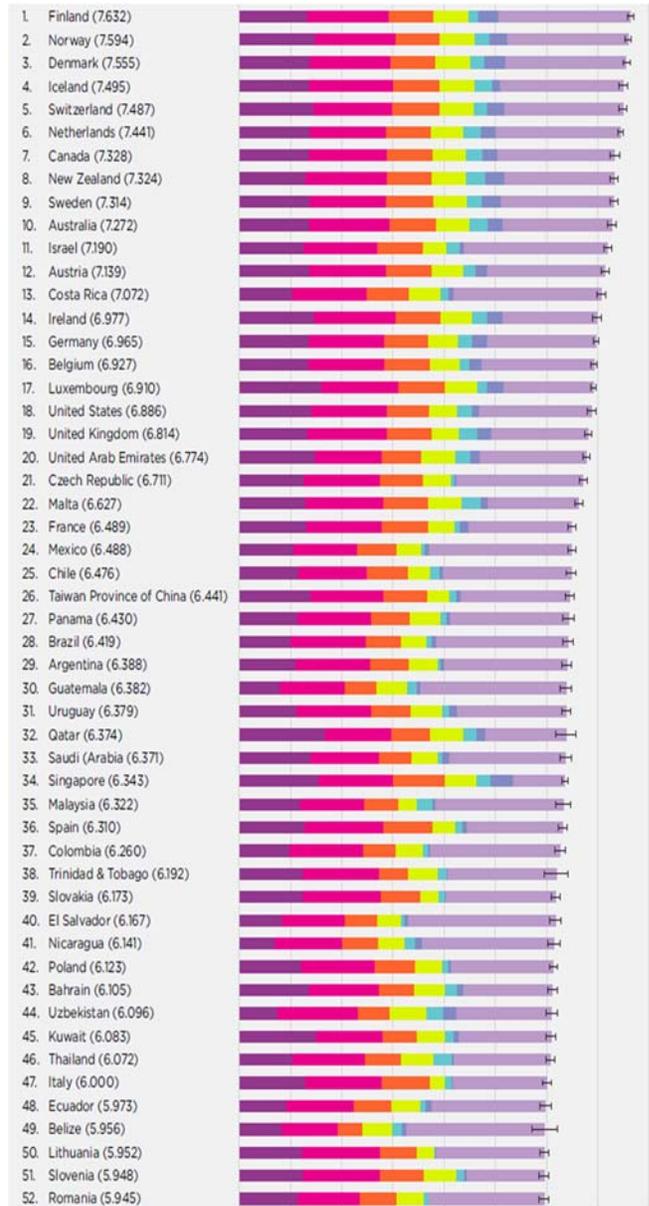


Source: US General Social Survey: "Taken all together, how would you say things are these days - would you say that you are very happy, pretty happy, or not too happy?" scored from 3 to 1.

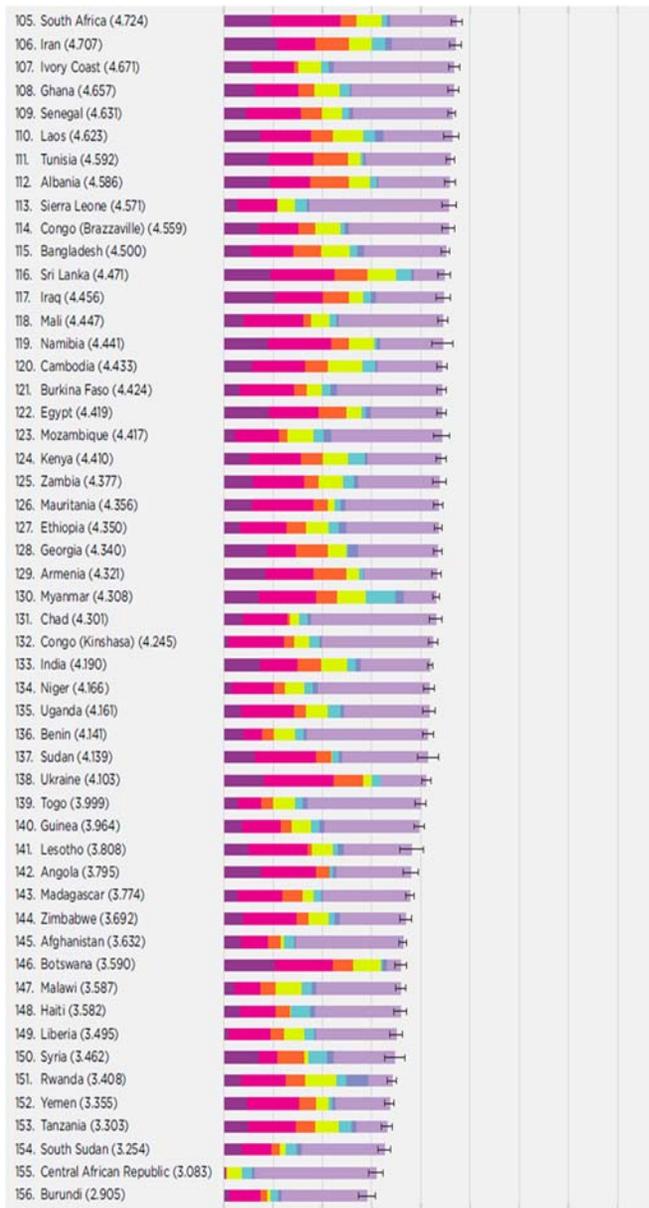
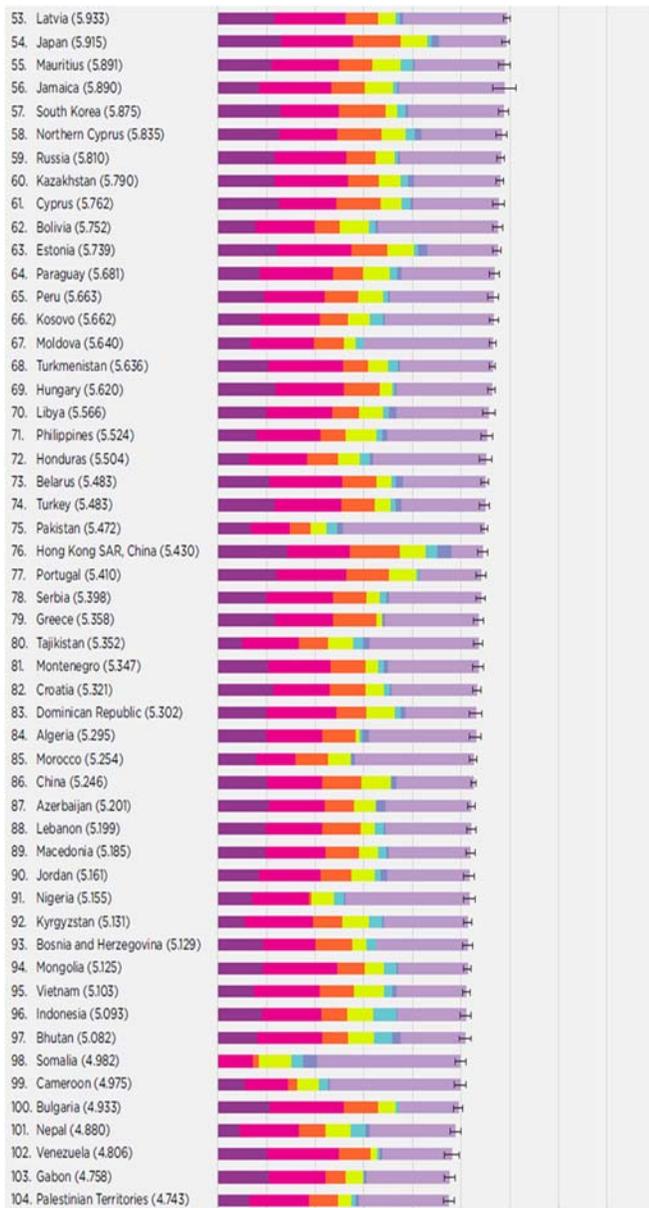
However, there is more to explaining the Easterlin Paradox than the perception of relative status. There is a principle in psychology that the presence of positive emotions matters more than absence of negative ones, and we see this in the data from the Gallup World Poll surveys, as reported in the recent *World Happiness Report*.<sup>4</sup> Finland headed the list as happiest country this year, but the top ranks went to countries that reported the highest levels of well-being, including health, social support, freedom and trust (Chart 3).

Many will not be surprised to find Scandinavia (Finland, Norway and Denmark) at the top of the happiness table, and Africa (Burundi, Central African Republic and South Sudan) at the bottom. The former are rich and peaceful, the latter are not. But there are two regions that stand out in the data, one for being happier than its income levels suggest, the other for being less happy than might be expected.

Chart 3 World Happiness Report



<sup>6</sup> John F. Helliwell, Richard Layard and Jeffrey D. Sachs, *World Happiness Report 2018*.



Latin America is a mid- to low-income region with high rates of crime, violence, corruption, poverty and wealth and income inequalities. And indeed, Latin America scores high on these negative attributes. But Latin America also scores surprisingly high in positive factors. In fact, eight of the ten highest positive scores in the world, and ten of the top fifteen countries, are in Latin America (Chart 4), led by Paraguay (?). Huh?

Causal explanations are difficult to prove, but most researchers identify the presence of strong family and social relationships in Latin American culture as the principal factor in high reported levels of positive determinants of happiness. Relatively weak civic relationships and political institutions may result from this centrality of close interpersonal relationships, but it appears as if the strength of the social fabric in Latin American culture may more than compensate for the

negative influences, resulting overall in higher levels of happiness than would be indicated by income levels.

**Chart 4** Top 15 Countries in the World in Positive Affect. Positive and Negative Affect. Mean Values by Country. 2006-2016

Rank	Country	Number of observations	Positive affect	Negative affect
1	Paraguay	10995	0.842	0.222
2	Panama	11025	0.833	0.215
3	Costa Rica	11006	0.829	0.279
4	Venezuela	10994	0.824	0.243
5	El Salvador	11008	0.818	0.319
6	Guatemala	11045	0.812	0.297
7	Colombia	10999	0.810	0.308
8	Ecuador	11135	0.809	0.323
9	Canada	11325	0.804	0.257
10	Philippines	12198	0.800	0.364
11	Iceland	3131	0.799	0.217
12	Denmark	10777	0.798	0.193
13	Honduras	10991	0.797	0.273
14	Norway	6010	0.797	0.208
15	Nicaragua	11015	0.796	0.312
All countries in world			0.697	0.270

Note: Positive affect measured as simple average of the following five 'day-before' dichotomous variables: Smile or laugh yesterday, Learn something, Treated with respect, Experienced enjoyment, and Feel well-rested. Negative affect measured as simple average of the following five 'day-before' dichotomous variables: Experienced worry, Sadness, Anger, Stress, and Depression. Positive and negative affect are measured in a 0 to 1 scale.

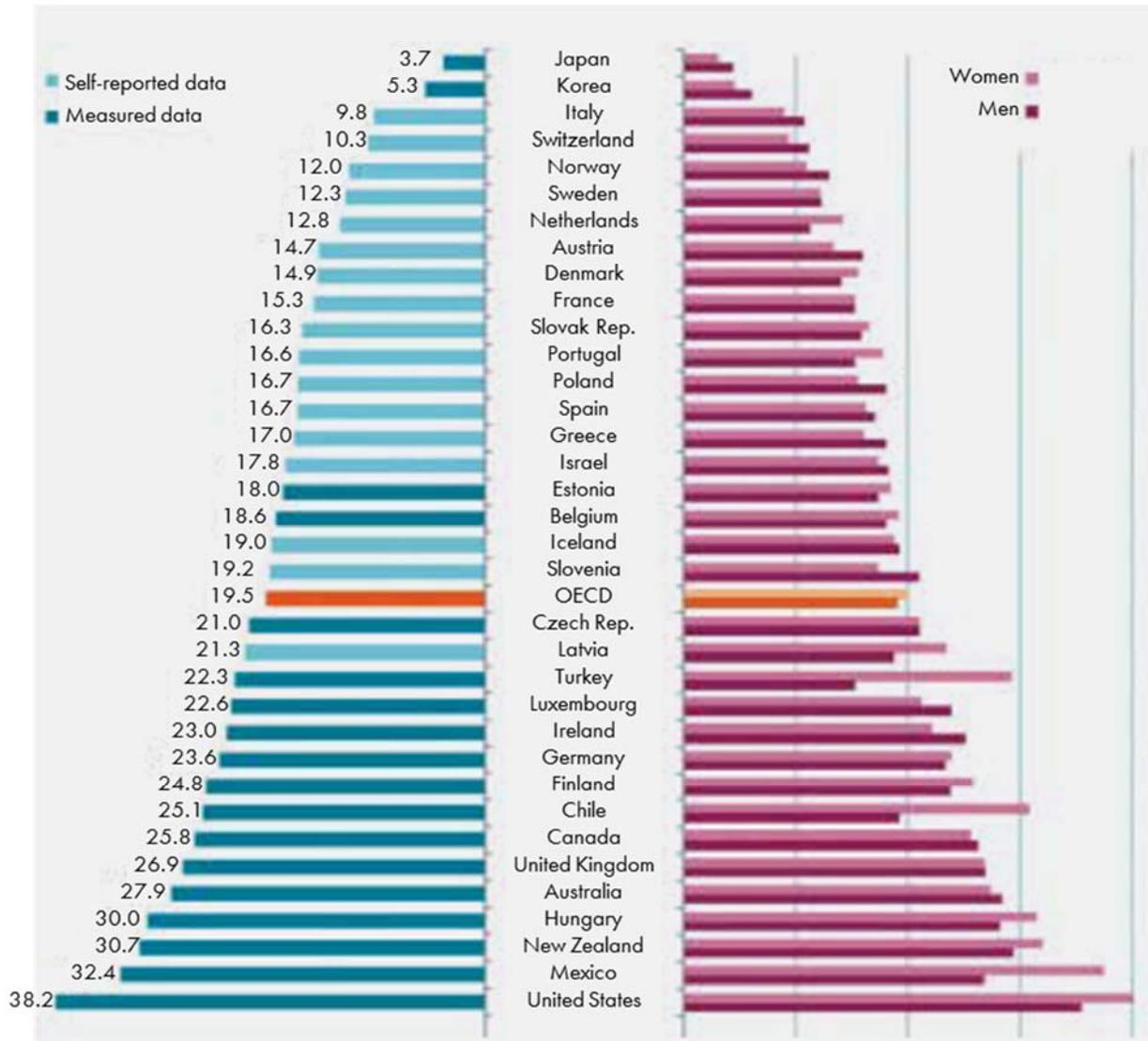
Source: Gallup World Poll waves 2006 to 2016

The United States ranks eighth in the world in per capita income, but 18<sup>th</sup> in happiness, and has experienced one of the larger declines over the past decade (ranking 107<sup>th</sup> out of 141 countries in improvement in happiness levels). Research has pointed to an erosion in social capital in the US, a rising distrust of institutions, as well as growing wealth and income inequality. We have written before<sup>4</sup> about three, interrelated public health crises, including obesity, substance abuse and mental health. These are manifested in many ways, including life expectancy that ranks 26<sup>th</sup> in the OECD (an organization of 35 advanced economies), with the second-worst improvement over the past 15 years (slightly ahead of Mexico, and far behind the improvement of every country with greater life expectancy).

<sup>4</sup> <https://angeles-srv.s3.amazonaws.com/content/1494344358./angeles-advisors-commentary-1qv217.pdf>, among other places.

Obesity is a global problem, but the United States ranks dead last among OECD countries in levels of obesity (Chart 5).

**Chart 5 Obesity Among Adults, 2015 or Nearest Year**

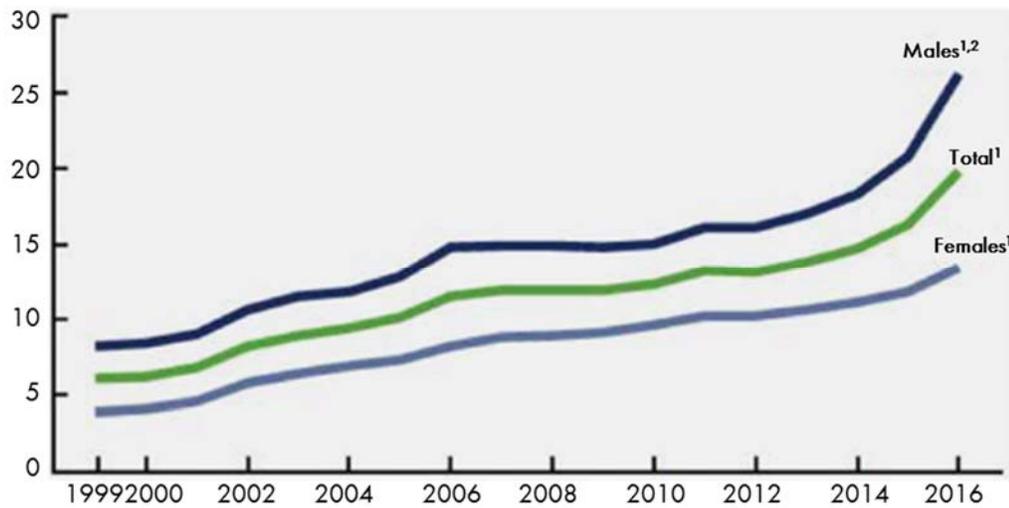


Source: OECD Health Statistics

Drug-overdose deaths have been rising, 63,000 in 2016 according to the CDC. The age-specific mortality rate soared from 6.1 per 100,000 in 1999 to 19.8 in 2016 (Chart 6).

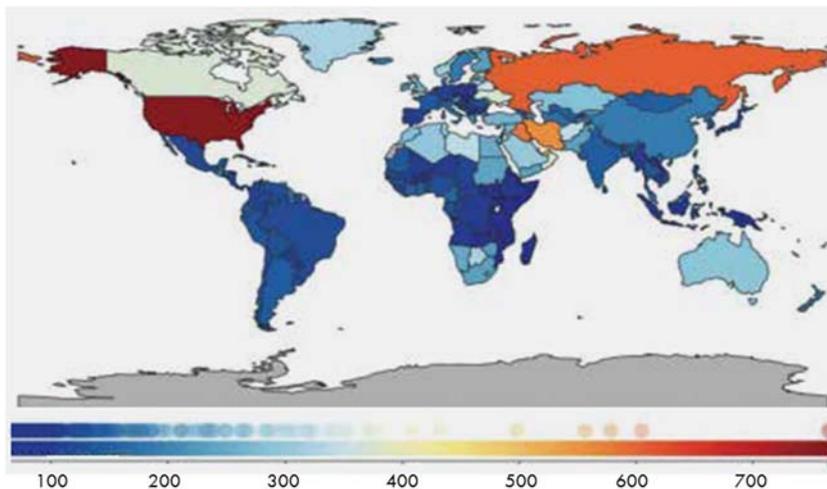
The United States has the highest level of opioid use disorders in the world (Chart 7), with 764 Disability-Adjusted Life Years (DALYs) per 100,000. A distant 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> are Russia (605 DALYs), Iraq (578) and Iran (556).

**Chart 6 Age-adjusted Drug Overdose Death Rates: US, 1999-2016**



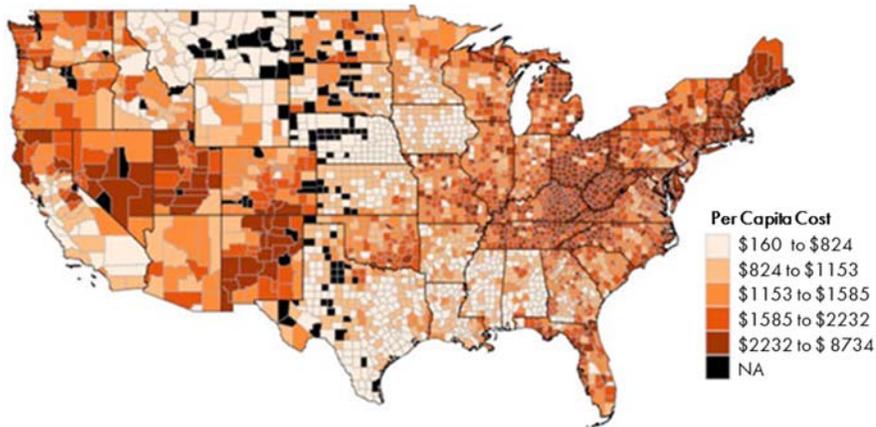
Source: CDC

**Chart 7 Opioid Use Disorder, DALYs per 100,000, 2016 (both sexes, all ages)**



Source: IHME

**Chart 8 Total Opioid Costs per Capita by County in 2015**

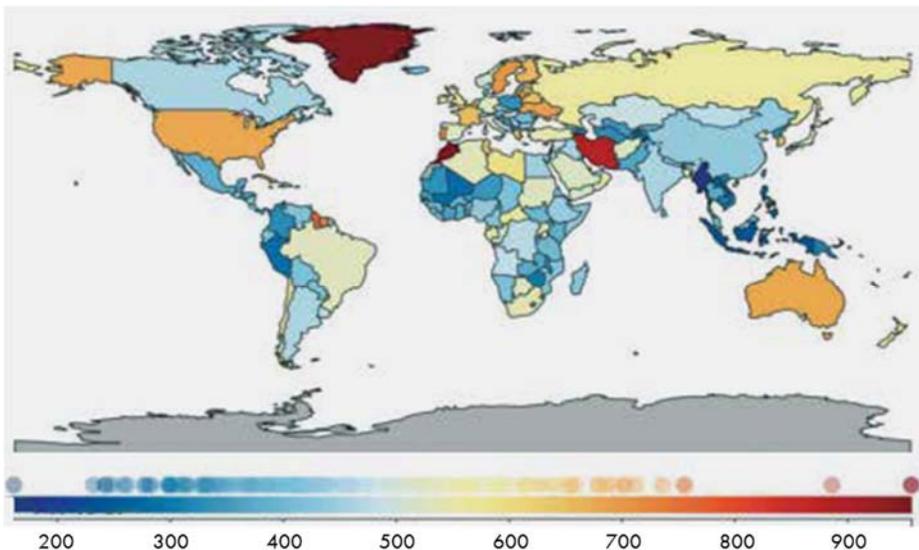


Source: Brill, Alex and Scott Ganz, *The Geographic Variation in the Cost of the Opioid Crisis*, AEI Economics Working Paper 2018-03, March 2018

The costs of opioid addiction (Chart 8) range from \$394 per capita in Nebraska to \$4,378 in West Virginia. It's less of an issue in California (thankfully). But with costs of \$847 per capita, ranking 42<sup>nd</sup> among states, the costs of opioid abuse still exceed \$30 billion in the state (we have a lot of people).

Clinical depression (Chart 9) afflicts the United States disproportionately, as well. Among OECD countries, the US ranks third in major depressive disorder (MDD) DALYs with 679 per 100,000, behind only Portugal and Sweden (702 each).

**Chart 9 Major Depressive Disorder (MDD), DALYs per 100,000 2016 (both sexes, all ages)**



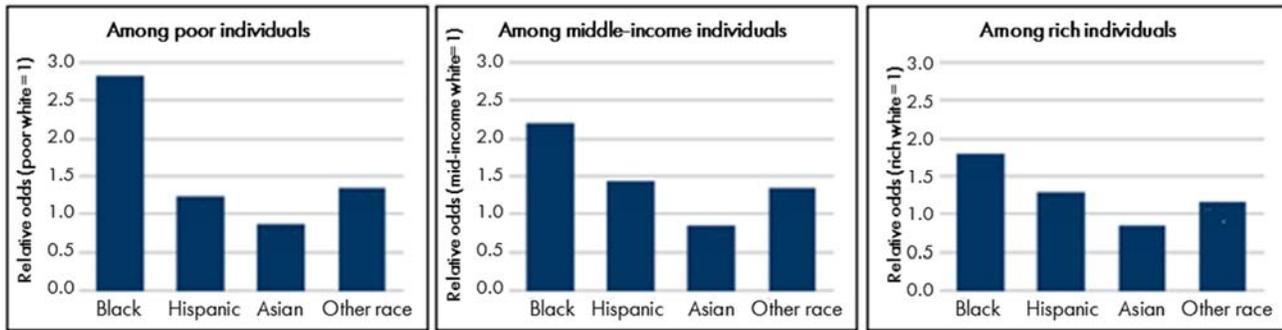
Source: IHME

Wealthy people tend to be happier than poor people, but only marginally so. In the United States, recent studies suggest that there is a larger gap among racial groups than among income groups. As Carol Graham and Sergio Pinto of Brookings put it (in appropriate academic verbiage), "We find large heterogeneities in optimism across race groups."<sup>6</sup> Across all incomes, blacks are happier than other groups (and

<sup>6</sup> Carol Graham and Sergio Pinto, "Unequal Hopes and Lives in the U.S.," Brookings Working Paper 104, June 2017.

Chart 10

Odds of being on a higher level of optimism, by race group (relative to white), within each income group.



Source: Carol Graham and Sergio Pinto, "Unequal Hopes and Lives in the U.S.," Brookings Working Paper 104, June 2017.

Asians the least happy—Chart 10). For example, the age-adjusted suicide rate for black males is one-third that for white males.

Part of the explanation may be a tightening in wage and education gaps. In 1970, black males earned 69% of the median wage of white males, rising to 75% by 2013 (progress, albeit modest with a long way to go). Educational achievement has widened among income groups, but has narrowed among racial groups. Gaps in health and life expectancy have also converged. In 1990, the life expectancy gap between blacks and whites was eight years (69.1 versus 76.1 years), but had closed to just over three years by 2014 (75.6 versus 79.0 years).

Measures of financial satisfaction have been fairly consistent among racial groups over the years, so the improvement in happiness among blacks is not related to income. Graham and Pinto point to "community and religious factors" as explanatory variables, which ties in with the survey data from Latin America. Happiness is not linked solely to absolute income, as Richard Easterlin asserted, or correlated to relative income, as Easterlin surmised. Happiness is associated with strong social relationships.

Croesus had a son named Atys. One night, Croesus had a dream that Atys would be killed by the tip of an iron weapon, and so he forbade his son from any further military activity. A few months later, a ferocious wild boar was menacing the neighboring land of Mysia, and the frightened (and helpless) people appealed to Croesus for help. At first, he refused to allow Atys to join the expedition, but Atys, anxious for action, pointed out they would be fighting a boar, and the boar was not going to throw an iron weapon at him. So Croesus relented, and you can guess what happened: in attacking the boar, an errant weapon struck Atys, killing him. Croesus, the wealthiest man in the world, was no longer so happy.

Years later, Cyrus the Great led the Persian army to victory after victory, and soon threatened Croesus' kingdom. Croesus travelled to Delphi to consult the great Oracle of Apollo. The Oracle told Croesus that if he marched against the Persians a great empire would fall. Thus emboldened, Croesus led his army against Cyrus. At the Battle of Thymbra in December 547 BCE, Cyrus routed Croesus, destroying a great empire, validating the Oracle's prophecy. Unfortunately for Croesus, it was the Lydian empire, not the Persian, that was destroyed.

As victor, Cyrus built a great pyre and placed Croesus upon it. At this moment, facing death, Croesus remembered the words of Solon, that no life can be called happy until it is complete. Croesus cried out Solon’s name as the flames grew near. Cyrus was perplexed and asked Croesus the meaning of crying out “Solon,” so Croesus explained. Moved by the wisdom of Solon and the sincerity of Croesus, Cyrus doused the pyre, sparing Croesus’ life.

Wealth does not equate to happiness. Survey data, both in the United States and across countries, prove that the

social relationships of family and community may matter more to happiness than income. The growing inequalities in wealth, the widening disparities in economic opportunity by education and geography, are manifested in extreme political polarization that pit group against group, and in the public health crises of obesity, addiction and depression. Our challenge is not so much how we increase our wealth, but how we mend our torn social fabric. Only then will our happiness be restored.



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