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If you're richer, you're happier

People tell you that wealth does not lead to happiness. New research shows they're wrong

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To mark the first anniversary of Paddington Bear residing with the Browns, a small party is held at which Paddington performs conjuring tricks. Carefully reading from his conjuring book, the bear places Mr Curry's watch inside a handkerchief and smashes it with a hammer.

Unfortunately, Paddington has turned two pages at once. They were stuck together with marmalade. So he misses the words that follow the advice to bring down the hammer on the handkerchief - "having first removed the watch".

I have been patient. For my entire adult life, I have been looking out to see Paddington's trick performed for real. But now I have. As my mother always told me: "Everything comes to he who waits."

The production of literature about happiness has become an industry. Earlier this week a cross-party group of Christian MPs produced a report on the topic and were able to begin with a long list of books on the subject published in the last two years. Perhaps the most successful are *Happiness: Lessons from a New Science* by Richard Layard and *Affluenza* by Oliver James but there has been a host of others.

The starting point for this work is something called the Easterlin Paradox. In a 1974 paper, the economist Richard Easterlin presented empirical evidence on income and happiness that was pretty puzzling. Using surveys of how happy people say that they are, the paper seemed to show that within countries, the richer people are, the happier they are, but that between countries the same didn't hold.

What this suggests is that being relatively rich compared to your fellow countrymen makes you happier, but that your absolute wealth doesn't matter. Once a minimum income level is reached, an amount necessary for a country's residents to subsist, all that extra economic growth doesn't appear to be improving life satisfaction.

The implications of Easterlin's discovery are pretty strong. It suggests that all this consumption is doing us no good. That is what the Christian MPs suggest, questioning whether we haven't sacrificed family life on the altar of capitalism. Indeed, some authors go farther and suggest that the very act of shopping is actually making us unhappy. The Easterlin Paradox certainly means that we shouldn't be organising our economies to maximise economic growth. Happiness, not income, should be our guide.

The leading happiness authors suggest that we should concentrate on reducing inequality. This might lead to lower national income, but who cares about that? It isn't making us happier. Increased equality would stop us all worrying about our relative positions and thus remove a source of unhappiness.

And all this stuff has caught the mood. It's the intellectual vogue topic. David Cameron is talking about improving General Wellbeing not just Gross National Product. It's everywhere.

There is just one teeny, tiny problem. It seems as if Easterlin wasn't correct.

It appears that before picking up their hammers to smash down on the handkerchief of economic growth, the happiness authors had an accident with the marmalade. They turned over two sticky pages at once and missed the reassessment of Easterlin's work that has been taking place.

Easterlin's original paper was based on fairly limited data. Betsey Stevenson and Justin Wolfers, of the Wharton School, University of Pennsylvania, have been looking at the vast amount of data that has become available since then. And guess what? The two economists show that there is "a clear and positive link between average levels of subjective wellbeing across countries with no evidence of a satiation point beyond which wealthier countries have no further increases in subjective wellbeing".

In other words they show that it's not just relative wealth that matters, it is absolute wealth too - on average, the richer

you are, the happier you are. And this isn't true just for the first slug of income, just until we can subsist, it is true all the way up and as economies keep growing.

The Nobel prize-winning economist Daniel Kahneman is sufficiently important in this area of economics that Richard Layard dedicated his happiness book to him. Kahneman now believes the new evidence from the Wharton academics is "quite compelling" and adds that "there is just a vast amount of accumulating evidence that the Easterlin Paradox may not exist".

Now this doesn't, of course, prove by itself that higher income causes greater happiness. Let's not make that mistake. In the academic literature on psychology you will find plenty of reason to believe, for instance, that the relationship might be the other way round - that greater happiness might cause higher income.

At the very least, however, it shows that higher income is consistent with greater happiness and isn't actually making us unhappy. It also means, again at the very least, that if the happiness authors want to advance the faintly counterintuitive idea that more income doesn't increase life satisfaction, they have a lot of work to do finding an entirely new way of making their point.

The Easterlin Paradox seemed to offer a way out for those unhappy with capitalism. After spending decades advancing methods of increasing growth that didn't work, much of the Left has moved on. Now they are arguing that growth doesn't matter or might actually be harmful. And the happiness literature helped make this point.

So what will happen now with these critics? Will they ignore the data? Will they walk away from the happiness idea and forget they ever mentioned it? Or will they turn their work on its head and use the new evidence to start arguing that capitalism might be the route to happiness after all?

I don't somehow think they'll choose this last option. Do you?

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