

Comparing countries

The rich, the poor and Bulgaria

Money really can buy you happiness

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THE notion that money can't buy happiness is popular, especially among Europeans who believe that growth-oriented free-market economies have got it wrong. They drew comfort from the work of Richard Easterlin, professor of economics at the University of Southern California, who trawled through the data in the 1970s and observed only a loose correlation between money and happiness. Although income and well-being were closely correlated within countries, there seemed to be little relationship between the two when measured over time or between countries. This became known as the "Easterlin paradox". Mr Easterlin suggested that well-being depended not on absolute, but on relative, income: people feel miserable not because they are poor, but because they are at the bottom of the particular pile in which they find themselves.

But more recent work—especially by Betsey Stevenson and Justin Wolfers of the University of Pennsylvania—suggests that while the evidence for a correlation between income and happiness over time remains weak, that for a correlation between countries is strong. According to Mr Wolfers, the correlation was unclear in the past because of a paucity of data. There is, he says, "a tendency to confuse absence of evidence for a proposition as evidence of its absence".

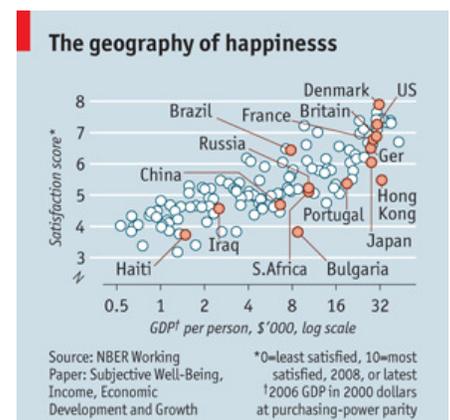
There are now data on the effect of income on well-being almost everywhere in the world. In some countries (South Africa and Russia, for instance) the correlation is closer than in others (like Britain and Japan) but it is visible everywhere.

The variation in life satisfaction between countries is huge (see chart). Countries at the top of the league (all of them developed) score up to eight out of ten; countries at the bottom (mostly African, but with Haiti and Iraq putting in a sad, but not surprising, appearance) score as low as three.

Although richer countries are clearly happier, the correlation is not perfect, which suggests that other, presumably cultural, factors are at work. Western Europeans and North Americans bunch pretty closely together, though there are some anomalies, such as the surprisingly gloomy Portuguese. Asians tend to be somewhat less happy than their income would

suggest, and Scandinavians a little more so. Hong Kong and Denmark, for instance, have similar income per person, at purchasing-power parity; but Hong Kong's average life satisfaction is 5.5 on a 10-point scale, and Denmark's is 8. Latin Americans are cheerful, the ex-Soviet Union spectacularly miserable, and the saddest place in the world, relative to its income per person, is Bulgaria.

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