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Research Confirms You Really Can't Be Too Rich

By Brenda Cronin

The Duchess of Windsor, who quipped, “You can never be too rich or too thin,” appears to have had it at least half right. [New research](#) by University of Michigan economists **Betsey Stevenson** and **Justin Wolfers** found that for rich and poor alike, as income climbs, so does one’s sense of well-being.



Bloomberg News

Their findings, to be published in the May 2013 *American Economic Review, Papers and Proceedings*, counter the idea that once certain basic needs are met, a rising income doesn’t translate into commensurate surges in happiness. That 1970s-era notion, named for economist **Richard Easterlin** and known as the Easterlin Paradox, holds that higher average income doesn’t translate into greater average happiness. Stevenson and Wolfers noted that other researchers — but not Mr. Easterlin — tweaked the paradox to say that it holds after a certain threshold income level — to take care of one’s basic needs — is met.

That belief worked its way into popular thought, said Mr. Wolfers, a Brookings Nonresident Senior Fellow, but it hadn’t really been formally tested and proved. He and Ms. Stevenson examined data for more than 150 countries from sources including the World Bank and the Gallup World Poll and concluded that there no such threshold income level, or “satiation point,” exists.

They found that “while each additional dollar of income yields a greater increment to measured happiness for the poor than for the rich, there is no satiation point.” That means that additional income makes both poor and rich people happier — it just will take more money to increase the well-being of the rich. This proved true in both rich and poor countries, for rich and poor individuals in those countries, the authors said. They found “the well-being-income relationship among poor nations appears to extend roughly equally among rich nations.”

Mr. Wolfers noted that the paper doesn’t assert causation, just correlation. It’s not clear that more income

causes greater happiness, just that as people see their income rise, they tend to say they feel happier.

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