

## Money can put smiles on dials

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It can't buy you love, but research shows that money can improve a country's mood

The saying goes that money can't buy happiness. But inquiring economists have been working for decades trying to prove or disprove the notion.

Researchers at the University of Pennsylvania's Wharton School of Business have released a study showing "a clear positive link" between wealth and "subjective well-being," based on global surveys.

While this may seem logical to some, the research flew in the face of a longstanding theory that happiness of a country's population does not rise with income, after certain basic needs are met.

This theory, dubbed the Easterlin Paradox, was developed in 1974 by Richard Easterlin, an economist currently on the faculty at the University of Southern California.

Easterlin's research had drawn on surveys notably from Japan, which had shown little or no increase in national happiness despite the country's post-World War II economic miracle.

Wharton economists **Betsey Stevenson** and Justin Wolfers contend in the latest research that better data over the past three decades and a closer analysis suggests the Easterlin Paradox is flawed.

They found the wealthiest countries in terms of gross domestic product (GDP) per capita rank near the top of surveys on happiness, with the poorest at the bottom. More significantly, within each country, higher incomes translated to higher ratings of life satisfaction, they found.

"There appears to be a very strong relationship between subjective well-being and income, which holds for both rich and poor countries, falsifying earlier claims of a satiation point at which higher GDP is not associated with greater well-being," they said in a paper to be published by the Brookings Institution.

"The Easterlin Paradox says that what I care about is my relative ranking in society," Stevenson said. "It says economic development doesn't matter at all - that the United States is no better off in 2008 than it was in 1920."

The results have important implications for public policy. Stevenson and Wolfers note that economic growth might not be considered an important policy goal if it does little to raise well-being.

The Wharton researchers said multi-nation surveys such as the Gallup World Poll and the Pew Global Attitudes Survey reveal "quite powerful effects of income on happiness."

"There is no evidence of a satiation point," Wolfers said. "Even as rich countries get richer they appear to get happier."

The researchers said they were not seeking to make any political point or support an ideology.

Although backers of the Easterlin theory say it argues against unbridled pro-growth capitalism, Stevenson said the new research could also be used to promote more distribution of wealth.

"A 10 per cent increase in income for a poor person will give you the same gain (in happiness) as a 10 per cent gain for a rich person but it would cost a lot less," she said.

Accordingly, she said redistributing income from the rich to the poor could increase a country's overall happiness quotient.

Easterlin meanwhile stands by his research, updated several times since the 1970s.

In a 2004 paper, Easterlin said surveys continue to support his thesis.

“Contrary to what economic theory assumes, more money does not make people happier,” he wrote.

“Most people could increase their happiness by devoting less time to making money, and more to nonpecuniary goals such as family life and health,” Easterlin said. AFP

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