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ECO CAFE'; Can money buy happiness after all?

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An increasing number of economists are showing interest in the measurement of "happiness factors" in living standards. For several decades, the "Easterlin Paradox" (or the paradox of happiness) has been one of the classic findings in the economics of happiness discipline. It states simply that "Money can't buy happiness", once basic needs are fulfilled.

The essence of this paradox is while rich people tend to be much happier than poor people, there is no evidence that rich societies are much happier than poor societies and as countries become richer, they are not really happier.

The paradox is, however, under attack by the recent research findings of **Betsey Stevenson** and Justin Wolfers of the University of Pennsylvania. Their research finds that more money is in fact associated with more happiness. In particular, richer people and societies are the happier kinds. And as countries become richer, they also tend to be happier.

Mr Easterlin responded that although he agreed that people in richer countries may be happier, he is not convinced about the results of individual countries over time. In other words, the study does not provide sufficient evidence that satisfaction had risen in each country as they get richer. On this point, Ms Stevenson and Mr Wolfers acknowledge that the time-series evidence in their study for individual countries is still weak due to insufficient polling data back in time, but insist that the evidence is more supportive of their story than that of Easterlin.

It is not surprising to me that there was no worldwide polling 40-50 years ago about life satisfaction. My hypothesis is that maybe the increasing number of surveys on individual well-being and happiness are highly correlated with the fact that we are less happy these days. Why is it that we suddenly do care about measuring happiness if our increased GDP per capita makes us happier? Isn't it already clear that more wealth means more happiness?

Soul-searching for new development policy based on life satisfaction factors can be seen around the world. In Thailand, the National Economic and Social Development Board (NESDB) has also developed the "Green and Happiness Index" or GHI to evaluate Thailand's development progress and Thai happiness.

The GHI is based on the sufficiency economy philosophy and is part of the national development plan to make Thailand a green and happy society. Results show that since 2001 the GHI of Thailand is still lower than 65% and the NESDB report suggests that improvement is needed to lift the index and the level of green-ness and happiness of society.

Other studies have identified that non-income factors such as more free time and more control of time have actually made people happier.

I've talked to many older relatives and friends. They all confirm that life was much more satisfactory 40-50 years ago simply because there was more time then. My grandfather could come back home for tea at 5 pm. My grandmother had five domestic helpers in her house and had plenty of time for friends and family. Large department stores and movie complexes did not exist then and families took pleasure in having activities in their own homes. Sathon Road was then a residential area and people knew each other well.

What about now? Quite often we come home at 8 pm. So tea is not an option, sometime not even dinner (we don't have time to cook). Most homes do not have domestic helpers and so people have to both earn a living and clean up their houses (so we certainly have no time to cook). Department stores are where our children hang out and movie theatres are where we will find them. Our neighbours gradually sell their homes to strangers and so we no longer know who is living next door.

Research on quality of life by the University of Cambridge has also identified other factors that may affect happiness. Social interaction with others and trust in one's own society are significant factors affecting happiness in 15 European countries. Trusts include trust in government, police, justice system as well as each other. The study appears consistent with the notion that money can't buy happiness and implies that governments should encourage social inclusion.

Given our busy lives, rising oil and food prices, as well as many ongoing protests in Bangkok, it is quite clear that we are not so happy these days. We don't trust that our political institutions, farmers don't trust that the government will resolve their debts, and we don't trust each other that the anti-government campaign will settle societal conflict.

I think it is about time that we change the way we measure economic growth. Per capita GDP is not a reliable measure of national well-being and hence a bad proxy for economic development. If we want to truly improve our nation, we need a better indicator of what counts as progress.

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