

Money can buy you happiness, say researchers

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By Chrystia Freeland in New York

Published: April 5 2008 03:00 | Last updated: April 5 2008 03:00

Money might not buy you love, but it now seems that it might be able to buy you happiness.

Research by two Wharton economists suggests that richer countries are happier than poorer ones and that as countries get richer their inhabitants become happier.

Their finding challenges the conventional wisdom of the past three decades, which held that higher national gross domestic product often did not translate into a greater overall sense of well-being.

This established view, known as the Easterlin Paradox, because it is based on a 1974 paper by economist Richard Easterlin, has inspired some calls for governments to shift their focus away from increasing GDP, on the grounds that is not the best way to increase citizens' happiness.

At the beginning of this year, for example, French president Nicolas Sarkozy announced an effort to find a new measure for GDP that took a greater account of quality of life.

But a forthcoming paper by Betsey Stevenson and Justin Wolfers, economists at the Wharton Business School at the University of Pennsylvania, argues that the Easterlin Paradox is not true.

Instead, based on their analysis of data spanning more than half a century and 132 countries, Profs Stevenson and Wolfers contend that if a country is richer, its people tend to be happier.

Prof Wolfers said he and Prof Stevenson had reached their dissenting conclusion partly owing to improved international statistics, covering more countries - poor as well as rich - and a greater number of happiness surveys that had been conducted over the past three decades.

The paper will be discussed next week at the spring economic conference of Brookings, the think-tank, and is likely to provoke lively debate.

Prof Easterlin, who has seen a draft of the paper, said he believed that as far as he was concerned his paradox still stood.

While commending his younger critics for "serious research", he said they needed to focus more on what was happening within specific countries, rather than "throwing all of these countries together".

Prof Gary Becker, a University of Chicago Nobel prize winner who will comment on the new finding at next week's conference, said it was a "good" and "interesting" paper, but would not comment further ahead of the conference.

The research could also raise political hackles. "I think a lot of people found it politically comforting to find that income only mattered for the very poor and once we satisfied our basic needs it didn't matter," Prof Wolfers said.

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