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Over Long Haul, Money Doesn't Buy Happiness

A new collaborative paper by economist Richard Easterlin -- namesake of the "Easterlin Paradox" and founder of the field of happiness studies -- offers the broadest range of evidence to date demonstrating that a higher rate of economic growth does not result in a greater increase of happiness.

Across a worldwide sample of 37 countries, rich and poor, ex-Communist and capitalist, Easterlin and his co-authors shows strikingly consistent results: over the long term, a sense of well-being within a country does not go up with income.

In contrast to shorter-term studies that have shown a correlation between income growth and happiness, this paper, to be published the week of Dec. 13 in the Proceedings of the National Academy of Sciences, examined the happiness and income relationship in each country for an average of 22 years and at least ten years.

"This article rebuts recent claims that there is a positive long-term relationship between happiness and income, when in fact, the relationship is nil," explained Easterlin, USC University Professor and professor of economics in the USC College of Letters, Arts & Sciences.

Easterlin and a team of USC researchers spent five years reassessing the Easterlin Paradox, a key economic concept introduced by Easterlin in the seminal 1974 paper, "Does Economic Growth Improve the Human Lot? Some Empirical Evidence."

"Simply stated, the happiness-income paradox is this: at a point in time both among and within countries, happiness and income are positively correlated. But, over time, happiness does not increase when a country's income increases," explained Easterlin, whose influence has created an entire subfield of economic inquiry.

With such wide-ranging influence, the Easterlin Paradox unsurprisingly has been the target of critique and revision, which Easterlin addresses in this PNAS paper.

In particular, Easterlin expands on findings from other researchers that show a positive relationship between life satisfaction and GDP, demonstrating instead that they are

the short-term effects of economic collapse and recovery, and do not hold up over the long term.

"With incomes rising so rapidly in [certain] countries, it seems extraordinary that no surveys register the marked improvement in subjective well-being that mainstream economists and policy makers worldwide expect to find," Easterlin said.

For examples, Easterlin points to Chile, China and South Korea, three countries in which per capita income has doubled in less than 20 years.

Yet, over that period, both China and Chile showed mild, not statistically significant declines in life satisfaction. South Korea initially showed a mild, not statistically significant increase in the early 1980s. But in four surveys from 1990 to 2005, life satisfaction declined slightly.

"Where does this leave us? If economic growth is not the main route to greater happiness, what is?" Easterlin asks. "We may need to focus policy more directly on urgent personal concerns relating to things such as health and family life, rather than on the mere escalation of material goods."

In 2009, Easterlin was the winner of the IZA Prize in Labor Economics. Easterlin's next book, *Happiness, Growth, and the Life Cycle*, will be published by Oxford University Press as part of the IZA Prize series.

Laura Angelescu McVey, Malgorzata Switek, Onnicha Sawangfa and Jacqueline Smith Zweig, all former or present graduate students at USC, were co-authors on the paper.

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