

The economics of happiness

PRE-READING Predicting

Do you think there is a relationship between money and happiness? Discuss with a partner.

3.9

1 **T**here's little doubt that having enough money is important to your well-being. The ability to afford food, clothing, and shelter is essential to your quality of life. However, well-being is not the
5 same thing as happiness. Well-being is the state of being comfortable or healthy, while happiness is an emotion. So can money also buy happiness? And taking a broader perspective, do countries get happier when they get richer?

10 THE EASTERLIN PARADOX

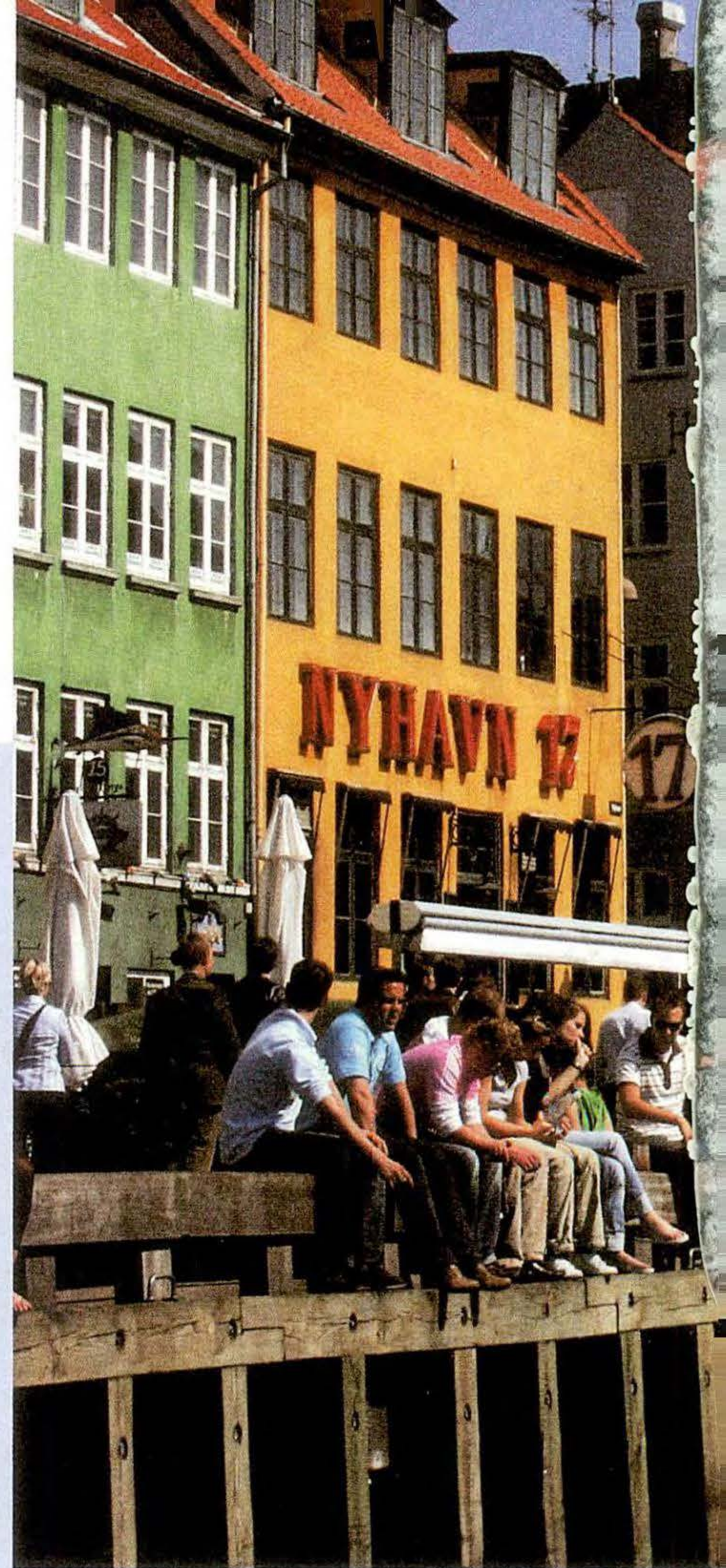
The idea that richer countries are happier may seem intuitively obvious. However, in 1974, research by economist Richard Easterlin found otherwise. Easterlin discovered that while individuals with higher
15 incomes were more likely to be happy, this did not hold at a national level. In the United States, for example, average income per person rose steadily between 1946 and 1970, but reported happiness levels showed no positive long-term trend; in fact,
20 they **declined** between 1960 and 1970. These differences between nation-level and individual results gave rise to the term "Easterlin **paradox**": the idea that a higher rate of economic growth does not result in higher average long-term happiness.


25 Having access to additional income seems to only provide a temporary **surge** in happiness. Since a certain minimum income is needed for basic necessities, it's possible that the happiness boost from extra cash isn't that great once you rise
30 above the poverty line. This would explain Easterlin's findings in the United States and other developed

countries. He argued that life satisfaction does rise with average incomes—but only in the short-term.

RISING INCOME, RISING HAPPINESS?

35 Recent research has challenged the Easterlin paradox, however. In 2013, sociologists Ruut Veenhoven and Floris Vergunst conducted a study using statistics from the World Database of Happiness. Their analysis revealed a positive
40 **correlation** between economic growth and happiness. Another study by the University of Michigan found that there is no maximum wealth **threshold** at which more money ceases to contribute to your happiness: "If there is a satiation¹
45 point, we are yet to reach it." The study's findings suggested that every extra dollar you earn makes you happier. With so much debate about the relationship between money and happiness, it's





Nyhavn, Copenhagen.
Denmark was crowned the
world's happiest country in 2016.

clear that happiness itself is a complex concept and
50 depends on many factors.

IT'S ALL RELATIVE

According to psychologists Selin Kesebir and Shigehiro Oishi, happiness also depends on how your income compares to the people around you.
55 They argue that a country's economic growth only makes its citizens happier if wealth is evenly distributed. In emerging countries with high income inequality—where the rich get richer and the poor get poorer—average happiness tends
60 to drop because only relatively few people benefit from the economic prosperity. This suggests that governments should consider implementing policies to ensure a more equal distribution of wealth. The happier people are, the more

65 productive they are likely to become, thus leading to improved economic outcomes at the individual and national levels.

THE KEY TO HAPPINESS

There is continuing debate about the link between
70 wealth and happiness, with arguments both for and against the notion that richer countries are happier. However, it is clear that wealth alone isn't enough to make us happy. The effect of income inequality on happiness shows that happiness is a
75 societal responsibility. We need to remember the positive effects of generosity, altruism, and building social connections. Perhaps our focus should be less on how much money we have, and more on how we use it.

¹ **satiation:** *n.* a state of being satisfied and not wanting more

UNDERSTANDING MAIN IDEAS

Which sentence best summarizes the main idea of the passage?

- a The relationship between happiness and wealth is complex—it involves many societal and economic factors.
- b Happiness means different things to different people, and there is no clear link between wealth and happiness.
- c People living in rich countries are happier and more productive than those in poor countries.

UNDERSTANDING AN ARGUMENT

Complete the sentences. Circle the correct words.

- 1 According to the Easterlin paradox, there is (**a** / **no**) positive correlation between a country's economic growth and average long-term happiness.
- 2 According to Veenhoven and Vergunst, people living in poor countries are (**not** / **equally**) as happy as those in rich countries.
- 3 According to Kesebir and Oishi, people tend to be happier when there is (**high** / **low**) income inequality.

BUILDING VOCABULARY

A Match the words in blue from the passage to their definitions.

- | | | | |
|---------------|-----------------------|-----------------------|--|
| 1 declined | <input type="radio"/> | <input type="radio"/> | a sudden increase |
| 2 paradox | <input type="radio"/> | <input type="radio"/> | became smaller, fewer, or less; decreased |
| 3 surge | <input type="radio"/> | <input type="radio"/> | the point at which something begins or changes |
| 4 correlation | <input type="radio"/> | <input type="radio"/> | a puzzling statement that contains two opposing truths |
| 5 threshold | <input type="radio"/> | <input type="radio"/> | a meaningful connection between two or more things |

B Complete the sentences using the words in **A**.

- 1 Income grew in the U.S. during the 1990s, but it _____ in the 2000s.
- 2 Economists predict that the “Internet of Things” will lead to a _____ in productivity.
- 3 Researchers have found a direct _____ between happiness and good health.
- 4 Easterlin's ideas are called a _____ because he found that individual happiness does not correspond with the overall happiness level of a country.
- 5 Psychologist Daniel Kahneman found that the income _____ for Americans is \$75,000 a year. Beyond that, he believes, more money does not make them happier.

C CRITICAL THINKING

Reflecting Do you think a person can have too much money? Why or why not? Discuss with a partner.

I don't think it's possible to have too much money because ...

I disagree. I think that ...