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The Happiness-Income Paradox Revisited

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(June 2011)
published in: Proceedings of the National Academy of Sciences, 2010, 107 (52), 22463-22468

Abstract:
The striking thing about the happiness-income paradox is that over the long-term – usually a period of 10 y or more – happiness does not increase as a country's income rises. Heretofore the evidence for this was limited to developed countries. This article presents evidence that the long term nil relationship between happiness and income holds also for a number of developing countries, the eastern European countries transitioning from socialism to capitalism, and an even wider sample of developed countries than previously studied. It also finds that in the short-term in all three groups of countries, happiness and income go together, i.e., happiness tends to fall in economic contractions and rise in expansions. Recent critiques of the paradox, claiming the time series relationship between happiness and income is positive, are the result either of a statistical artifact or a confusion of the short-term relationship with the long-term one.

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