MONEY AND HAPPINESS: FIRST LESSON IN EUDAEMONOLOGY?

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One could begin a university course in eudaimonology (one hundred years from now?) by asking the question, 'Does money buy happiness?'. Whether the answer is positive or negative, I am sure that the instructor would find many other factors (psychological, sociological, genetical, etc.) important in determining happiness. But the question is an important one, especially for, but not only for economists. The question can be decomposed into at least four more specific questions:

1. Are wealthier people happier than their poorer contemporary countrymen?
2. Are people in wealthier countries happier than their contemporaries in poorer countries?
3. Does economic growth increase the happiness of the people of a country and of the world?
4. Can we increase the happiness of the people of a country and of the world more by increasing the rate of economic growth?

There are more evidences in support of a positive answer to (1) than to other questions (EASTERLIN 1974). The evidences reported by SILVER in his Tables 1 and 2 also suggest a positive answer to the first part* of (2). But for economic policy purposes, it is the answers to (3) and (4), especially (4), that are more relevant. People in the West may be happier than those in the East due to factors other than living standard. Does this explain the remarkable fact that ‘the proportion of those saying “Very Happy” is not much higher in Japan (a fairly rich country) than in India (a very poor country) (9 percent as opposed to 6 percent)’ (GALLUP, 1976–1977, p. 465)?

Even if the answer to (3) is positive, it does not follow that the answer to (4) is also positive. (The answer depends, of course, partly on what measures are used to increase growth rate.) For example, growth due to the more natural run of events may serve to increase happiness but a crash program of forced growth may have the reverse effect. If people are exalted to work 84 hours a week by slogans as ‘Work Hard for Three Years then Enjoy for Ten Thousand Years (after the Great Leap Forward)’, than even if such policies do increase growth rates (and

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1. To get rid of the (positive or negative) correlation between income and the capacity for happiness, one may wish to ask instead, 'does a higher income to an individual bring him more happiness?'

2. If international relative income is crucial (unlikely), economic growth may make the people of some countries better off but not the people of the whole world.
do not result in a great leap downward), it is doubtful that happiness can be increased, to say the least.

I agree with Silver that the Epicurean formula of happiness = attainment/aspersion is too simplistic. In fact, I have remarked elsewhere (Ng, 1979, p.285) that such formulae are inconsistent with the commonsense that persons with high aspiration or desire (such as appetite for food, sexual libido) and well satisfied are happier than those with low or no desire. On the other hand, I do not believe that only satisfaction or only absolute income matters, that concerns about unfulfilled aspiration and relative income can be dismissed as the Tullock toothache fallacy. It seems likely that happiness is an increasing function of both absolute satisfaction and relative satisfaction (i.e. satisfaction/aspersion). In symbol,

\[ H = H(S, S/A), \quad H_1 > 0, \quad H_2 > 0 \]  

Hence, as both aspiration and satisfaction levels increase by the same proportion, happiness increases. Given this, does it follow that, as the income of an individual increases by the same proportion as those of others, he must be happier? The answer is 'not necessarily'. For example, if the individual is exalted by propaganda or fails to understand the constancy of positional goods (see Ng 1978), his aspiration may increase by proportionately more than the increase in his satisfaction. Then, even if his absolute income increases while his relative income remains unchanged (or even if it increases slightly), it is by no means certain that he is happier, since the first argument of (1) increases while the second decreases.3

However, I am not suggesting that economic growth does not improve the human lot. What I do suggest is that more and better studies of the problem and other problems related to happiness are warranted. Moreover, to achieve a more complete study, we must also examine the subjective and institutional effects, not just the objective effects. I also suggest that, in order to improve comparability, happiness surveys should attempt at least to pin down the dividing line of zero happiness (Ng, 1978, pp.584–585). Instead of asking people whether they are very happy, fairly happy, or not too happy, we should ask whether they are very happy, happy, happiness balanced by unhappiness, or unhappy. To my knowledge, no such survey has been conducted, despite its obvious superiority. Hopefully, we may further improve interpersonal comparability of happiness by using the concept of finite sensibility and the corresponding just noticeable amount of happiness (Ng, 1975). It is true that there are many practical difficulties in this ambitious measurement of happiness but they can be overcome (at least partly) by indirect measurement (Ng, 1975, Section 9). After such laborious studies, we may perhaps be able to discriminate between the Easterlin hypothesis of ‘hedonic treadmill’ and the Silver hypothesis of ‘reported happiness = own consumption/other’s consumption but actual happiness increases as consumption levels increase all round’, and to provide a more solid foundation to the study of eudaimonology4.

3. Nevertheless, \( H = F(Y, Y/F) \) where \( Y \) and \( Y \) are income and average income respectively, is an obvious improvement over \( H = G(Y) \).

4. In my previous paper (Ng, 1978, p.583), I remark that the concept of indirect externality discussed in Ng (1975,a) may be useful in a more complete study. That reference was missed out in the list of references; I take this opportunity to provide it.
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REFERENCES


