

# MONEY BUYS LITTLE EXTRA HAPPINESS

In a developed nation, economic progress buys only a small amount of extra happiness. That is the key finding of Professor **Andrew Oswald** of the University of Warwick, writing in the November issue of the *Economic Journal*. What's more, he concludes, while economic forces naturally have a huge impact on our lives, it is unemployment that seems to be the primary economic source of unhappiness. If this is true, perhaps economic growth should not be a government's chief concern.

Every day, Oswald notes, journalists and politicians give out the message that better economic performance means more happiness for the nation. This idea is rarely questioned. We feel that we would be happier if our boss raised our pay, and assume that countries must be roughly the same. Oswald offers four main pieces of evidence that suggest that this is not the case:

- Reported happiness in the United States has gone up only fractionally over the post-war period.
- Reported levels of 'satisfaction with life' in Europe are only slightly higher than they were 20 years ago. Some countries show drops.
- The rate of suicide among men has risen in almost all Western nations from the 1970s to the present. Rich countries seem to have high suicide rates.
- Job satisfaction has not increased, over those parts of the last quarter of a century for which data are available, in the United States and the UK.

But if money buys little well-being, why do we still see people around us constantly striving to make more of it. Oswald believes that this is all about 'keeping up with the Joneses': what matters to someone who lives in a rich country is his or her income relative to others. But, as Oswald explains, 'a spectator who leaps up at a football match gets at first a much better view of the game; by the time his neighbours are up it is no better than before.'

This suggests that intuition is capable of misleading us about the national benefits of improved economic performance. Such intuition has been built up by observing how each of us feels as our income rises. Yet, implicitly, that holds other people's incomes constant. Common sense may not be a good guide to what happens when a whole society gets richer.

**Note:** 'Happiness and Economic Performance' by Andrew J. Oswald is published in the November 1997 issue of the *Economic Journal*. Oswald is Professor of Economics at the University of Warwick.

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