

WHY RISING INCOMES MAKE US NO HAPPIER

Life is a progress from want to want, not from enjoyment to enjoyment.

Samuel Johnson's disturbing insight, set down over two centuries ago, is now confirmed in a study of income and happiness by Professor **Richard Easterlin** published in the latest issue of the *Economic Journal*. Easterlin finds that self-reported happiness does not change as people progress from young adulthood through mid-life to old age. True, the happiness of any one person may go up or down, changing day-to-day and year-to-year. But for a group of people born in a specific period of time, such as the 1950s, happiness is constant, on average, throughout the life span.

This is not to say that happiness at any given moment is the same for everybody. On the contrary, more educated persons are typically happier than less educated throughout the life cycle. They make more money and are thus better able to buy the things they want than are less affluent, poorer-educated persons.

But this raises a question. Since income goes up over much of the life cycle, both better and less educated people are able to get more of the things they want. They're better off - so shouldn't they be happier?

One possible answer is that happiness is not much affected by material possessions. This is, however, not what people say. When asked about the things that make them happy, the most frequently cited source - even ahead of family and health - is their economic condition.

So why don't we get happier when we have more? Samuel Johnson put his finger on it - our wants increase too. Moreover, as Easterlin shows, our wants increase in proportion to our income. Hence, the wants of the better educated grow more than those of the less educated, to the same extent that their income grows more.

What's going on here? The ring-toss experiment, performed by social psychologists half a century ago, suggests the answer. Individuals - given free choice of how close to stand to the peg - are found to set their aspirations in proportion to their abilities. Then, as they get better at the ring toss, they tend to move farther away. Increasing skill is thus matched by increasing aspirations, in much the same way that increasing ability to get goods is matched by increasing wants for goods.

If, then, we're stuck on what psychologists call a 'hedonic treadmill' - never getting ahead of our material wants and hence never getting happier - what should we do? Easterlin's own view - which goes beyond his article as such - is that perhaps we should start thinking of serious alternatives to the self-defeating pursuit of material goods. We could, for example, take more of the benefits of higher productivity in the form of increased leisure.

The time thus freed up could be used for many things: to enjoy family, friends, and relatives; to get to know our neighbours; to participate in community, national and international affairs; to engage in music and the arts, philosophical contemplation or religious pursuits; to pursue athletic activities; to develop our learning through continuing education; or simply to commune with nature. Whether these things would make us happier is not sure, but it does seem that they would make for a fuller, better-rounded and more meaningful life for most of us.

Notes for Editors: 'Income and Happiness: Towards a Unified Theory' by Richard Easterlin is published in the July 2001 issue of the *Economic Journal*. Easterlin is at the University of Southern California.

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