

# **The Economics of Happiness**

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## Abstract

All people long for happiness yet few, if any, remain in this desirable state for an extended period of time. This article examines the various ways people define happiness, the place economics plays in the pursuit of happiness and why most of our efforts fail to achieve the desired result. Finally, a different approach to attaining happiness is offered, one that is practical, effective and enlightening.

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Money and happiness are intimately connected, or so most people believe. Yet the study of happiness is normally relegated to psychologists and philosophers rather than economists. Ask five economists whether they think the economy is growing or shrinking and you will get at least five different answers. So why would anyone think economists could explain the intricacies of happiness? Nonetheless, happiness is a fast-emerging research focus of economists around the world. Ideas being explored include: Are rich people happier than those with less wealth? What are the characteristics of happy people? Can government or public policy contribute to an individual's sense of well-being?

Fifty years of research has shown that the connection between money and happiness is not as clear as most people think. Studies from around the world reveal little if any correlation between an increase in well-being and an increase in personal wealth once an individual's basic needs are met. Above a moderate level of income - the amount varies with each country's standard of living - there are, at best, diminishing returns for higher income. Some economists believe that people with the highest well-being are not those living in the wealthiest countries but those who live in societies where institutions function effectively, mutual trust is high and corruption is low.<sup>1</sup>

## **Quantity versus Quality**

Personal income in the United States has climbed steadily over the past five decades and the per capita GDP (gross domestic product, a measure of the nation's output of goods and services) has tripled. Yet measures of life satisfaction in the U.S. have been virtually flat. A similar pattern can be found in Japan, Europe and

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<sup>1</sup> John F. Helliwell, "How's Life? Combining Individual and National Variables to Explain Subjective Well-being," Economic Modeling 20, (March 2003): 5.

many other societies. Not only have measures of well-being failed to keep pace with increases in wealth, but anxiety has risen steadily and depression rates have increased ten-fold.<sup>2</sup> Most countries base their financial health on the level and rate of growth of their GDP. GDP, however, looks only at a country's quantifiable output and, therefore, excludes quality of life considerations such as: the purity and availability of fresh water, green forests and clean air. All the money in the world will do little to compensate for an environment where the air is too polluted to breathe or the water too toxic to drink. And in countries where economic growth is rising rapidly, there is usually an equally rapid increase in hard-to-dispose-of waste as well as an unsustainable amount of resource depletion. The fact that natural or man-made catastrophes boost a country's GDP makes its value, as a gauge of well-being, even more dubious. Both hurricane Katrina that devastated New Orleans, Louisiana and the Tsunami that overwhelmed parts of Asia required extensive reconstruction efforts. The increased demand for goods and services that resulted from the rebuilding inflated the GDP of many countries. Similarly, if there is a fatal plane crash, GDP increases as workers are hired to clear debris, unanticipated funerals are arranged, a new plane is built to replace the one destroyed and lawyers are employed to file lawsuits on behalf of the victims. In other words, increases in GDP often create conditions that conflict with the well-being of a country's citizenry. Nonetheless, many government officials make the case that a rise in their country's GDP is irrefutably beneficial and enhances their citizens' sense of happiness.

While there is nothing intrinsically wrong with increased levels of wealth, there are often decidedly negative outcomes associated with the accumulation of significant amounts of money. Adolescent members of wealthy families, for example, may feel great pressure to succeed financially. The pressure that parents place on their children, while well intended, can be quite debilitating. Children who inherit significant amounts of wealth often lack the motivation to fully engage in life and their values and priorities can easily become distorted. Furthermore, rising expectations frequently accompany rising income. The pressure that accompanies such expectations can psychologically offset the benefits of greater wealth. Many researchers believe that relative levels of income have a higher correlation with happiness than do absolute levels. For example, the importance people attach to relative income was shown when Harvard University students were asked whether they would prefer (1) \$50,000 a year while other people got \$25,000 or (2) \$100,000 a year while others got \$200,000. A majority chose the smaller amount of \$50,000 apparently because they were happy with less money as long as they were better off than others.<sup>3</sup>

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<sup>2</sup> Ed Diener and Martin P. Seligman. "Beyond Money: Toward an Economy of Well-Being," Psychological Science in the Public Interest 5, (July 2004): 3.

<sup>3</sup> "Chasing the Dream: Why don't rising incomes make everybody happier?" The Economist, 9 August 2003, 62.

Newspapers and electronic media provide many stories of people who have attained significant wealth and power yet do not achieve the happiness they expect. Annette Bening is an affluent, successful American actress who is married to Warren Beatty, a wealthy, high profile actor in his own right. In a recent interview she spoke about her view of happiness. “It’s so profound, the idea of what makes us happy. I sure see it in my business, people with wealth and power who think they’d be happy if only they made X [a certain] amount [of money]. Unfortunately, it’s not true.”<sup>4</sup> Because the effects of wealth on happiness are actually not large, Ed Diener, a professor at the University of Illinois and leader in the science of measuring happiness, advocates a different gauge, a “national well-being index.” According to an article in *Forbes Magazine*, Diener believes such an index – measuring items like: “engagement, purpose and meaning, optimism and trust” – could provide policymakers with a better understanding of how to increase a society’s sense of well-being.<sup>5</sup>

### **Dissatisfied, Distressed and Discontented**

If popular opinion – that wealth, power and fame are the source of happiness – is misleading or inaccurate, what feelings or circumstances make us happy or unhappy? As Thoreau so eloquently stated, “The masses of men lead lives of quiet desperation.” We will therefore start by exploring the unhappy state since that is where most people find themselves the majority of time. We are understandably discontent when we are anxious, confused, depressed, fearful and/or generally dissatisfied with our life circumstances. These psychological states can cause mental agitation, emotional stress and physical illness. Happiness rarely coexists with a mind that is disturbed or a body that is diseased. Yet anxiety, fear and confusion are widespread in today’s fast-paced world. Looming deadlines, unexpected bills, overwhelming responsibilities at home and work, polluted environment, unethical behavior wherever you look – it should be no surprise that people feel frustrated and dissatisfied.

South Korea, with one of the fastest growing economies in the world, illustrates some of the problems associated with a frenzied lifestyle. The Korea Times reported that 25% of South Koreans suffer from anxiety due to health concerns and financial difficulties. A survey by The Anxiety Disorder Association of Korea found that affected respondents suffer from digestive disorders, dizziness and a fast, throbbing heart.<sup>6</sup> To cope with these symptoms the respondents consumed large amounts of alcohol or became addicted to smoking cigarettes. Echoing these

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<sup>4</sup> Johanna Schneller, “Annette Bening Hits her Stride,” *Life*, 20 October 2006, 12.

<sup>5</sup> Dan Ackman, “Putting a Price on Happiness,” *Forbes.com*, [http://www.forbes.com/2004/09/20/cx\\_da\\_0920happiness\\_print.html](http://www.forbes.com/2004/09/20/cx_da_0920happiness_print.html).

<sup>6</sup> Laura Crow, “Business and NGOs – a force for change?” *CSR Asia Weekly* 2 (17 May 2006): 3.

findings, a poll by Harris Interactive found that nearly a quarter of Americans surveyed described themselves as being under a great deal of stress. “Too many things to do” was the problem most cited for Americans’ stress and anxiety. The respondents had trouble sleeping and worried about having enough money to cover rapidly rising prices and unanticipated expenses.<sup>7</sup>

### **Happiness – Closer Than We Think**

According to Aristotle, “Happiness is the meaning and purpose of life, the whole aim and end of human existence.” So if happiness is universally desired, how come it is so elusive? Could it be we are looking in the wrong place? Before contemplating any change of direction, however, we need to define exactly what happiness encompasses. Popular images of happiness vary from accumulating a certain amount of assets to attaining fame or power to eliminating a nagging concern such as illness or personal rejection. In other words, most people believe that once they satisfy a particular desire a happier life is sure to follow. Achieving wealth, fame or influence is focused on the outer, material aspects of life. If we do not realize these external desires, we tend to blame fate, other people or circumstances beyond our control. Yet we all know that satisfying external desires brings us, at best, a fleeting sense of happiness that soon reverts to apprehension and anxiety. The purchase of a new car or similar items makes most people feel happy. But the euphoria soon subsides as attention shifts to concern about how to pay for the new automobile or worry that it might be dented or scratched.

True happiness is not possible without inner peace. Peace and contentment can only be achieved when we access the resources and follow the guidance that intuitively comes from the core of our being. Finding and connecting with the core of our being (frequently termed our higher self or soul) requires deep introspection that leads to self-knowledge. To quote Lao Tzu, “He who knows others is wise, he who knows himself is enlightened.” In fact, all spiritual teachings have given this same message in a variety of forms throughout the ages.<sup>8</sup> Who am I? What is the purpose of life? are the quintessential questions humans have asked for eons. The Greek concept of *paideia* (“the process of educating man into his true form, the real and genuine human nature”)<sup>9</sup> aims to answer these questions through a process of personal development – searching for each person’s Divine Center. Once basic economic needs are met, *paideia* invites us to shift attention from amassing material things to expanding self-awareness.

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<sup>7</sup> “A Quarter of Americans Report Being Under ‘a Lot’ of Stress,” *The Wall Street Journal Online*, [http://online.wsj.com/article\\_print/SB115998464437482700.html](http://online.wsj.com/article_print/SB115998464437482700.html), 5 October 2006.

<sup>8</sup> This article draws on “Pathwork” material. This material is a contemporary adaptation of ageless wisdom focusing on self-responsibility, self-knowledge and self-acceptance and offering a practical and effective method for connecting with our divine essence. See <http://www.pathwork.org>.

<sup>9</sup> *Wikipedia*, <http://www.answers.com/main/ntquery?sm1>

Seeking self-knowledge means discovering why we think, act and react as we do. Understanding what motivates, enlivens and frightens us helps us to connect cause and effect and see that our experiences are not chaotic or haphazard. The recognition that everything that happens is a direct result of the choices we make means we can, with persistence and patience, create whatever we want. Before constructive creations can manifest consistently, however, we must become aware of our faults and misconceptions so that unattractive traits and destructive behavior – laziness, impatience, selfishness, arrogance, vanity, spitefulness, willfulness, self-doubt and jealousy – are gradually eliminated. As Dennis Prager, a former Fellow at Columbia University’s School of International Affairs and current radio talk show host and syndicated columnist, states in his book, *Happiness is a Serious Business*, “The fact that human nature is the greatest single obstacle to happiness is too rarely pointed out. It strikes many people as being too pessimistic... which means that in order to be happy we first have to battle ourselves.... It undermines the tendency to attribute one’s happiness to outside forces.”<sup>10</sup>

### **Lighting the Darkness**

Most people realize that they are far from perfect but wonder why their imperfections should preclude living a joyful life. Individuals who believe selfishness and dishonesty are an unalterable part of human nature naturally think it unfair to be penalized for attitudes and behavior that can’t be changed. People with this point of view are conscious of and identified with only one part of their nature. Psychologists tell us our personality is a composite of many parts or voices. Two of the primary voices within us are the higher self or soul and the lower self or animal nature (also called our shadow self). The lower self is selfish and shortsighted. This part of our personality developed in reaction to circumstances that were judged to be unfair. The seemingly logical but flawed conclusion was that meaninglessness and chaos are normal and, therefore, negativity and cynicism are perfectly justified forms of defense. Filled with fear, the lower self doesn’t trust the veracity or worth of our intuitive guidance. Our lower nature prefers to remain unaware of its destructive attitudes so that there is no pressure to make the changes that are needed to reverse course and realize our true potential. The higher self, in contrast, encourages us to reject beliefs based on fear and separation and to see the world as the connected, interdependent place that it really is. This higher part strives for integration of its separated parts and yearns to live a truthful, responsible life based on the principles of equity and sustainability. As Dennis Prager writes, “The key to happiness here, as everywhere else, is balance. This balance is achieved by acknowledging our animal (lower) as well as our divine (higher) na-

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<sup>10</sup> Dennis Prager, *Happiness is a Serious Problem: A Human Nature Repair Manual*, (New York: Harper Collins, 1998), back cover.

ture. To be happy, we need to fill our souls and to make peace with – though not appease – our animal parts.”<sup>11</sup>

### **In Pursuit of Happiness**

With the lower self and higher self competing for influence, life is filled with disharmonies; the internal conflict literally tears us apart. Mental, emotional and physical consequences include confusion, hopelessness, fatigue and disease. When the lower self dominates we distrust and judge our self and others and life becomes a constant struggle. In contrast, cultivation of the higher nature leads to feeling secure and confident; our life becomes filled with peace and contentment. In my book, *Conscious Globalism: What's wrong with the world and how to fix it*,<sup>12</sup> I describe the vastly different economic, political and social results achieved by those that exhibit higher self (constructive) rather than lower self (destructive) qualities.

Decades of self-observation as well as scrutiny of friends and acquaintances convince me that most of us act reactively rather than proactively. For as long as possible, we delude ourselves into believing material possessions or elevated status is all that is necessary to bring the happiness we desperately want. In other words, we do not voluntarily change our beliefs or habits until our lives become so painful that we can no longer ignore the consequences of our actions. The website <http://www.consciousthinking.com/> has a questionnaire that enables readers to gain insight into the competing voices within them and see how their beliefs, whether accurate or inaccurate, influence their decision making.

### **Summary and Conclusion**

People everywhere want to be happy. Contrary to popular opinion, psychologists, philosophers and now even economists have concluded that there is relatively little connection between wealth and happiness. Once basic needs are met, money and power add little, if anything, to our joy or fulfillment. Peace and contentment, the prerequisites for happiness, come from self-knowledge. Until we know who we are and what we are meant to accomplish, interludes of happiness are brief and unsatisfying. Connecting to the wisdom that resides within each of us, opens us to the intuitive insights needed to realize our life's purpose. This higher self-wisdom is blocked and inaccessible as long as counterproductive beliefs and negative behavior dominate our thoughts and actions. In other words, until our faults and negativity are gradually eliminated, our lives are neither fulfilled nor happy. Correcting the situation requires that we 1) increase our awareness of what we believe

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<sup>11</sup> Ibid., 143.

<sup>12</sup> David A. Schwerin, *Conscious Globalism: What's wrong with the world and how to fix it*, (Ambler PA: Digital Junction Press), 2005.

and how we behave 2) evaluate our thoughts and actions to determine if they are constructive or destructive 3) gradually eliminate negative or harmful behavior 4) practice patience and self-acceptance. While eliminating our faults is a challenging endeavor, the work is less arduous and more rewarding than most imagine. As people redirect their attention from accumulating external possessions to connecting with inner wisdom, economics will change from a dismal science to a discipline where even economists will enjoy the fruits of their labor.

