

Research suggests that money does not buy happiness, or at least that it cannot buy much happiness. In the United States, income per person doubles about every 36 years, yet our levels of happiness seem to stay relatively constant. People in poor countries are often happier than people in rich countries. Many social scientists refer to these results and suggest that the economic advances that our country has steadily enjoyed for over 200 years are not very meaningful. Some of these social scientists go on to argue that policies that promote economic growth are not always the best policies since the extra income that we earn does not make us any happier. I hold the exact opposite opinion. The observation that there is not a strong link between income and happiness is an empirical result that is, in my opinion, close to meaningless and as such, it should not be used to inform public policy.

My objection is that I do not believe happiness measures what people assume it measures. It does not measure some objective level of welfare. Instead, happiness measures how well people fare in relation to their expectations. More specifically, people are happy when they do better than they expected to do. For instance, my grandparents went 15 years without a car. They also had a son and a daughter who caught a disease that caused them both to suffer partial hearing loss. Despite these circumstances, by all accounts, they were very happy, most likely, because they were doing at least as well as they thought they should.

Two generations later the incomes of typical families have grown greatly. A major reason why these incomes have grown over time is that technology has advanced. The superior technology available to later generations has increased worker productivity, making employees more valuable to firms. Competition among firms for these increasingly productive workers has caused employee wages to increase. The increases in technology has also allowed people to buy goods that never existed in previous generations. You might think that higher incomes and technological advances made the later generation much happier, but they did not.

In my generation, a family might debate whether to get a fourth car so that their teenager would have a car to drive. No family member in my generation or in my kids' generation has suffered hearing loss. We have all received vaccinations against the disease that would cause us to lose some of our ability to hear. My generation has some things that clearly make us better off compared to previous generations. As my example mentions, a family might have three cars and all the vaccinations that are currently available. However, despite these concrete advantages available to my generation, we are no happier than my grandparents were. We expect to have more cars and we expect to be vaccinated. In other words, we take these things for granted and they do not make us happy.

As I reflect on how measures of happiness really tell us very little, I am tempted to discuss the policy implications of this insight. However, I will resist this temptation since I am drawn to a much more personal implication, an implication that dawned on me during Thanksgiving, the holiday dedicated to giving thanks for our blessings. Specifically, I realized that we all benefit from being able to buy more goods and services because of our incomes and technology are vastly superior to what previous generations had available. I also realized that I expect much more than my grandparents did. In the spirit of the holidays, starting tomorrow, I am going to make a concerted effort to be thankful for things I expect to have but which my grandparents had to do without. I suspect the first thing I give thanks for having will be my Mr. Coffee machine.

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