

# Chapter 15

## Beyond Material Aspects



**Abstract** These are the most important insights of modern happiness research: People with higher income are happier, but this effect becomes weaker and weaker as income rises. Good social relationships, physical and psychological health, and democracy as well as decentralized political decision-making raise happiness. Several insights of happiness research are inconsistent with human beings being rational and egotistic: Unemployed people are much less satisfied with their lives even though they have more leisure time. Self-employed people work harder, but thanks to higher autonomy report being happier. People who care for others by donating money and engaging in voluntary work are happier. Human well-being is no longer intimately connected with the provision of material goods. Material aspects are not to be neglected, but self-determined work is of crucial importance for happiness.

### Expected and Unexpected Insights

Happiness research in recent years has accumulated fascinating and important results. Among the most important are:

- People with higher income consider themselves to be happier than people with lower income; they enjoy a higher level of life satisfaction. But higher income raises happiness less and less. Human beings quite rapidly adjust to higher income. In addition, they compare themselves mostly with higher income people, a tendency that reduces the happiness level.
- One of the most important factors conducive to happiness is good social relationships. People who have close friends and engage in intensive family relationships are more satisfied with their lives than are more isolated people.
- Good physical and psychological health are major contributors to happiness. The reverse also holds: Happy people are less affected by contagious diseases.
- People who enjoy the privilege of living in a democracy and with decentralized political decision-making report that they are happier.

Some of these results from well-being research do not necessarily correspond to common sense. Thus, it is often taken as obvious that people in less developed countries

are happier than those in nations with a higher per-capita income. However, empirical research using many different happiness data convincingly demonstrates that living in an economically more advanced country contributes strongly to subjective well-being. With higher income, one is to some extent protected against the troubles of ordinary life. People are not constantly forced to think about how to survive, or even to find sufficient money to buy food, let alone larger expenditures such as for household appliances.

Some important insights of happiness research are inconsistent with the idea of human beings who are solely governed by rationality and egoism. Three results illustrate this conclusion.

- Unemployed people are much less satisfied with their lives than those working. This finding applies even if the unemployed do not suffer a reduction in their income. In principle, the unemployed should therefore be happier as they do not have to work but have more leisure time.
- Self-employed people work more hours and do so more intensively than people employed in firms and other organizations. Moreover they have lower average income and have to cope with higher risk. Nevertheless, the self-employed report that they are happier because they enjoy more autonomy.
- People who donate money and engage in voluntary work are happier than those who care less for other people or have fewer opportunities to do so.

For a long time, human welfare was dominated by economic activities. Past generations were in this respect much worse off than the present generation. Gross national income as the measure of the extent of economic activities was more closely related to life satisfaction up to recent times than it is today. This close correlation is still true for poor countries.

Recently human well-being is no longer so intimately connected with the provision of material goods. Other aspects of life have become more important. Modern happiness research in economics and psychology empirically shows that while material aspects are not to be neglected, self-determined work characterized by autonomy and participation rights and intensive social contacts are of crucial importance for happiness.

A reasonable economic and social policy must take these fundamental changes into account. But government policy should not try to directly determine people's happiness. This should be done in an indirect way so that individuals can achieve happiness in their own ways. The constitutional level, where the fundamental rules of human interaction are determined, should open the road to more democratic participation rights, in particular through popular initiatives and referendums. Political decisions should be taken at a decentralized level, as close as possible to the citizens affected. In current politico-economic decisions, human beings should be given a greater scope to attain their own idea of happiness.

## Literature

- Frey, Bruno S., Jana Gallus, and Lasse Steiner. 2014. Open Issues in Happiness Research. *International Review of Economics* 61 (2): 115–125.
- Kay, John. 2012. *Obliquity. Why Our Goals Are Best Achieved Indirectly*. London: Penguin.