MONEY, PARENTING AND HAPPINESS

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AIM

Pursuit of happiness

- One of the basic assumptions underlying the study of human behavior.
- Our understanding of what makes people happy is far from complete.
- Study of happiness is becoming “scientific.”
  - Sociology, economics, psychology, political science,…

Main Question
What makes people happy??
What makes people happy (or Unhappy)?

*Macro- or Country-level factors*
- GDP
- HDI
- Inequality
- Unemployment
- Tax revenue and welfare spending
- Religious context
- ...

*Micro- or Individual-level factors*
- Money
- Education
- Marriage (and cohabitation)
- Children
- Employment
- Sex ...
- ...
MONEY AND HAPPINESS
Graph generated from Gallup World Survey 2015 consisting of 176 countries.

\[ Y = -3.072 + 0.340 \ln(GDP) \]

\[ R^2 = 0.345 \]
Easterlin Paradox
Disconnect between Objective & Subjective Well-being

GDP per capita and life satisfaction in Japan in the postwar period

[Source: Ono & Lee 2016]
WHAT MAKES PEOPLE HAPPY?

Assumption

- We are happy as long as we are rich
- Money = Happiness. Right???

True… but only up to a certain point!

- Disconnect between money and happiness (Easterlin Paradox)
- Disconnect between objective well-being and subjective well-being
- This is true at the macro-country level and micro-individual-level.

Genes

- More than half of our happiness is determined by our DNA.
- But we can still control about 40 percent of own happiness. (Lyubomirsky 2007).
- That’s very promising!
Does money make us happy?

- There is a positive association between income and happiness.
  - But only up to a point = **Saturation point**
  - About 7 million yen for Japanese people…

- Absolute versus relative income
  - Happiness depends on your income **AND** the income of those around you.

- Comparison groups
  - Siblings
  - Friends
  - Neighbors…

Money income vs Happiness

- 7 million yen
“O.K., if you can’t see your way to giving me a pay raise, how about giving Parkerson a pay cut?”
CHILDREN, FAMILY LIFE AND HAPPINESS

John Lennon
A Happy Life
AGING AND HAPPINESS (JAPAN)

* Graph shows results for happiness in marriage.
CHILDREN AND HAPPINESS

- The relationship between children and happiness is negative in nearly every in the world.
- It also depends on how old the children are.
- Here is an example of how the age of children affect marital happiness in Japan.
### 3 Types of Welfare States

*(Esping-Andersen 1990; 1999)*

<table>
<thead>
<tr>
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<th>Liberal 自由主義</th>
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<td>Japan</td>
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<td>Japan</td>
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</table>

Source: Sarracino, O’Connor and Ono (2018)
\[ Y = 4.382 + 0.050 \text{TAX} \]

\[ R^2 = 0.238 \]

*Graph generated from Gallup World Survey 2015 consisting of 176 countries.*

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Ordered logit regression models predicting general happiness

- **Determinants of happiness are not symmetrical between the sexes.**
- **Results confirm pro-family, woman-friendly policies of welfare states.**

<table>
<thead>
<tr>
<th>Country-level</th>
<th>Women</th>
<th>Men</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>-2.405 *** (0.103)</td>
<td>-2.477 *** (0.123)</td>
</tr>
<tr>
<td>East Europe</td>
<td>-0.789 *** (0.120)</td>
<td>-0.905 *** (0.104)</td>
</tr>
<tr>
<td>PSE</td>
<td>-0.008 (0.008)</td>
<td>-0.020 (0.010)</td>
</tr>
</tbody>
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<tr>
<th>Individual-level</th>
<th>Women</th>
<th>Men</th>
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</thead>
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<tr>
<td>Cohabit</td>
<td>0.495 *** (0.074)</td>
<td>0.798 *** (0.072)</td>
</tr>
<tr>
<td>Cohabit X Country-level PSE</td>
<td>0.050 *** (0.011)</td>
<td>0.033 *** (0.009)</td>
</tr>
<tr>
<td>Married</td>
<td>0.863 *** (0.056)</td>
<td>1.156 *** (0.065)</td>
</tr>
<tr>
<td>Married X Country-level PSE</td>
<td>0.022 *** (0.004)</td>
<td>0.018 ** (0.005)</td>
</tr>
<tr>
<td>Child under 18 in the home</td>
<td>-0.085 * (0.035)</td>
<td>0.006 (0.034)</td>
</tr>
<tr>
<td>Child X Country-level PSE</td>
<td>0.011 * (0.005)</td>
<td>0.000 (0.004)</td>
</tr>
<tr>
<td>Income Z score</td>
<td>0.083 *** (0.017)</td>
<td>0.116 *** (0.017)</td>
</tr>
</tbody>
</table>

Control variables: Age, education, employment.
Random effects are all statistically significant.
CHILDREN AND HAPPINESS FOR WOMEN

- For women, the “disutility” of having small children disappears in the high PSE countries.

![Graph showing the relationship between Public Social Expenditures (PSE) as % of GDP and Predicted Relative Odds of Happiness. The graph compares scenarios with and without kids.]
Ordered logit regression models predicting general happiness

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<td><strong>Country-level</strong></td>
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<tr>
<td>Intercept</td>
<td>-2.428 *** (0.109)</td>
<td>-2.423 *** (0.057)</td>
</tr>
<tr>
<td>East Europe</td>
<td>-0.805 *** (0.108)</td>
<td>-0.786 *** (0.124)</td>
</tr>
<tr>
<td>PSE</td>
<td>-0.013 (0.009)</td>
<td>-0.013 (0.008)</td>
</tr>
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<td><strong>Individual-level</strong></td>
<td></td>
<td></td>
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<tr>
<td>Female</td>
<td>0.009 (0.039)</td>
<td>0.026 (0.041)</td>
</tr>
<tr>
<td>Female X Country-level PSE</td>
<td>0.010 (0.005)</td>
<td>0.009 (0.006)</td>
</tr>
<tr>
<td>Cohabiting</td>
<td>0.627 *** (0.057)</td>
<td>-0.340 *** (0.048)</td>
</tr>
<tr>
<td>Cohabit X Country-level PSE</td>
<td>0.042 *** (0.008)</td>
<td>0.027 ** (0.008)</td>
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<tr>
<td>Married</td>
<td>0.991 *** (0.051)</td>
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<td>Married X Country-level PSE</td>
<td>0.020 *** (0.004)</td>
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<tr>
<td>Divorced/ Separated</td>
<td></td>
<td>-1.139 *** (0.081)</td>
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<tr>
<td>Widowed</td>
<td></td>
<td>-0.989 *** (0.094)</td>
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<tr>
<td>Single</td>
<td></td>
<td>-0.874 *** (0.063)</td>
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<td>-0.010 * (0.005)</td>
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<td>Child under 18 in the home</td>
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<td>0.000 (0.024)</td>
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<td>Child X Country-level PSE</td>
<td>0.007 (0.003)</td>
<td>0.010 * (0.004)</td>
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<tr>
<td>Income Z score</td>
<td>0.109 *** (0.013)</td>
<td>0.112 *** (0.012)</td>
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Control variables: Age, education, employment
Random effects are all statistically significant.

Single people are less happy in high PSE countries.
Happiness in Japan
Highlights
POSITIVITY VS NEGATIVITY – CULTURAL BIAS??

Puerto Rico, Colombia, Spain, Taiwan, Indonesia, Peru, Portugal, Slovenia, U.S.A., Argentina, Ghana, Brazil, India, Greece, Hungary, Tanzania, Norway, Finland, Hong Kong, Pakistan, Egypt, Turkey, Japan, China, S. Korea, Lithuania.
MARITAL HAPPINESS IN JAPAN
HIGHLIGHTS FROM LEE AND ONO (2008)

- Men
  - Own income improves happiness

- Women
  - Less happy if they are working themselves
  - **Husbands’ income improves happiness**
    - Evidence of wives’ dependence on husbands
  - Evidence of emotional and economic dependence.
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*(Esping-Andersen 1990; 1999)*

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Source: Sarracino, O’Connor and Ono (2018)
Huge increase in social expenditures to combat:
- Decreasing fertility
- Aging society
**Generosity of Welfare State Policy and Life Satisfaction**

Lowess Smoothed Curves

*Source: Sarracino, O’Connor and Ono 2018*

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*The Generosity Index is calculated based on replacement rates, eligibility criteria, and duration of benefit payments associated with unemployment insurance, sickness pay and public pensions. It is intended to further develop on Esping-Andersen’s decommodification index (Scruggs et al. 2017).*
EXTRA SLIDES
World Ranking of Happiness 2017

1. Norway (7.537)
2. Denmark (7.522)
3. Iceland (7.504)
4. Switzerland (7.494)
5. Finland (7.469)
6. Netherlands (7.377)
7. Canada (7.316)
8. New Zealand (7.314)
9. Australia (7.284)
10. Sweden (7.284)
11. Israel (7.219)
12. Costa Rica (7.179)
13. Austria (7.069)
14. United States (6.935)
15. Ireland (6.777)
16. Germany (6.515)
17. Belgium (6.457)
18. Luxembourg (6.413)
19. United Kingdom (6.318)
20. Chile (6.351)
21. United Arab Emirates (6.498)
22. Brazil (6.557)
23. Czech Republic (6.609)
24. Argentina (6.309)
25. Mexico (6.578)
26. Singapore (6.724)
27. Malta (6.377)
28. Uruguay (6.414)
29. Guatemala (6.482)
30. Panama (6.421)
31. France (6.444)
32. Thailand (6.478)
33. Taiwan (6.444)
34. Spain (6.419)
35. Qatar (6.175)
36. Colombia (6.377)
37. Saudi Arabia (6.146)
38. Trinidad and Tobago (6.168)
39. Kuwait (6.199)
40. Slovenia (6.308)
41. Bahrain (6.101)
42. Malaysia (6.384)
43. Nicaragua (6.073)
44. Ecuador (6.008)
45. El Salvador (6.093)
46. Poland (5.973)
47. Uzbekistan (5.971)
48. India (5.964)
49. Russia (6.061)
50. Belarus (5.956)
51. Japan (5.930)
52. Lithuania (5.922)
53. Algeria (5.972)

Is happiness higher in the welfare states?
Does government have a role in promoting happiness?
# Objective vs Subjective Well-being

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<td>Economic</td>
<td>Social/ psychological</td>
</tr>
<tr>
<td>Money</td>
<td>Happiness and life satisfaction</td>
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<tr>
<td>Human capital</td>
<td>Social capital</td>
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<td>Physical health</td>
<td>Mental health</td>
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Countries are not measuring the right thing!

GDP  
GNP  

GNH (Gross National Happiness)  
HDI (Human Development Index)
Ordered logit regression models predicting general happiness

The effect of income * PSE interaction

\[
\frac{dU}{dI} \bigg|_{\text{HighPSE}} < \frac{dU}{dI} \bigg|_{\text{LowPSE}}
\]

- Happiness gap between rich and poor (as \( f[I] \)) is smaller in high-PSE countries.
- Poor are better off in high-PSE countries.
- Rich are better off in low-PSE countries.

Results are identical if we use TAX instead of PSE.
World Happiness Rankings

For example, OECD study of happiness in 2007
- People in Scandinavia are happiest, the U.S. ranked 11th.
- Promotes the debate about “political economy of happiness.”
  (Pacek and Radcliff 2008; Radcliff 2001),

Media’s reaction
- “More people are satisfied in heavily tariffed nations”
- “Most Heavily Taxed Nations Are the Happiest”
- “Oprah Finds the World’s Happiest People Pay 51% in Income Taxes!”

Not to mention, the reaction from the “right”…

Q: Is there a correlation (or even causation) between taxes and happiness??
Q: Who is right? The left or the right?

Critical approach … Starting point must be neutral/ unbiased
MARRIAGE AND HAPPINESS (JAPAN)

\[ f(\text{duration in marriage}) \]