More money does make you happier! [1]

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A really rather interesting result here. Various of the Great and Good are asked what they changed their minds upon over the couse of 2007. Daniel Kahneman says [3]:

> *The most dramatic result is that when the entire range of human living standards is considered, the effects of income on a measure of life satisfaction (the "ladder of life") are not small at all. We had thought income effects are small because we were looking within countries. The GDP differences between countries are enormous, and highly predictive of differences in life satisfaction. In a sample of over 130,000 people from 126 countries, the correlation between the life satisfaction of individuals and the GDP of the country in which they live was over .40 ? an exceptionally high value in social science.*

As we know, we're endlessly told that more money doesn't make us happier and thus that we should get off the hedonic treadmil, stop working so hard and smell the flowers a little more. Indeed, we're told that our positional struggle for more outrageous goods with which to keep passing the Jones' makes us unhappy. But as Megan McArdle says [4] , this new position rather changes that:

> *The positional competition may not be doing you any good directly, but if it raises national GDP, it will indirectly help you, and everyone else in the country.*

Another way of putting it. As so often in economic (or social) questions there are two opposing forces at work. It might even be true that our looking around at the baubles that other have makes us unhappy. But the result of that is that we do indeed strive and work more, creating greater wealth *in toto*, and living in a society which is richer in that manner makes us happier. And when a Nobel Laureate in Economics tells me that the latter effect outweighs the former then I'm inclined to...wow! just look at that Lamborghini over there....

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[2] http://www.adamsmith.org/taxonomy/term/5778
[3] http://www.edge.org/q2008/q08_17.html
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