

# Why does income growth fail to make us happier? Searching for the treadmills behind the paradox of happiness

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## Abstract

Several recent studies have shown that in developed countries, reported levels of happiness do not increase in line with income levels, and people are experiencing more and more time pressure. Together these findings suggest that people do not maximize happiness—they would be better off if they worked less and had more leisure time. Two treadmill effects behind this paradox of happiness have been described in the literature: the positional treadmill, the hedonic treadmill. In this paper I propose two additional treadmill effects: the multi-option treadmill, and the time-saving treadmill, which both seem to make a significant contribution to the stagnation of happiness.

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## 1. Introduction

Several recent studies have shown that in developed countries the reported levels of happiness<sup>1</sup> do not increase in line with income levels (Blanchflower and Oswald, 2004; Diener and Biswas-

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<sup>1</sup> Instead of happiness many studies also use the concepts of subjective well-being, life satisfaction or positive affect, which actually do not mean exactly the same thing (see Diener and Biswas-Diener, 2002). However, for convenience, I generally use the term happiness in this paper, as the main thrust of the presented arguments does not depend on distinguishing these concepts.

Diener, 2002; Diener and Oishi, 2000; Easterlin, 1995, 2001; Kenny, 1999; Veenhoven, 1993). On the other hand, the existing literature also suggests that people are experiencing more and more stress at work but also during their free time (Cross, 1993; Eckersley, 1999; Hochschild, 1997; Robinson and Godbey, 1997; Schor, 1999; Sullivan and Gershuny, 2001). These findings indicate that people actually behave in an economically sub-optimal way. They would be better off if they strived less for an ever-increasing income by working harder and harder and instead cared more about reducing stress. The question therefore arises: if different economic behavior makes people happier, why do not they change their behavior (Oswald, 1997)?

In this contribution I propose various treadmill effects to explain the paradox of happiness, which in this paper refers to the fact that reported levels of happiness do not increase in line with income levels once income has reached a certain threshold level. All these treadmills seem to be inherent in modern economic development and help to turn economic growth in developed countries into a rat race, where the pursuit of happiness of all individuals becomes a zero sum game on aggregate. And this zero-sum game is reflected in the empirical data indicating the stagnation of reported levels of happiness. However, people usually seem to ignore the existence of these treadmills and do not incorporate them into their decision-making process. The result is a bias against leisure time, as people overestimate the happiness derived from income and underestimate the benefits of leisure time.

Two treadmill effects, the search for status or positional goods and the importance of rising aspiration levels, are well known and have been described by many economists in the past. They result in treadmill effects that have been labeled the positional treadmill (Frank, 1985) and the hedonic treadmill (Brickman and Campbell, 1971). This paper contributes to the literature by proposing two additional treadmill effects, which also appear to be responsible for the paradox of happiness, but which have not yet been discussed so far. The multi-option treadmill describes the mixed blessing of the constantly increasing number of options to spend money and time, which are associated with economic growth. While on the one hand, a growing number of options can increase people's happiness, the overabundance of options makes choice a lot more difficult. As people try to profit from more and more options they increasingly feel the impossibility of choosing the right options and of actually enjoying a chosen option.

The second new treadmill proposed in this paper is the "time-saving treadmill". With rising income, time becomes increasingly scarce as a growing number of options meets a constant time budget. Economies in industrialized countries responded to this challenge by the development of a large variety of time-saving devices. But time-saving efforts frequently turn out to be futile because the more time-efficient certain activities become, the more people will engage in them. For example, if transport becomes faster, people will travel more frequently and over longer distances. Therefore, time-saving innovations tend to intensify the use of leisure time instead of mitigating the time pressure.

The paper is organized as follows: Section 2 summarizes some of the main results of the literature concerning the positional treadmill and the hedonic treadmill. Sections 3 and 4 present the additional treadmills proposed in this paper. Section 3 describes the multi-option treadmill, which is caused by the increasing problems related to choice and enjoyment of the existing options in a multi-option society. Section 4 presents the time-saving treadmill and explains, why time-saving technological progress largely fails to reduce stress by freeing additional time slots for leisure time. Section 5 concludes and shortly sketches possible measures to mitigate the treadmills.

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