Does Money Buy Happiness?

The Per Capita Gross Domestic Product (PCGDP) measures income per person across countries. PCGDP is a “rough” measure of economic development because it takes no account of the quality of life such as depletion of natural resource, pollution of air and contamination of water, distribution of income, and production of household goods and services. Nevertheless, increased income per person expands the range of opportunities for individuals to better their economic conditions.

To measure the quality of life, the Organization of Economic Development and Cooperation has recently published its Better Life Index. The database includes 34 countries and 11 life indicators: housing, income, jobs, community, education, environment, governance, health, life satisfaction, safety, and work-life balance. The top 10 countries with the happiest people are Denmark, Canada, Norway, Australia, the Netherlands, Sweden, Switzerland, Finland, Israel, and Austria.
In the chart above, the PCGDP is plotted against the Better Life Index. Countries that have a higher PCGDP score higher in the Better Life Index, indicating a positive correlation between income per person and quality of life. The correlation coefficient between the PCGDP and the Better Life Index is 0.80 and statistically significant at the 5 percent level.

Money does not buy happiness, but it surely helps. Money can help improve the quality of life. With more income, we can provide better housing accommodation, hire helpers to do our household chores, buy more nutritious food, get more education, afford better health-care services, employ more cops for protection, improve air quality, and finance after-school enrichment programs for kids.

Source:
Better Life Initiative: Your Better Life Index, Organization of Economic Development and Cooperation, http://www.oecd.org/document/35/0,3746,en_2649_201185_47837411_1_1_1_1,00.html