

Analysis of the influence of resident income level on national happiness index

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Abstract. National Happiness Index (GNH), as an indicator to measure the overall happiness level of a country, has been paid more and more attention in policy making and social research. In this context, the income level of residents, as one of the important factors affecting national happiness, has aroused extensive research interest. This paper aims to explore the relationship between individual income level and national happiness index, and analyze the complexity behind this relationship.

Keywords: income level, national happiness index, Diminishing marginal effect, Public policy.

1. Introduction

National Happiness Index (GNH), as an indicator to measure the overall happiness level of a country, has been paid more and more attention in policy making and social research. In this context, the income level of residents, as one of the important factors affecting national happiness, has aroused extensive research interest. This paper aims to explore the relationship between individual income level and national happiness index, and analyze the complexity behind this relationship. The dimensions of economic measurement include both subjective and objective aspects and the effect of Public policy on national happiness index.

2. Absolute income level and happiness index of residents

More than 30 years ago, the research on the relationship between income and happiness by Easterlin (1995) et al. aroused economists' interest in happiness research. [1] Since then, the study of the relationship between income and happiness has become one of the most important and complex areas of study for economists involved in happiness. This paper will examine the relationship between income and happiness index from the two aspects of income level and income distribution gap.

Comparison of Happiness Index between high-income and low-income people There have been numerous studies on the relationship between income level and happiness index, and most of the studies believe that there is a positive correlation between happiness level and income level at specific time points. The higher the income, the greater the happiness. Studies in both developed and developing countries have found that rich people have higher subjective well-being than poor people. Moreover, the income effects should be greater in developing countries or countries in transition than in developed countries. Some recent studies, using panel data to control unobserved fixed effects such as individual characteristics, found that with the increase of income, the marginal happiness brought by it continues to decrease, but the relationship between income and happiness is still significantly positive. To some extent, money can buy happiness.

Economic Development, Income Growth and National Happiness Index Many studies on national happiness have found an interesting fact: In recent decades, in Western countries, with the exception of countries such as Germany and Italy, the increase in per capita income has been accompanied by a small increase in average happiness. In other countries, such as the United States, the United Kingdom, Belgium and Japan, despite the substantial increase in per capita national income, the reported average subjective happiness has not increased or even declined. In other words, high income cannot simply be translated into happiness, a general increase in income levels in the economic system is not a sufficient condition to increase everyone's happiness, and in the long run, residents' happiness

levels tend to stabilize. This phenomenon is known as the "happiness-income puzzle," also known as the Easterlin paradox. [2] Many scholars have analyzed the back mechanism of the "happiness paradox", and the relative income theory and the adaptive level theory have become the two most important explanations. Relative income theory holds that people are accustomed to comparing themselves with others, and comparing people with each other will reduce happiness. When everyone's income rises in the same proportion, there is little change in reported subjective well-being. Adaptability theory suggests that happiness is determined by the gap between expectations and levels of fulfillment. As incomes rise, people's expectations rise, the desire curve changes, and happiness gradually returns as people adjust to their new income.

3. Residents' relative income level, income distribution gap and happiness index

3.1. Residents' relative income level and happiness index

Relative income Level and Happiness Index In addition to absolute income, relative income is also regarded as an important factor affecting subjective happiness, which is used to explain why economic growth has not increased happiness at the social level, but also to explain the blind pursuit of money at the individual level. Easterlin is a representative who emphasizes the decisive role of relative income on subjective well-being. He emphasizes that subjective well-being depends on relative income rather than absolute income, that relative income has a more important impact on subjective well-being than absolute income, and that subjective well-being changes positively as one's income level increases. But the reverse changes as other people's income levels rise. In the study of the relationship between subjective well-being and relative income, it is generally assumed that there is a control group, and the evaluation of personal subjective well-being is negatively correlated with the income level of the control group. According to Ferrer, compared with other objective variables, income plays a very important role in determining subjective well-being. The higher the relative income, the stronger the subjective well-being, but this kind of Yan Ming: The analysis of the effect of people's income on national happiness index 85 is different in different income groups. For the people whose income is lower than the control group, the difference between their own income and the income level of the control group has a serious negative effect on their subjective well-being. However, for people with higher income than the control group, the positive effect of relative income on subjective well-being is relatively low. Clark et al. found that there was only a very weak correlation between self-rated subjective well-being and absolute income level [3], but it had a significant negative correlation with relative income index, and the impact of relative income on subjective well-being was far greater than that of absolute income. Another way to consider the relative income effect of subjective well-being is to study the impact of income changes on subjective well-being, emphasizing the vertical comparison effect of current income with past income. Graham analyzed the impact of three variables on SWB: the comparison between the current economic situation and the past, the expectation of the improvement of the future economic situation and the self-rated economic status, and the results show that they all have significant positive effects on SWB. On the one hand, the explanation of this inconsistency emphasizes the use of other factors other than income, such as social environment, cultural tradition, political influence and other personal characteristics of respondents. On the other hand, the relationship between income and subjective happiness is further discussed, that is, whether absolute income level or relative income level plays a role in subjective happiness. In the macro time series data, the aggregated income level cannot reflect the impact of relative income on subjective happiness.

3.2. Residents' Income distribution Gap and Happiness index

Different from relative income, income inequality examines the impact of a country or region's income distribution system or status quo on residents' happiness. As for the impact of income

inequality on subjective well-being, there is no consistent conclusion in the research of happiness economics. Some scholars believe that income inequality significantly reduces life satisfaction, and there is a negative relationship between income inequality and subjective happiness. [4] After controlling for more variables and using EU data over a longer period of time, Schwarz concludes that inequality reduces life satisfaction, especially among residents of the left and the poor. However, Connell found that income inequality was conducive to an increase in subjective well-being. Clark's analysis of the United Kingdom found that for full-time employees, income inequality increases life satisfaction, especially for individuals who are under the age of 40, earn less than average, or have experienced a large increase in income in the past three years. [5] One explanation for these conflicting conclusions is that the effect of income inequality on subjective well-being is different across countries. For example, relatively unhappy former socialist countries tend to be fairly equal in income distribution, and relatively happy Latin American countries tend to be fairly unequal. The happiness effects of income inequality vary across countries and may depend on how inequality is understood. For example, some countries are tolerant of income inequality and believe that income inequality is conducive to competition and opportunity, so it may have no negative impact on subjective well-being, and even have a positive effect. In other countries, income inequality is abhorred, so income inequality must have an adverse effect on subjective well-being.

4. Public policy to improve the national happiness index

Linking the pursuit of the national happiness index with the government's policy goals is the result of many factors. From the internal factors, it is the government itself to change the development mode of understanding; From the external factors, it is the people's happiness demand that prompts the government to make a response. Economy is the foundation of a country's development, and there is nothing wrong with using GDP indicators to assess itself, but if you only follow GDP and worship GDP without caring about people's well-being, it does not meet the requirements of the scientific outlook on development that puts people first, and is not conducive to the transformation of the economic development model. We should take the public happiness index as a hard indicator, abandon the performance view of GDP first, establish a scientific development view and a correct performance view, and shift the focus from economic figures to the subjective well-being of the public.

Most economists emphasize the effect of relative income on individual subjective well-being. Because once an individual's income exceeds the level needed to sustain a normal livelihood, happiness depends more on relative than absolute income, consumption, and other objective variables. However, according to economics, this competition for relative position is a social waste, which leads to a decline in the overall happiness of society. Governments should therefore impose higher corrective taxes on income to induce private policymakers to consider the social costs of negative externalities. The government's public policy should be shifted from the pursuit of the growth of economic aggregate to the pursuit of establishing and maintaining a healthy, fair and just macro-institutional arrangement to achieve social harmony and stability and residents' happiness.

Both individual unemployment and general unemployment significantly reduce subjective well-being. Therefore, it is a very important task for the government to reduce unemployment and promote employment as much as possible. Traditional economics, in response to the problem of unemployment, always thinks that more subsidies should be the most effective. But happiness research has found that the unemployed are less happy than the employed at the same income level. Therefore, the government should focus on increasing employment and providing more job opportunities for people, rather than just providing handouts to the unemployed.

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5. Conclusion

There is a close relationship between the income level of residents and the national happiness index, although the relationship is complex and diverse. While higher income is generally associated with greater happiness, the diminishing margin effect suggests that the magnitude of the happiness boost diminishes as income levels increase. In addition, social factors and economic policies also play an important role in shaping this relationship. Therefore, maintaining a relatively equal income distribution, providing social support, and implementing active economic policies can contribute to improving the national happiness index and the happiness level of the whole society. There are many opportunities for future research in this area of research to delve into the more complex interrelationships between happiness and income, society and policy.

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