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The Easterlin Paradox: Misconceptions about Economic Growth and Happiness

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The Easterlin Paradox: Misconceptions about Economic Growth and Happiness^{*}

Abstract

The Easterlin Paradox refers to the apparent contradiction between the cross-sectional and time-series relationships between GDP per capita and evaluative happiness – at a point in time, countries with greater GDP per capita are on average happier, but over time, long-run GDP growth does not correlate meaningfully with long-run happiness growth. Yet not everyone agrees. After more than fifty years since Easterlin's original article, the Paradox remains controversial and is frequently misunderstood. This article reviews the evolution of the Easterlin Paradox and briefly discusses its modern definition, explanations, best practices for testing, empirical extensions, and common misconceptions and critiques, with particular attention on methodology. Recent evidence indicates there is a broad range of long-run happiness changes, but these changes do not meaningfully correlate with long-run GDP growth rates, even in less developed countries. The implications are part of why the Paradox is so controversial. Economic growth alone does not constitute development or societal progress. In Easterlin's words, it is time to move on [beyond GDP] and discover what explains why happiness grew in some countries and not others.

JEL classification

I31, D60, O10, O5

Keywords

Easterlin Paradox, economic growth, income, happiness, life satisfaction, subjective well-being, development

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*“The Easterlin Paradox states that at a point in time happiness varies directly with income, both among and within nations, but over time the long-term growth rates of happiness and income are not significantly related. (Easterlin & O’Connor, 2022b, p. 1)”*¹

This article clarifies the Easterlin Paradox and related evidence. Since Richard Easterlin’s original article, the Paradox has referred to the apparent contradiction between the cross-sectional and time-series relationships between income² and evaluative happiness³ (Abramovitz, 1979; Easterlin, 1974); however, the exact definition and evidence used to assess it have evolved as more data have become available (Smith, 2023). The first major development was the inclusion of additional countries (Easterlin, 1995), followed by the incorporation of less-developed countries (Easterlin et al., 2010; Easterlin & Angelescu, 2010; Easterlin & Sawangfa, 2010). At that time, Easterlin and his coauthors also clarified that the Paradox concerns long-run trends in GDP and happiness rather than short-run fluctuations (Easterlin et al., 2010). Today, broad agreement exists concerning the cross-sectional findings; however, the time-series evidence remains controversial and is frequently contested (Diener et al., 2013; Stevenson & Wolfers, 2008; Veenhoven, 1991; Veenhoven & Vergunst, 2014).

The controversy arises in part because of the importance of the implications. If the Easterlin Paradox is true – if the time-series evidence holds – then economic growth alone does not constitute development or societal progress.

The central question is whether increasing the long-run economic growth rate durably and meaningfully affects happiness? The balance of relevant evidence suggests the answer is no. Easterlin & O’Connor (2022b) support the Paradox using two data sets covering up to 123 countries. Even the largest relationship they estimate suggests that a sustained one-percentage-point increase in annual economic growth would require approximately 100 years to raise average happiness by one point.

Some of the disagreement exists because not all researchers approach the GDP-happiness relationship in the same way.⁴ Some focus on short-run relationships, some examine the conditions under which growth improves happiness, and others move beyond GDP altogether. Each approach addresses related but distinct research questions. More on this below.

¹ Alternatively, you can read the definition in the *Dictionary of Ecological Economics*, which was also approved by Richard Easterlin (O’Connor, 2023).

² Throughout the article, income and GDP refer to real GDP per capita, unless otherwise stated.

³ By the term happiness, I follow Easterlin and refer to evaluative subjective well-being, most commonly measured using life satisfaction. For brevity, I drop the word evaluative throughout the article.

⁴ As an example, Kaiser & Vendrik (2019) formulated five different versions of the Easterlin Paradox, based on the types of time-series evidence, distinguished by duration (medium or long term) and number of countries (one or more). Consistent with Easterlin, they argue evidence based on long-run time-series in multiple countries is the most appropriate version. Clark (2011) describes yet another version using micro evidence to test the effect of comparison income.

In what follows, I briefly cover explanations for the Paradox, describe best practice for testing the modern formulation of the Paradox, discuss empirical extensions, and review common critiques and misconceptions.

Explaining the Paradox

The original explanations for the Easterlin Paradox focus on the standards against which happiness is assessed (also referred to as aspirations and reference points) (Clark, 2016; Clark et al., 2008; Easterlin, 1974, 2003). Hedonic adaptation is the process by which standards change over time (typically with respect to one's past), while social comparison describes how standards are set in relation to others. Both processes are important for explaining the time-series evidence, though social comparison alone can in theory account for both the cross-sectional and time-series findings:

“At a point in time those with higher income are happier because they are comparing their income to that of others who are less fortunate, and conversely for those with lower income. Over time, however, as incomes rise throughout the population, the incomes of one's comparison group rise along with one's own income and vitiate the otherwise positive effect of own-income growth on happiness (Easterlin & O'Connor, 2022b, p. 1).”

Social comparison also evolves over time as one's comparison or peer group changes, for instance, after changes in life circumstances such as education, place of residence, and place of work (Easterlin, 2001).

As another potential mechanism, economic growth may be accompanied by negative economic, social, and environmental consequences which offset the potential benefits of growth. Easterlin & Angelescu (2012) point to urban congestion, pollution, and declining food quality. Bartolini and colleagues emphasize declining social capital and population aging (Bartolini et al., 2013; Bartolini & Bilancini, 2010). In China, a potential increase in happiness appears to have been offset by rising unemployment and retrenchment of welfare state policies (Easterlin et al., 2012).

Bartolini, Sarracino, and colleagues advance another complementary mechanism. Defensive growth theory argues there is a vicious cycle in society whereby negative externalities reduce happiness and the resulting unhappiness stimulates economic growth (Bartolini & Bonatti, 2008; Sarracino et al., 2026; Sarracino & Mikucka, 2019; Sarracino & O'Connor, 2023). According to this theory, economic growth generates the negative consequences that offset happiness benefits. Recent studies now also provide some empirical support for defensive growth theory. Economic growth in high income inequality countries reduces social trust (Sarracino & Slater, 2025), while adverse social and environmental outcomes – including inequality, distrust, and pollution – are associated with increased consumption (Sarracino & Slater, 2026; Slater & Sarracino, 2026).

Plausibly, each mechanism plays a role to varying degrees in explaining the time-series relation. What remains to be explained is why GDP and national happiness are positively related in the cross section. One proposed explanation for the cross-sectional relationship is Easterlin's head-start hypothesis as it pertains to happiness:

The countries that first sustained strong economic growth got a head start relative to the rest of the world. They tended to have strong institutions and higher levels of education. It was in these same countries (northwestern Europe) where the view that happiness was a responsibility of government first arose (McMahon, 2006), and more than a century after the industrial revolution began, they were the first to implement policies promoting economic stability, employment, worker protections, and the social safety net – policies that support the conditions for national happiness (Easterlin & O'Connor, 2025). Thus, happiness grew in a geographic pattern following the diffusion of production technology for historical reasons without depending directly on GDP (Easterlin, 2013a). A similar process characterized the diffusion of health and sanitation technologies (Easterlin, 2009a, 2013a). Consequently, life expectancy is positively associated with GDP today, but the improvements in life expectancy over time were likewise not dependent on GDP (Easterlin & O'Connor, 2025).

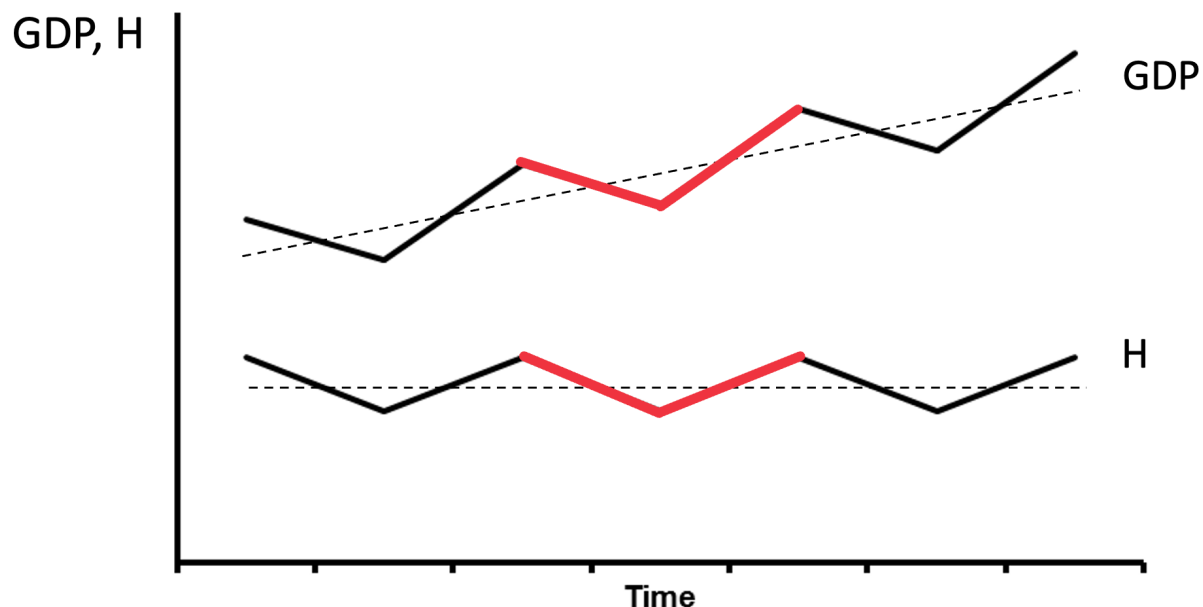
Testing the Paradox

Method

The modern formulation of the Paradox is tested by assessing the correlation between the long-run trends in real GDP per capita and happiness. As is common in macroeconomics, the trends must be estimated from the raw data. GDP trends use the long-run average annual growth rate. Happiness trends can be estimated as average annual changes in happiness by regressing happiness on country-specific time trends (Easterlin & O'Connor, 2022b). An alternative approach is to smooth the raw data using time-series methods such as the Hodrick-Prescott filter (Hodrick & Prescott, 1997) as employed by (Hovi & Laamanen, 2016; Kaiser & Vendrik, 2019). Analyses based solely on the raw data and country fixed effects or hierarchical modeling are likely to be insufficient, because the (within-transformed) data still vary at the frequency of measurement (e.g., annual) (Oparina et al., 2024; cf. Opfinger, 2016).

Figure 1 illustrates how short series can produce misleading conclusions and why long-run trends are necessary. As depicted in the figure, happiness typically declines during recessions and recovers gradually as GDP recovers (De Neve et al., 2018; Easterlin et al., 2010; Hovi & Laamanen, 2016), but over the long run, happiness does not necessarily continue rising alongside GDP. For this reason, Easterlin recommended distinguishing cycles from trends – just as in macroeconomics – and examining periods of at least ten years (Easterlin et al., 2010), preferably longer to ensure capturing a full business cycle (Easterlin & O'Connor, 2022b).

Figure 1 Short-term fluctuations and long-term trends in happiness (H) and GDP: An illustration



Note: Solid lines reflect raw data, while dashed lines represent trends. The original figure was modified slightly to highlight a particular business cycle. Source: author based on (Easterlin, 2015, Figure 12.1, 2017, Figure 1; Easterlin & O'Connor, 2022b, Figure 1).

To explain why the short-run relationship differs from the long-run relationship, Easterlin speculated (Easterlin & Angelescu, 2010) that the GDP-happiness relationship might be asymmetric because of loss aversion (Tversky & Kahneman, 1991), which was later supported empirically (De Neve et al., 2018; Hovi & Laamanen, 2021).

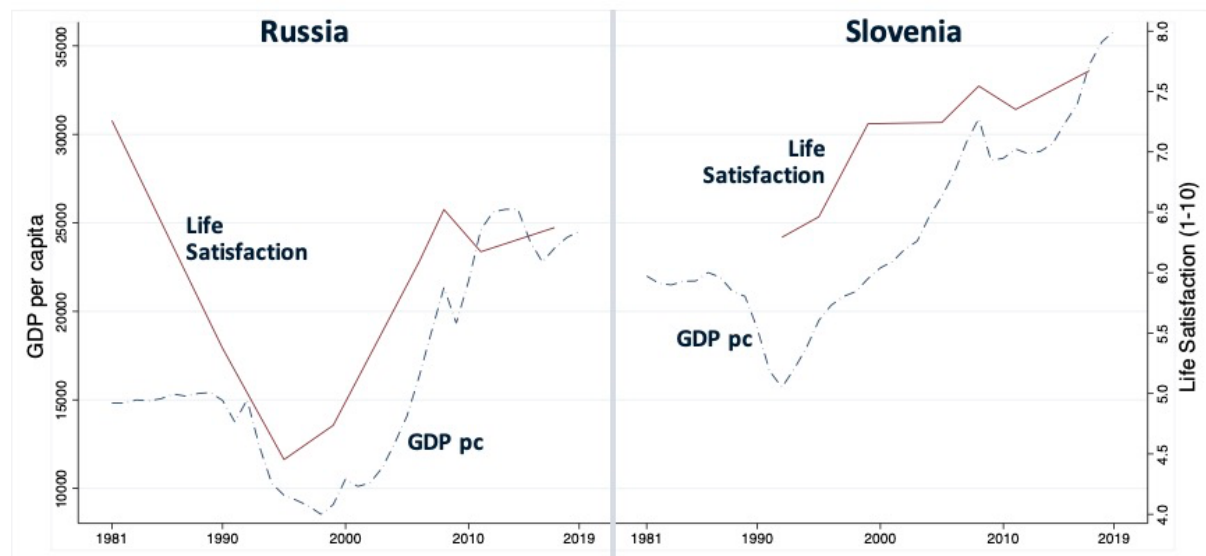
It is also important to interrogate the data. Occasionally surveys are changed in ways that affect their comparability over time, e.g., survey mode, response scale, or preceding questions. In some cases, adjustments can be made, while in other cases, the problematic surveys should not be used (Easterlin, 2017; Kamilçelebi et al., 2026).

The context also matters. Following the collapse of communism, many transition countries experienced a substantial decline in GDP and, probably, happiness. The corresponding decline in happiness is observable in only a limited number of countries. See for example Russia in Figure 2.⁵ For Slovenia, however, the decline is not visible because the happiness data began too late. In countries such as Slovenia, happiness data begin after the collapse of communism and therefore capture periods of both economic recovery and major governmental and societal changes (Easterlin, 2009b).

⁵ Figure 2 uses Tambov Oblast to represent Russia in 1981, which was supposed to be representative of Russia as a whole (Easterlin, 2009b). The experience of Hungary supports the view that happiness declined substantively with the collapse of communism, and Hungary had happiness data for the whole country in the WVS 1982 (Easterlin, 2009b).

Easterlin and O'Connor classified 13 such expansion-only countries (ETCs) separately because including them shifts the relationship away from long-run trends toward a recovery process. Moreover, the relationship within the ETCs alone indicates that faster economic growth did not accelerate their happiness recovery (Easterlin & O'Connor, 2022b, Figure 6). Although not universally adopted, several authors have likewise treated Eastern Europe as a distinct group (Bartolini & Sarracino, 2014; Kaiser & Vendrik, 2019).

Figure 2 Life satisfaction and GDP per capita data for two illustrative countries that transitioned from communism to capitalism (EVS/WVS data)



Source: author calculation using data from (Easterlin & O'Connor, 2022b).

Data

The principal data sources used to test the Paradox are the European Values Study / World Values Survey (E/WVS), the Gallup World Poll (GWP), and the Eurobarometer. As noted by Easterlin and O'Connor (2022a), the E/WVS data provide the longest available time series for a large number of countries worldwide beginning in 1981 for a small but expanding set of countries. The GWP covers the broadest set of countries, beginning in 2005, while the Eurobarometer dates back to the early 1970s but is limited to European Union countries.

Common additional sources include the World Database of Happiness (Kamilçelebi et al., 2026), the LatinoBarometer (Easterlin et al., 2010), and the U.S. General Social Survey; however, the latter is less commonly used today as it only covers one country.

Although results tend to be broadly similar across datasets, some caution is warranted. For example, in certain E/WVS waves the life satisfaction question was preceded by a question on financial satisfaction, which, according to best practices, requires

adjustments (Easterlin, 2017; Easterlin & O'Connor, 2022b). Also, the GWP's evaluative happiness measure, the Cantril Ladder, may be more sensitive to power and wealth than the life satisfaction measure in the E/WVS (Nilsson et al., 2024), potentially increasing the long-run correlation between GDP and happiness.

(Un)Conditional Economic Growth and the Easterlin Paradox

Much of the evidence concerning the Easterlin Paradox reflects the unconditional or bivariate relationship between GDP and happiness. With the greater availability of data today, a natural next step is to assess the conditional relationship – considering, for example, whether economic, social, or environmental conditions moderate the effect of economic growth on happiness. Indeed, Figure 3 in Sarracino et al. (2026) (see also Easterlin & O'Connor, Figure (2022b, Figure 7)) clearly illustrates divergent happiness trends across countries, with some experiencing positive trajectories and others negative. Recognizing this heterogeneity led Sarracino and colleagues to explicitly ask “When does economic growth improve life satisfaction?” (Mikucka et al., 2017; Sarracino et al., 2022, 2026; Sarracino & O'Connor, 2021). Mikucka and colleagues found, economic growth is more likely to be associated with rising happiness when income inequality is stable or declining and when social capital is maintained or improving. Similarly, Oishi & Kesebir (2015) found economic growth does not improve happiness when income inequality rises.

Common Misconceptions

Short-run variation

Testing the Easterlin Paradox using short-run variation illustrates one of the most common misconceptions (e.g., Diener et al., 2013). While short-run fluctuations can have important effects on happiness (e.g., O'Connor, 2017), they tell us little about long-run changes. When asking how to organize society – for instance, to pursue economic growth at all costs or to prioritize social and environmental conditions – arguably the question is which approach will have better long-run outcomes, that is, which approach will durably improve happiness. Indeed, even in Easterlin's original happiness article, he was more interested in long-run trends than fluctuations.⁶ More broadly, researchers in multiple disciplines have recognized the importance of distinguishing trends from short-term variation and have adopted a variety of methods to do so (Bartolini & Sarracino, 2014; Beja, 2014; Hovi & Laamanen, 2016; Kaiser & Vendrik, 2019; Sarracino & O'Connor, 2021; Veenhoven & Vergunst, 2014).

⁶ “If one views the period as a whole, there is a noticeable swing, but little indication of any net trend up or down. (Easterlin, 1974, p. 110)”

Does economic growth improve happiness in poor countries?

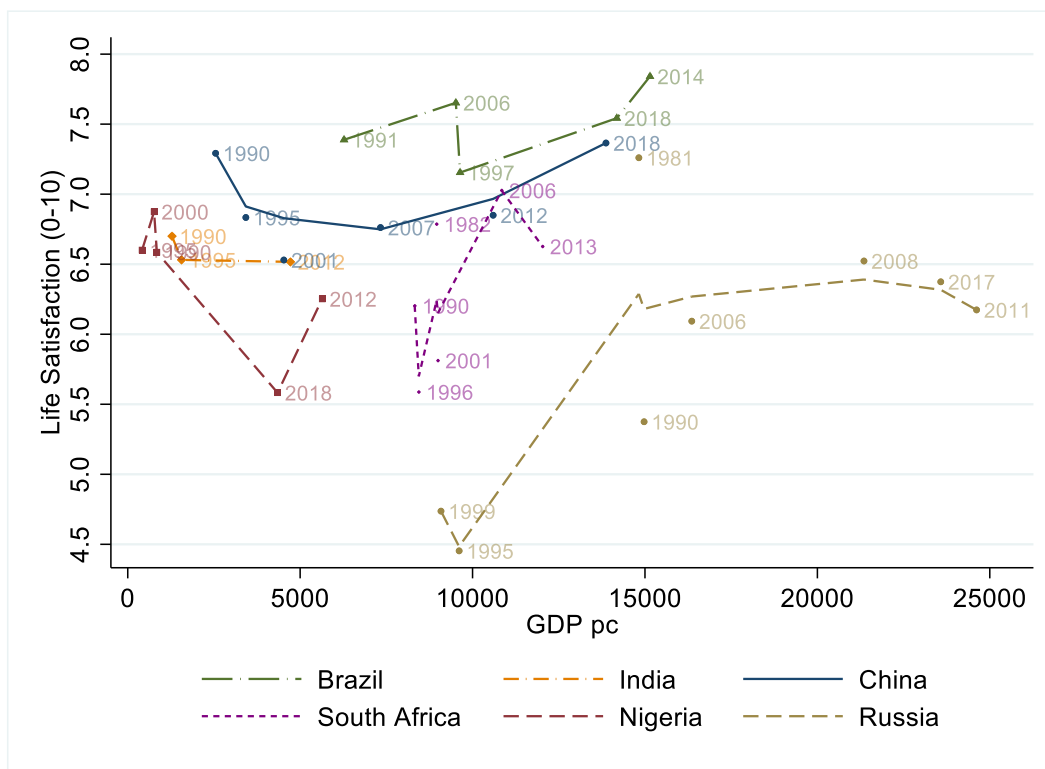
Another common misconception is that income or GDP affects happiness up until some threshold or, relatedly, that GDP has a positive but diminishing effect on happiness, that is, the relationship is log-linear (also called curvilinear (e.g., Veenhoven, 1991)). The vast majority of evidence supporting this view comes from cross-sectional data (Deaton, 2008; Kahneman & Deaton, 2010; Killingsworth et al., 2023).⁷ However, the time-series trend evidence does not support the existence of a log-linear or threshold relationship. Easterlin first addressed this question using data from Japan between 1958 and 1987 (Easterlin, 1995), before expanding to 13 developing countries (Easterlin and Sawangfa) and finally 123 countries in his most recent study (Easterlin & O'Connor, 2022b). In this latter study, 71 less-developed countries exhibited a smaller GDP-happiness time-series relationship than developed countries, and both relationships were statistically insignificant (Easterlin & O'Connor, 2022b, Figure 7).

To illustrate, Figure 3 presents life satisfaction in relation to GDP per capita in the BRICS countries and Nigeria, using the same E/WVS data employed to test the Paradox in 2022 (Easterlin & O'Connor, 2022b, Figure 6). Nigeria was added to the group because it was the poorest country among 67 countries with sufficient time coverage in the E/WVS data. If the relationship were log-linear, then we would see steeper positive relationships in poorer countries, but that is not the case. With GDP per capita below \$1000 in 1990, Nigeria's GDP more than quintupled by 2012, yet average life satisfaction declined over the same period. India's happiness stagnated despite similarly impressive economic growth, and Brazil experienced more than a doubling of GDP alongside only a modest increase in happiness. China's case, given its extraordinary growth rates and U-shaped happiness experience, is well known and discussed elsewhere (Bartolini & Sarracino, 2015; Easterlin et al., 2012, 2017). South Africa and Russia show positive slopes but are likely exceptions because of the profound social and political changes that occurred simultaneously. South Africa ended Apartheid, while Russia underwent the transition from communism to capitalism (note the dates in Figure 3 – the upward slope mixes two directions in time).⁸

⁷ Oparina and colleagues conduct country heterogeneity analysis and find a larger *short-run* relation for low-income countries (Oparina et al., 2024).

⁸ For detailed discussion of the countries that transitioned from communism, including Russia, see Easterlin (2009b).

Figure 3 Life Satisfaction and GDP pc in five BRICS countries, plus Nigeria. (EVS/WVS data)



Lines are LOWESS smoothed to more closely represent trends from lower to higher GDP per capita levels. As illustrated by the year labels, the lines do not move through time from left to right because GDP growth can be both positive and negative. GDP per capita is measured in real 2017 PPP adjusted international dollars.

Source: author calculation using data from (Easterlin & O'Connor, 2022b).

GDP-happiness correlations in one country at a time

Other researchers have asked whether GDP growth and happiness growth can coexist within a country (Hagerty & Veenhoven, 2003; Veenhoven & Vergunst, 2014).⁹ Given that GDP growth is generally positive over the long run, this question usually amounts to assessing whether happiness also increased over the period. The problem with this approach is that coexistence *alone* reveals very little. It is necessary to compare economic and happiness trends across countries to assess whether there is a reliable and substantive relationship between the two.

Relatedly, some authors examine the correlation between GDP and happiness observations within one country at a time (Veenhoven & Hagerty, 2006; Veenhoven & Vergunst, 2014). This approach provides more relevant information but usually captures the short-term relationship because it depends on the variation associated with the frequency of the data (e.g., annual, biennial).

⁹ See also: <https://ourworldindata.org/happiness-and-life-satisfaction#economic-growth-and-happiness>

Is it possible for happiness to increase in the long-run?

The subjective¹⁰ nature of happiness might lead us to think happiness is doomed to stagnate over long periods (Prati and Senik 2026). Increasing standards – by which people evaluate their happiness – help explain the Easterlin Paradox, as explained above, and could in theory, be enough to offset gains in objective circumstances. Simply stated, “(w)e may have experienced progress but then adjusted to it (O’Connor, 2024, p. 341).”

The empirical evidence indicates otherwise; happiness can durably change over time. This was already visible in Easterlin’s original 1974 article. In the only happiness time series available at the time, Easterlin observed a sustained increase in happiness, followed by a subsequent decline (Easterlin 1974). Today, durable change is illustrated by the substantial variation in long-run happiness trends across countries used to test the Paradox. Most countries exhibited positive rates of happiness growth over extended periods (Easterlin & O’Connor, 2022b). See also Sarracino et al. (2026, fig. 3).

The central question was the same then as it is today: was the change caused by economic growth or something else? Easterlin argued there are circumstances people are less prone to compare and adapt to, such as family and health, and therefore more likely to lead to lasting improvements in happiness (Easterlin, 2003). At the national level, Easterlin concluded that “(f)ull employment and safety net policies do increase happiness (Easterlin, 2013b),” which was further supported for safety-net policies (Easterlin & O’Connor, 2022a).

Additional critiques

For additional critiques of the Easterlin Paradox and Easterlin’s responses, see Easterlin (2017). There has been a true debate, with critiques and rebuttals coming from multiple disciplines over a long period of time, to name a few: Diener et al. (2013) in psychology, Veenhoven in sociology (e.g., Veenhoven, 1991), and Stevenson and Wolfers in economics (e.g., Stevenson & Wolfers, 2008). The debate greatly pushed forward our understanding of income-happiness relationships, from a presumption in economic theory to a nuanced multidisciplinary set of findings, spanning methodologies and data sources from around the world. See for example Kamilçelebi et al. (2026), which includes a brief discussion of the decades-long exchange between Ruut Veenhoven and Richard Easterlin.

¹⁰ Based on an extensive review, Easterlin said in his 1974 article that evaluative happiness is about how people personally judge their lives, according to their own relative and changing frames of reference (Easterlin 1974). Ed Diener said similarly, “It is important to point out that the judgement of how satisfied people are with their present affairs is based on a comparison with a standard which each individual sets for him or herself (Diener et al. 1985, p. 71).” Likewise, Amos Tversky and Daniel Kahneman observed consistent experimental evidence and developed a formal model describing how preferences depend on internal reference points (Tversky & Kahneman, 1991).

Conclusion

Societal progress cannot be measured without understanding how people evaluate their lives (Stiglitz et al., 2009). This is why the Easterlin Paradox is so important. Economic growth does not necessarily translate into meaningful, lasting improvements in evaluative happiness. That is the central conclusion that emerges from Easterlin's and much of the related work reviewed here.

Numerous scholars across multiple disciplines have challenged this conclusion, yet many critiques rely on methods that address different questions and do not directly test the long-run trend relationship at the heart of the Paradox. Although the original formulation of the Paradox did not distinguish short-run fluctuations from long-run trends (Abramovitz, 1979; Easterlin, 1974), Easterlin was interested in the long-run influence of growth and as more data became available, the Paradox evolved. Today, testing the modern formulation of the Paradox requires estimating long-run trends in both real GDP per capita and evaluative happiness and then assessing their relationship. Ultimately, benevolent policymakers want to know what happens if economic growth increases: will the well-being perceived by their constituents rise, and if so, by how much and for how long? Many scholars address related, important, but distinct questions, such as the impacts of short-run GDP changes on happiness.

A variety of explanations for the Paradox have been proposed, with particular emphasis on changing reference points and standards against which happiness is evaluated. Additional explanations focus on countervailing forces, such as rising income inequality, declining social capital, and environmental degradation. More recently, some attention has shifted toward identifying the conditions under which economic growth can improve happiness.

Easterlin himself preferred the more direct question, writing "It is time to move on. (...) (L)ittle studied, is the problem of explaining the sizeable differences among countries in the long-term trends of SWB (Easterlin, 2017, p. 331)." His answer was straightforward: "Full employment and safety net policies do increase happiness (Easterlin, 2013b)." Increasingly, he is not alone in looking Beyond GDP for a headline measure of development (Burger et al., 2026; Easterlin, 2019; O'Connor, 2024; Sarracino & O'Connor, 2025; United Nations, 2026).

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