DOES HIGHER INCOME AND HIGHER EDUCATIONAL LEVEL AFFECTED HAPINESS?
WORLDWIDE EVIDENCE FROM QUANTILE REGRESSION

Badariah Haji Din¹, Muzafar Shah Habibullah², Ahmad Bashawir Abdul Ghani³, Rusdi Omar⁴, Ratneswary Rasiah⁵

¹College of Law Government and International Studies, Universiti Utara Malaysia, Malaysia
²Institute of Agriculture and Food Policy Studies, Universiti Putra Malaysia, Malaysia
³Putra Business School, Malaysia
⁴School of International Studies, Universiti Utara Malaysia, Malaysia
⁵Taylor’s Business School, Taylor's University, Malaysia
E-mail: ¹badariahdin@uum.edu.my

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Abstract
In order to sustain the current and future standard of living, maintaining long-term economic growth has been the ultimate goal of any nations. Many nations relentlessly pursue the path of economic growth to become developed and high income nations, but little do they realize that in their pursuit of material well-being, they seem to have completely missed the human emotions aspect. Recent literature on happiness has shown evidence that in several developed nations that have enjoyed rapid growth and accumulated high levels of material well-being, their citizens have not reported enjoying higher levels of happiness. Does higher income and education related to happiness? Previous studies have found mixed results. In this study we investigate the effects of income and educational attainment on the levels of happiness, in fact, exhibiting an inverted U-shaped Kuznets curve. On the other hand, primary education reduces the levels of happiness; while secondary and tertiary education increases the levels of happiness.

Keywords– happiness, income, education, quantile regression, worldwide evidence

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INTRODUCTION
One of the main aims of nations and policy makers is to achieve sustainable economic growth, as it is believed to bring about material welfare gains and subsequently increase well-being. It is believed that economic growth and development provides a means to an end. The “end” here refers not just to the material gains that human beings receive, but more so for the enhancement of human well-being or happiness. Oswald (1997) encapsulates this by saying that “economic things matter only in so far as they make people happier”. In studying the macro and socioeconomic variables that affect happiness, Emmons (1986) provides a guiding framework in that the variables that affect people’s ability to achieve their goals would invariably affect their subjective well-being. The abundant resources that are available to individuals provide ample opportunities for them to achieve their goals and thereby enhance their happiness.

Prior to the use of happiness, income (proxy by GDP per capita) had always been the key measure of well-being or quality of life in most nations. Income as an indicator of well-being is riddled with many limitations. Income only emphasizes changes in material welfare, but ignores changes in the quality of life, thus, it is inadequate measure of well-being. This inadequacy in the use of income as an indicator of well-being has led scholars and policy makers to search for alternative measures of quality of life, leading to the numerous studies on happiness or subjective well-being. Nevertheless, searching for important factors affecting happiness has not received much attention from the economists. Earlier works by Easterlin (1973, 1974) suggests that money can buy happiness up to a certain point in life, thereafter, as expectations exceed aspirations in life, the level of happiness level off or decrease This nonlinear relationship between income and happiness has been proposed by Frey and Stutzer (2000a, 2000b), however, study by Stevenson and Wolfers (2013) do not support this claim.

On the other hand, Mclride (2010) support the aspirations-based theory of happiness which explain why the level of happiness decrease as the level of income increases. Another important determinant of happiness that has not received much attention in empirical research is education. Salinas-Jimenez et al. (2016: pp. 116) posit that “many studies analysing the relationship between income (or other economic variables) and happiness include some control variables related to education, but few place their focus on the effects of education on individuals’ well-being. The reason probably lies in that the effects of education on subjective well-being generally manifest in an indirect way through variables as health, income or participation in the labor market.” Nevertheless, some studies have shown that education has strong effects of happiness and their effects is unconditional on household income. Studies by Blanchflower and Oswald (2004), Oreopoulos and Salvanes (2011), Lelkes (2006), Gerdtham and Johannesson (2001), Tsui (2014), Salinas-Jimenez et al. (2016) and Nikolaev (2018) all found that the level of education has a direct effects on the level of happiness.

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The purpose of the present study is twofold: (1) to investigate the nonlinear effects of income level on happiness, and (2) to determine whether education has a direct effects on the level of happiness. We test these two questions on a cross-section of 149 countries. In view of this, the paper is organized as follow. In the next section we discuss the literature that relates happiness to income and education level; and in section 3 is the method used...