

DO ECONOMIC FACTORS DOMINATE HAPPINESS: A COMPARISON OF WESTERN AND EASTERN CULTURES

Agung Nusantara^{1*}, Sri Nawatmi²

¹ Universitas Muhammadiyah Semarang, Indonesia

² Universitas Stikubank, Indonesia

*Corresponding Author. Email: agungnusantara@unimus.ac.id

ABSTRACT

This article explores the factors influencing happiness levels and compares them within the contexts of Western and Eastern cultures. It particularly examines the role of income in shaping happiness, with a focus on Western cultures, often associated with materialism, and Eastern cultures, frequently linked to spirituality. The analysis reveals four significant determinants of happiness: economic achievement, social support, health, and the freedom to make choices. While income, measured by per capita GDP growth, contributes to happiness, globally, freedom of choice and social support exert a more substantial influence. This holds true when comparing Europe and North America to Asia (excluding the Middle East) and when contrasting Western and Eastern cultures. The study underscores the significance of social and political factors in achieving happiness, emphasizing the need for prioritizing their development. Furthermore, it challenges the notion that Western cultures are solely materialistic and Eastern cultures entirely spiritual, highlighting the intricacies of cultural differences. In sum, these findings emphasize the need for more comprehensive and diverse research to understand variations within specific cultural and ethnic contexts.

Keywords: Happiness; GDP Per-Capita; Social Support; Healthy; Freedom

Article History: Submitted: 2023-10-25; Revision: 2023-10-30; Accepted: 2023-10-31; Available online: 2023-10-31

Copyright ©2023 Faculty of Economics and Business, Universitas 17 Agustus 1945 Semarang

This is an open access article under the CC BY license <https://creativecommons.org/licenses/by/4.0/>

How to Cite: Nusantara, A., & Nawatmi, S. (2023). Do Economic Factors Dominate Happiness: A Comparison of Western and Eastern Cultures. *Untag Business and Accounting Review*, 2(2), 55-63.

INTRODUCTION

Happiness is one of the desired aspects of life for every individual. However, what makes someone feel happy and how specific factors influence the level of happiness remain an interesting and complex research topic. One approach to measure happiness is through a happiness index, which encompasses various dimensions such as income, social support, health status, generosity, and freedom to choose (Helliwell, 2022).

Income, as one of the main components of the happiness index, plays a significant role in creating financial stability and meeting individuals' basic needs. Additionally, social support from the surrounding environment has a significant influence on one's emotional well-being and happiness. Health, both physical and mental, is also a crucial factor contributing to happiness because healthy individuals tend to have a better quality of life. Meanwhile, the freedom to make choices allows individuals to make decisions based on their personal values and preferences, which impacts overall life satisfaction.

From an economic perspective, there has been controversy regarding whether an individual's economic well-being (income) is positively correlated with happiness. Sterling and O'Connor (2002) arrived at a slightly different conclusion, asserting that income does indeed initially correlate with well-being, but over the long term, the relationship becomes

less relevant. Sterling and O'Connor argue that the differentiating factor is social inequality. When an individual's income is no longer significantly different or when there is equality, changes in income are no longer relevant in relation to changes in happiness. Happiness is more driven by the feeling of being fortunate to have more income than others.

However, some studies have reached different conclusions. For instance, research by Diener and Biswas-Diener (2002) suggests that income increases lead to increased happiness only among the poor. In affluent countries, an increase in income is not correlated with happiness, and in fact, a negative correlation might occur. Factors such as increased divorce rates, social conflict, rising stress, the loss of enjoyment in routine and minor activities may contribute to this negative correlation (Diener, Oishi, and Lucas, 2003, Brickman, Coates, and Bulman, 1978).

This article aims to identify the factors that influence happiness in a broader sense, in an international context. It seeks to identify dominant factors and compare how these factors play out in Eastern and Western countries. Does income dominate its role in shaping happiness? This is particularly relevant in Western cultures (European and North American countries) often characterized as materialistic and in Eastern cultures (Asia) characterized as spiritualistic.

LITERATURE REVIEW

There are three concepts of well-being frequently discussed in economics: Subjective Well-Being, Economic Well-Being, and Social Well-Being. Subjective Well-Being (SWB) is a concept that includes dimensions such as happiness, life satisfaction, and psychological well-being. SWB consists of three main components: (1) Positive Emotions, which include positive feelings such as happiness, joy, and peace. (2) Negative Emotions, which include negative feelings such as anxiety, fear, and depression. (3) Life Satisfaction, which is an individual's overall assessment of their life, often measured on a scale from low to high. The concepts of SWB and happiness are often used interchangeably in the positive psychology and behavioral economics literature. Although both are related to positive feelings and life satisfaction, there are subtle differences in how these concepts are used and measured.

The Economic Well-Being (EWB) concept proposed by Stiglitz encompasses economic factors that affect the well-being of individuals and communities more comprehensively. Traditional measures such as Gross Domestic Product (GDP), used to describe economic well-being, are considered insufficient. Thus, Stiglitz suggests involving income distribution, inequality, environmental quality, and social and psychological factors (Stiglitz, Sen, and Fitoussi, 2009).

Argyle (1987) made an important contribution to understanding social well-being. He defined social well-being as a condition in which a person experiences more positive feelings than negative feelings. Argyle argued that social well-being is the result of positive interpersonal relationships, social support, social connections, and feelings of acceptance by relevant social groups. In his view, social well-being is closely related to social interactions, good communication, and positive social support. Argyle considered social well-being a broader concept than psychological well-being, which focuses on individual feelings. Social well-being includes social aspects and interpersonal relationships that affect an individual's well-being. This approach emphasizes the importance of social relationships in achieving social well-being and highlights the positive role of communication and interpersonal interactions in creating a sense of well-being.

Layard (2005) stated that social well-being is crucial in achieving happiness. He argued that positive social relationships, social support, and feelings are included in the factors that

support social well-being. In the views of both researchers, social well-being is often considered a very important factor in achieving individual happiness. They emphasize the positive role of communication and interpersonal interactions in creating a sense of well-being. Social well-being is often associated with concepts such as social support, positive interpersonal relationships, feelings of acceptance and connection with others, and social factors that affect the quality of life and individual happiness. It is important to note that this view underscores the important role of social aspects in individual and community well-being and has contributed to a better understanding of how social relationships can affect well-being and happiness.

RESEARCH METHODS

Model and Analytical Methods

The data to be analyzed is cross-sectional data, comprising 137 countries from Asia, Europe, America, Australia, and Africa, categorized according to the United Nations (UN) regions. The key data used in this study include: *first*, Happiness (Happy): This measure is based on the Subjective Well-Being concept, which portrays happiness as a level that can be subjectively measured by individuals. The measurement of the Happiness variable is based on the Ladder Score concept of happiness, referring to the subjective assessment of an individual's happiness level using a ladder scale, often referred to as Cantril's Self-Anchoring Striving Scale. This scale requires respondents to rate their happiness by choosing a number on a ladder that represents their happiness level, typically ranging from 0 to 10. Data Source: World Happiness Report 2022.

Second, GDP Per-Capita (LGDPCAP): Utilizing the logarithm of Gross Domestic Product (GDP) per capita in international dollars. The use of the logarithm of GDP per capita is intended to eliminate the non-linear effects of GDP per capita. In the analysis of the logarithm of GDP per capita, individual GDP per capita values are transformed into natural logarithm scale. Data Source: World Happiness Report 2022.

Third, Social Support (SOC): It uses indicators that reflect social support in measuring well-being and happiness. One commonly used indicator is social support, which measures the extent to which individuals feel they have adequate social support from family, friends, and the surrounding community. The concept of measuring social support can encompass various aspects, such as feeling heard by the community, emotional support, financial support, and social connections.

Fourth, Healthy Life (Health): The concept of Health in this study refers to Healthy Life Expectancy, which reflects the expected length of life with good health and provides an understanding of how individuals can lead a healthy and meaningful life. Measurement of Healthy Life Expectancy often includes data covering factors such as overall life expectancy and specific health factors like chronic disease prevalence, quality of healthcare services, and other aspects affecting individual health. Data Source: WHR 2022.

Fifth, Freedom to Make Life Choices (Freedom): The concept of Freedom to Make Life Choices reflects the extent to which individuals feel they have the freedom and autonomy to make significant choices in their lives, such as choosing education, employment, life partners, and other decisions. Data Source: WHR 2022.

Model and Analytical Methods

The model analyzed in this study adopts the model used by several researchers (Diener, et al., 2015; Deaton and Stone, 2016; Graham, 2017; Jaswal, et al., 2020). *Initial*

Step: Calculations are performed overall (n=149) using Ordinary Least Squares linear regression. The evaluation of estimation results follows the Gauss-Markov Conditions (Linearity in parameter:

$$E(\hat{\beta}) = \beta; \sigma_{min}^2; u \sim NID(0, \sigma^2) \dots\dots\dots (1)$$

for t and F statistical tests.

Second Step: Construct dummy variables to distinguish between two different cultures, representing Western culture (Europe and North America) and Eastern culture (Asia excluding the Middle East). *Third Step:* Measure the accuracy of the estimation based on cultural representation. This step is necessary to examine more specifically whether the estimation model leads to dominant clustering phenomena. Figure 1 describe the analysis model.

RESULT AND DISCUSSION

The concept of the law of diminishing marginal utility provides a lesson that increasing income will be followed by a decrease in additional benefits. If the concept of happiness is aligned with the concept of income, there is a tendency for an increase in income to lead to increased happiness, but at a decreasing rate. This may be the reason for the human nature of greed. The higher the perceived income, the more disproportionate it becomes with the increase in happiness. Based on this thinking, is an individual's happiness dominated by income? Or is the utilization of income for other activities, such as social life and health, considered more important?

In essence, the observation results conclude that the drivers of happiness, namely economic, social, health, and political aspects, play a significant role. Table 1 describe calculation results for happiness model.

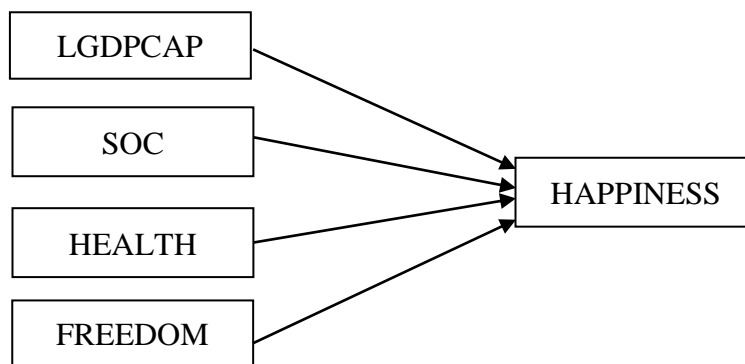


Figure 1. Analysis Model

Table 1. Calculation Results for Happiness = f(LGDPCAP, SOC, HEALTH, FREEDOM)

Model: Happiness = f(LGDPCAP, SOC, HEALTH, FREEDOM)				
Variable	Coefficient-Z	T-Test (Sig)	Tol	Other Test
LGDPCAP	0.245	3.03 (0.003)	0.204	DWR= 1,918
SOC	0.291	4.789 (0.000)	0.360	HET: F=1.598 (0.179)
HEALTH	0.243	3.326 (0.001)	0.249	K-S = 0.052 (0.200)
FREEDOM	0.299	6.976 (0.000)	0.720	R ² =0.825; F=155.152 (0.000)

The observations indicate that income plays a direct and significant role in shaping happiness. However, per-capita income is not the main element. Globally, the variables of freedom and social support are more dominant than per-capita income. GDP per Capita growth occupies the third position, and somewhat surprisingly, the variable of a healthy life is in the last position. These results are different from Graham (2008). There are many arguments that may tolerate these differences. In this study, arguments that may arise are not discussed in depth. Here are the results of the comparison of factors influencing happiness in Asia and Europe-North America.

The results of the analysis conclude that the level of happiness in Asia (excluding the Middle East) in Table 2 is lower than the world average (indicator variable DASIA < 0), while the level of happiness in Europe and North America is higher than the world average (indicator variable DERO-AM > 0). This finding is reasonable because 41 countries in the Europe-North America group consist of 90% Western European and North American countries, while the Asia group consists of 19 countries, with only 8 countries (approximately 40%, including Indonesia) classified as middle-income or higher. Thus, the conclusion that happiness is more likely to be experienced by people with high economic achievements is generally proven.

However, does economic achievement dominate happiness in both regions? The calculations show that neither the Europe-North America group nor the Asia (excluding the Middle East) region places economic achievement as the dominant factor. Both regions place the political aspect (variable FREEDOM) as the dominant variable. The Europe-North America group places economic achievement at the bottom, while the Asia region (excluding the Middle East) ranks economic achievement third, slightly below the HEALTH variable. What is interesting is that the social support variable (SOC) in Asia is at the bottom, while in Europe-North America, it is in second place below the political variable (FREEDOM). Does this indicate a cultural shift, as it is often claimed that Eastern culture is more communal and spiritualistic than Western culture, which is materialistic?

Table 2. Comparison of Europe-North America Group with Asia

Model: Happiness = f(LGDPCAP, SOC, HEALTH, FREEDOM, DUMMY)

Variable	Asia	Ero-Am
LGDP	0.203	0.195
SOC	0.339	0.358
HEALTH	0.248	0.246
FREEDOM	0.694	0.718
LGDP	0.256 (S)	0.194 (S)
SOC	0.235 (S)	0.276 (S)
HEALTH	0.259 (S)	0.215 (S)
FREEDOM	0.330 (S)	0.305 (S)
DASIA	-0.414 (S)	-
DEROAM	-	0.140 (S)
MEAN RESIDUAL	-0.326431	0.137946905
F (SIG)	140.96 (S)	134.861 (S)
R ²	0.843	0.837
DWR	1.977	1.983
HET SIG	0.486	0.140
K-S SIG	0.200	0.065
TOL:		
LGDP	0.203	0.195
SOC	0.339	0.358
HEALTH	0.248	0.246
FREEDOM	0.694	0.718

Dividing explanatory factors for happiness based on ethnicity or culture involves complex generalizations that may not have definitive answers because culture, beliefs, and values vary within each society, and the comparison between East and West does not always depict clear differences. While some may argue that Eastern nations tend to be more spiritualistic, and Westerners tend to be more secular, there are many exceptions and variations within each group.

It's essential to remember that individual levels of spirituality can vary greatly, even within the same society. Moreover, in an increasingly global and interconnected society, cultures and worldviews are becoming more diverse and intermingled.

Levels of happiness and the factors that influence it can vary based on ethnicity or culture, but these differences are usually more complex than simple comparisons between East and West. In many cases, the social, cultural, and economic factors that can affect happiness vary significantly even within the same society, and individuals within the same group can have different experiences of happiness.

Research related to differences in happiness based on culture or ethnicity has attempted to understand these factors more deeply. Some examples of factors that have been studied and can vary based on culture or ethnicity include family values, social norms, and social structures. However, it's essential to note that differences in happiness among ethnic or cultural groups cannot be fully explained by the cultural or ethnic factors themselves. There is significant variability within these groups, and individuals within the same group can have different levels of happiness. Happiness is also influenced by individual factors such as personality, life circumstances, and personal experiences.

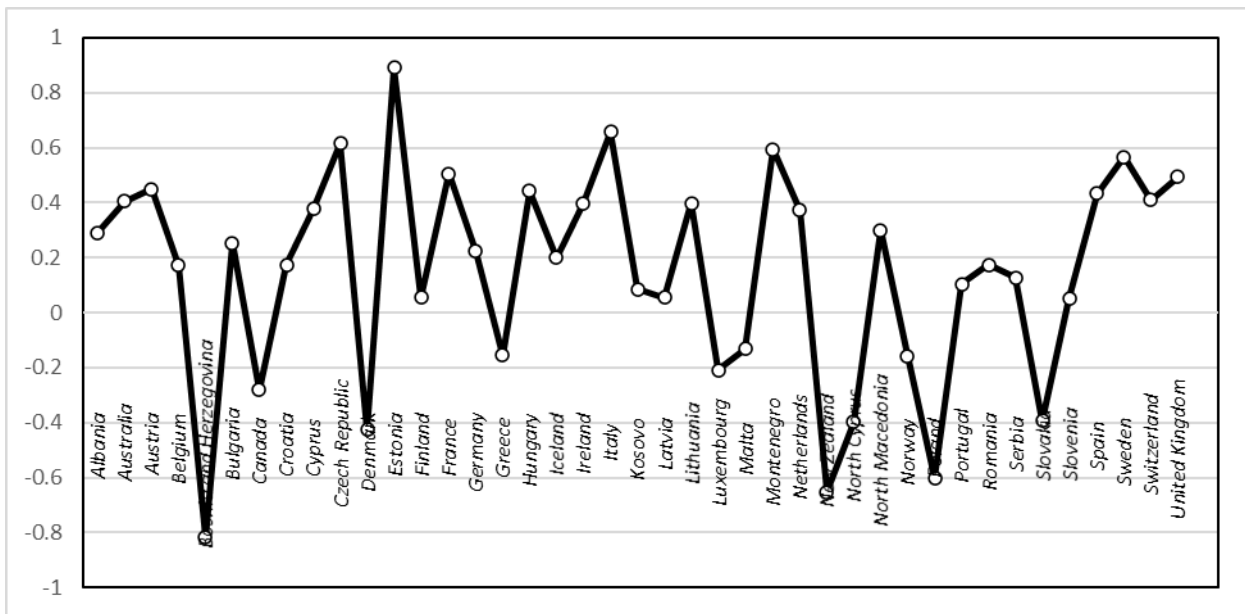
So, while research has shown that culture and ethnicity can influence happiness, it is not possible to make simple generalizations or strong comparisons between the West and the East in terms of happiness. A more in-depth and diverse analysis is required to understand differences in the context of more specific cultures and ethnicities.

Upon closer examination of the average residuals, the European-North American region shows an over-estimate of 0.138, while the Asia (excluding the Middle East) region indicates an under-estimate of -0.326. This suggests that the division of objects based on economic achievements, the European-North American region is more homogeneous than the Asia (excluding the Middle East) region. Therefore, the assumption that the division between the West and the East as a reflection of materialistic-spiritualistic cultures becomes ambiguous when based on economic achievements.

The distribution of residuals in the European and North American Regions can be seen in Figure [2a](#), and the distribution of residuals in the Asian Region (Excluding the Middle East) can be seen in Figure [2b](#).

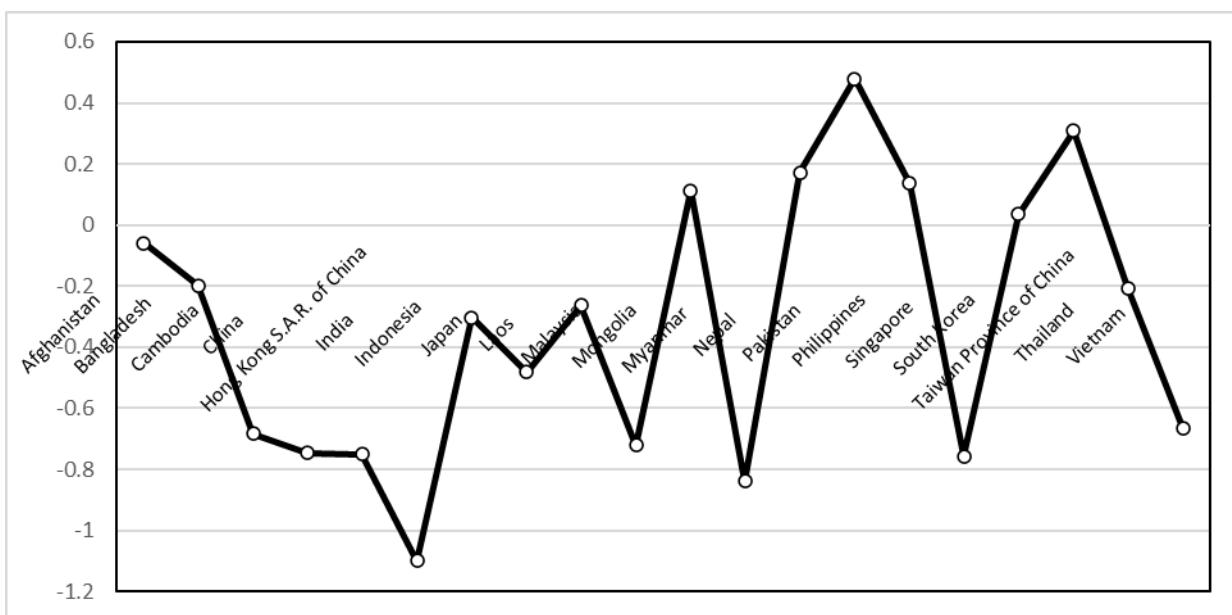
In some regions of Europe and North America, the countries with residuals below the average line include Bosnia-Herzegovina, New Zealand, Poland, Slovakia, and Denmark. The distribution of these residuals indicates that countries with below-average residuals are underestimated in their estimates. In contrast, Estonia, Czechoslovakia, Italy, Montenegro, and Spain are overestimated in their estimates. In general, this means that residuals close to zero represent normal estimation results (Shapiro-Wilk significance = 0.512). The observation of these residuals can be interpreted as the phenomenon of happiness being relatively even in the Europe-North America region. On the other hand, the distribution of residual happiness in the Asian region (excluding the Middle East) is -0.326 with a lower significance level (Shapiro-Wilks = 0.025), indicating that the happiness phenomenon in the Asian region is relatively heterogeneous.

The phenomenon of regional heterogeneity in Asia compared to Europe-North America can also be observed in the range between the minimum and maximum values within one area and the range between the minimum values among regions and the range between the maximum values among regions. With minimum values of 5.10 and maximum values of 6.56 in the Europe-North America region compared to minimum values of 2.52 and maximum values of 5.25 in the Asian region, it can be seen that some Asian countries, such as Japan, Taiwan, and Singapore, have happiness levels that are close to or the same as those in the European region. However, countries with conflict, like Afghanistan and India, are positioned far from the Asian average. Therefore, not only is it challenging to generalize the cultural aspects, but also statistically, it is difficult to compare the relatively even happiness levels in Europe-North America with the varying happiness levels in the Asian region (excluding the Middle East).



Mean = 0.138

Figure 2a. Distribution of Residuals in the European and North American Region



Mean = -0.326

Figure 2b. Distribution of Residuals in the Asian Region (Excluding the Middle East)

CONCLUSION AND RECOMMENDATION

The level of happiness has four main statistically convincing elements, namely economic achievement, social support, a healthy life, and freedom to make choices. Economic achievement measured based on the growth of Gross Domestic Product per Capita is not the dominant variable in shaping happiness. Globally, freedom to make choices and social support are highly dominant. Similarly, in the division of Europe-North America and Asia (excluding the Middle East). The differentiation based on Western culture, which is considered materialistic, and Eastern culture, which is considered spiritualistic, does not align with the geographic division of West and East. Thus, the conclusions drawn raise many interpretations that need further verification. These findings strengthen the argument that economic development is not enough to create a prosperous society, even in terms of the perception of happiness. Therefore, the development of political and social aspects must be given higher priority.

REFERENCES

- Argyle, M. (1987). *The Psychology of Happiness*. Routledge. New York.
- Brickman, C., and Janoff-Bulman (1978). Lottery winners and accident victims: Is happiness relative? *Journal of Personality and Social Psychology*, 36(8), 917-927.
- Chen, S. X., Lam, B. C., Wu, W. C., & Ng, J. C. (2009). How are Chinese people 'happy'? Religious experience and religious orientation. *Social Indicators Research*, 92(3), 451-460.
- Cimino, R., & Lattin, D. (1998). *Shopping for faith: American religion in the new millennium*. Jossey-Bass
- Deaton, A., & Stone, A. A. (2016). Understanding context effects for a measure of life evaluation: How responses matter. *Oxford Economic Papers*, 68(4), 861-870
- Diener, E., Emmons, R. A., Larsen, R. J., & Griffin, S. (1985). The Satisfaction with Life Scale. *Journal of Personality Assessment*, 49(1), 71-75.
- Diener, E., Oishi, S., & Lucas, R. E. (2003). Personality, culture, and subjective well-being: Emotional and cognitive evaluations of life. *Annual Review of Psychology*, 54, 403-425.
- Diener, E., Oishi, S., & Lucas, R. E. (2015). *National accounts of subjective well-being*. *American Psychologist*, 73(5), 201-215.
- Diener, E., Suh, E. M., Lucas, R. E., & Smith, H. L. (1999). Subjective well-being: Three decades of progress. *Psychological Bulletin*, 125(2), 276-302.
- Easterlin, R. A. (2006). Life cycle happiness and its sources: Intersections of psychology, economics, and demography. *Journal of Economic Psychology*, 27(4), 463-482.
- Graham, C. (2017). Happiness and health: Lessons—and questions—for public policy. *Health Affairs*, 36(2), 332-339.
- Helliwell, John F., (2022). World Happiness Report, 2022.
- Helliwell, John F., (2023). World Happiness Report, 2023.
- Hout, M., & Fischer, C. S. (2014). Explaining why more Americans have no religious preference: Political backlash and generational succession, 1987-2012. *Sociological Science*, 1, 423-447.
- Inglehart, R., & Welzel, C. (2005). *Modernization, Cultural Change, and Democracy: The Human Development Sequence*. Cambridge University Press.
- Jaswal, et.al., (2020). Understanding the determinants of happiness through Gallup World Poll. *Journal of Family Medicine and Primary Care*, 9:4826-4832.
- Layard, R. (2005). *Happiness: Lessons from a New Science*. Penguin Books.
- Lu, L., Gilmour, R., Kao, S. F., & Huang, M. T. (2001). Relationships among life stress, social support, and emotional intelligence in college students. *Psychological Reports*, 89(3), 695-707.

- Lyubomirsky, S., King, L., & Diener, E. (2005). The benefits of frequent positive affect: Does happiness lead to success? *Psychological Bulletin*, *131*(6), 803-855.
- Seligman, M. E., Steen, T. A., Park, N., & Peterson, C. (2005). Positive psychology progress: Empirical validation of interventions. *American Psychologist*, *60*(5), 410-421.
- Uchida, Y., Norasakkunkit, V., & Kitayama, S. (2004). Cultural constructions of happiness: Theory and empirical evidence. *Journal of Happiness Studies*, *5*(3), 223-239.
- Veenhoven, R. (1984). *Conditions of happiness*. Springer Netherlands.