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Gaël Brulé
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Wealth(s) and Subjective Well-Being

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Chapter 1
Why Wealth Matters More Than Income for Subjective Well-being?

Gaël Brulé and Christian Suter

The origin of the term "wealth" can be found in the middle of the thirteenth century. It means "happiness" or "well-being" in Middle English. When looking where "happiness" comes from, there are two main sources, either "luck" or "fortune". Thus, it seems that "wealth" and "well-being" share common etymologies and imaginaries since their very origin. From a social perspective, although at various degrees, both seem desirable attributes to have, and both are still considered to be somehow related. According to Max Weber, wealth is a sign on earth of the elected ones in the Protestant ethos, in which earning and accumulating wealth is considered a moral obligation and a sign of predestination.

If wealth seems desirable at the individual level, its attractiveness seems to be less clear at a more global level, both vis à vis its distribution and its link to the environment. First, especially since Piketty (2014), wealth seems to be more and more under scrutiny. It seems to be -more than income- the main source of reproduction of inequalities. This is particularly relevant in our modern times, characterised by contrasted forces with decreasing inequalities across countries on the one hand and rising inequalities within most countries on the other hand (Milanovic 2016). Second, in times of environmental turmoil, the scepticism around wealth is reinforced by the fact that the creation of wealth is now also linked to the destruction of natural capital. Thus, at a global level, it is unclear which role wealth plays vis à vis happiness. If wealth is still desirable at the individual level, it is questionable which distribution might lead to the most happiness for the most (and for the longest, if one is to include an environmental perspective).

In this introductory chapter, we first review the current role of wealth in proxying material prosperity. Then, we review theoretical reasons for caring about

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wealth in general. Third, we review the existing literature on wealth in the context of studies on SWB. In a fourth part, we lay some challenges for the research to come on wealth and SWB, part of which is tackled in the present book.

1.1 The Blind Eye of Research on Material Prosperity

When social scientists care about material prosperity at a macro level, they are usually interested in GDP. There are three ways to measure GDP: the expenditure approach, the production approach and the income approach. In the first method, the most frequently used, GDP represents a measure of the value of all market goods and services produced in the country within a year. At a micro-level, researchers commonly use household disposable income as "as the sum of household final consumption expenditure and savings, minus the change in net equity of households in pension funds. This indicator also corresponds to the sum of wages and salaries, mixed income, net property income, net current transfers and social benefits other than social transfers in kind, less taxes on income and wealth and social security contributions paid by employees, the self-employed and the unemployed." (OECD 2013).

GDP and income capture the dynamic picture of material prosperity, the flow, but fail to capture the existing stock, wealth. Although there are some links between the two, they also present a high heterogeneity. If income might give us indications about wealth (and vice versa), the two variables are separate enough to require anyone interested in material prosperity to consider both (OECD 2018). At the country level, there are countries in which wages are relatively high but wealth is in average fairly low, for instance in Germany, whereas the opposite situation prevails in some other countries, for instance in Spain. At the individual level, the young active can have high salaries and virtually no wealth, whereas the elderly can have low wages and high wealth. Therefore, income and wealth should be considered jointly to properly brush the picture of material prosperity.

This is not a modern call or a new endeavour. As Piketty and Zucman (2014, p. 1308) note, prior to World War I, wealth accounting was a systematic enterprise. National balance sheets were well established by the late seventeenth century, and wealth estimates were widely available. The focus shifted from stocks to flows (that is, from wealth to income) only later in the interwar years. Consequently, the reason for the lack of consideration of wealth at the micro level was mainly that appropriate measures of wealth, in the form of survey, were inexistent until recently since the Second World War.

1.2 Theoretical Reasons to Care About Wealth

1.2.1 Wealth Is less Volatile Than Income

The wealth of a household is the sum of earnings minus consumption plus received inheritances and minus given bequests. Therefore, except at very specific moments, such as a time of giving or receiving a large share of wealth, wealth is likely to be stable in comparison to income. If a given household buys a house, wealth is transformed from financial assets to housing wealth minus any possible mortgage. Wealth increases or decreases smoothly most of the time, whereas income can follow abrupt changes, for instance when quitting a job and depending on the performance of the labour market and of social assistance. During these periods of economic instability, wealth is more useful than income. When one is facing economic insecurity, such as illness or retirement, depending on social assistance, wealth is of primary importance in stabilizing consumption, especially when unemployment compensations or pensions are relatively low. In that sense, wealth provides much more information about people's economic conditions than previous income.

1.2.2 Wealth as a Better Indicator of Social Class

While wealth as ownership of the means of production was at the core of Marx' conceptualization of classes, the differentiation of modern economies has shifted the focus of more recent theoretical debates to income and the position in the work force (Erikson and Goldthorpe 1992). However, there are multiple reasons to "re-incorporating wealth into class theory would broaden the focus, and in particular give more insight into the position of the self-employed and into the differentiation within the capitalist class" (Rehm et al. 2016). Comparative research has shown that parental wealth impacts individuals' educational attainment, occupational prestige, and social mobility independent of the level of income. Previous research has shown associations between parental wealth and children's education net of parental income (Pfeffer and Hällsten 2012), so even though the measure of parental income is uniquely comprehensive, there is a risk that it does not fully capture parents' economic conditions. Because belonging to a class is often linked to living in certain specific areas, having comparable houses and possibly going to the same secondary houses for members, a certain level of wealth is required to belong to that class.

1.2.3 Wealth Is More Unequal

Although the data were already here, the raise in focus on wealth inequality is undoubtedly linked to Piketty (2014) who shows that wealth is typically distributed much more unequally than income and that it is the main mechanism in reproducing inequalities. Once again, wealth provides another insight in comparison with income; for instance, Skopek et al. (2014) show that there is strong variation in the distribution of wealth between countries, and – second – that levels of wealth inequality significantly differ from levels of income inequality in about half of the countries analysed. It also gives a complementary information in terms of inequality. Surprisingly high levels of wealth inequality are found in Sweden and Denmark, two countries widely recognised as highly egalitarian societies. Conversely, the Southern European countries – where income inequality is relatively high – exhibit comparatively low levels of wealth inequality.

These are methodological reasons or reasons to look at wealth from the perspective of *apparent quality of life* (Veenhoven 2005). There are also hints that wealth is related to *interior quality of life*, i.e. happiness (Brulé 2015). We develop these hints in the following paragraphs.

1.3 Reasons to Care About Wealth from the Perspective of SWB

The relation between material prosperity and happiness has been one of the cornerstones of happiness studies in the last four decades. The pioneering study of Easterlin (1974) has seen proponents and opponents debating of whether income had an effect of the well-being of individuals or not. A few learnings emerge from that on-going debate. These usually use flow types of measures such as GDP. Even indicators such as the Human Development Index, are primarily measures of the flow of well-being rather than being measures of the stock of capital assets. Stock types of measures are largely overlooked. However, wealth provides many functions, and some are highlighted in Frick and Grabka (2009) who show seven functions for wealth: income function, utility function, security function, power function, social status function, socialization function and inheritance function. Therefore, there are several reasons one should care about wealth when considering happiness: direct effects, buffer effects and inequality effects.

1.3.1 Direct Effects

1.3.1.1 Wealth More Related to Health

For instance, it has also been shown that the positive association between wealth and health holds after controlling for socio-demographic attributes and household income across nations (Semyonov et al. 2013). When inserting wealth and income in the same regression, wealth appears as the most important factor.

1.3.1.2 Wealth More Conducive to Happiness Than Income

Research on the impact of wealth on Subjective Well-being (SWB) has remained limited, mainly due to the lack of reliable data on wealth. Studies which do include wealth as an explanation for SWB show that the level of wealth is at least as important as the level of income in affecting SWB (Mullis 1992; Headey and Wooden 2004), or even more important (Headey et al. 2004).

One of the first studies is that by Mullis (1992). Based on a sample of 55–69-year-old American men, it showed that income and wealth combined additively to affect a composite satisfaction score based on satisfaction with standard of living, housing, neighborhood, health, leisure, and 'life in general'. More recently, a study run by Headey and Wooden in 2004 has documented the role of wealth in individual well-being, using a special module of the Household, Income and Labour Dynamics in Australia (HILDA) that was specifically dedicated to wealth. The inventory of household wealth included housing, business assets, equity and cash investments, bank accounts, accumulated pension holdings, vehicles, and collectibles. The finding of Headey and Wooden (2004) are in line with the findings of Mullis in acknowledging that wealth is at least as important to well-being and ill-being as income. One sentence of this paper gives us hints of what components of wealth matters the most: «the measure of net worth has the strongest relationship with all subjective outcomes; then housing and superannuation assets appear to be the two most significant components", unfortunately, no results are presented. In a related paper, Headey et al. (2004) explored this relation across five different countries (Australia, Britain, Germany, Hungary, and the Netherlands), for which data on wealth was available. The authors found that, in all five countries, wealth affects life satisfaction more than income.

Further, results from panel regression fixed-effects models indicate that changes in wealth (as well as income and consumption) all produce statistically significant changes in satisfaction levels. Arrondel and Masson (2013) used a panel dataset based on a survey of French households (PAT€R: PATrimony and Preferences vis-à-vis Time and Risk). It was matched with the 'Patrimoine de l'INSEE' wealth survey. These data confirm the positive gradient of subjective well-being with regards to household wealth. Some empirical evidence about the wealth gradient in happiness in developing countries is also available. Guillen-Royo et al. (2013) focus on seven communities in the south and north-east of Thailand. Households' material wealth is approximated through the number of consumer assets they own, using a predefined list of 51 items classified under transport, electrical consumer goods, and other household assets. They uncover a positive association between household wealth and happiness. Landiyanto et al. (2011) also uncovered a positive association between household wealth and happiness in Indonesia, where wealth is measured as the total value of non-business assets, e.g. land, livestock, and jewellery, as well as asset ownership and ownership shares. Finally, Graham and Pettinato (2001) used some wealth information available in the Latinobarometro survey, based on household possessions and standard of living. They documented the positive gradient between an index of wealth and subjective happiness (Senik 2014).

Wealth might be a better indicator of an individual's long-term consumption potential and "capacity [. . .] to maintain a particular standard of living" (Spilerman 2003, p.497). Especially among the elderly, wealth is a more appropriate indicator of economic standing (cf. Henretta and Campbell 1978). More recent studies confirm the positive impact of wealth on life satisfaction (Christoph 2010; Diener et al. 2010). Reasons for this relation are the protection against negative shocks (see Cummins 2000; Smith et al. 2005), its role as an income source, and its ability to generate a feeling of self-actualization (Diener et al. 1985). Some studies have documented the positive effects of a cash margin (Berlin and Kaunitz 2014) or homeownership (Becchetti and Pisani 2014) on life-satisfaction.

Other material possessions have been often studied in the relationship between material deprivation and SWB. Apart from having a car, usually having a phone, a TV set and a washing machine is associated with higher material well-being and therefore with more subjective well-being (Suter and Iglesias 2005; Gilbert 2009).

Little is known about the mechanisms. It is likely that the links between wealth and SWB depend on whether wealth has been inherited or self-accumulated through savings or different wealth components (e.g housing, financial assets or pension funds). In health economics, there is evidence of a link between self-reported mental well-being, inheritance and health (Carman 2013; Kim and Ruhm 2012). Headey and Wooden (2004) show that wealth promotes well-being and relieves ill-being simultaneously.

1.3.2 Buffer Effects

It is possible that wealth acts as a buffer when individuals face certain life events. Skopek et al. (2014) note that wealth plays an important role in stabilizing consumption during phases of economic insecurity, such as illness or unemployment, particularly in liberal welfare regimes where social safety nets are meager. If material resources are to buffer certain life events, it is likely that the integrated value of material prosperity matters more than the incoming flows.

This is particularly true regarding work-related events such as unemployment and handicap compared to family-related events such as separation or bereavement. In the case of a family-related event such as separation, wealth might even become a burden, as it increases the amount of goods to be split and the psychological distress associated to it. That is what Kuhn and Brulé (2018) observe; wealth acts as an aggravating effect in the sole case of separation. Income informs us poorly on what people possess which is what really matter if financial resources play a role. There are few papers on the buffering effects of wealth presenting mixed evidence in various contexts. Regarding work-related events, Smith et al. (2005) show a buffering effect of wealth for individuals facing handicap in an American context, whereas Kuhn and Brulé (2018) do not find any significant effect in a Swiss context for handicap (or unemployment). They even show an aggravating effect of wealth during separation. The buffering effects of wealth are still a rather novel top. The buffering effect of wealth might be rather limited, but it is more sensible to study wealth than income for individuals facing a life event, because what really matters during a shock is the resources one has and not the salary or the income.

1.3.3 Inequality Effects

The vast majority of the literature on inequality has used income as a proxy. Most studies report a negative effect of income inequality on life satisfaction (Fahey and Smyth 2004; Ebert and Welsch 2009; Verme 2011).

Alesina et al. (2004) show that inequalities in income decrease the average level of happiness, both in Europe and in the USA, although the mechanisms are slightly different. There are several explanations as for why inequalities decrease SWB. In Europe, Delhey and Dragolov (2014) study the effects of three mediating factors in Europe: distrust, status anxiety, and perceived conflicts. A multilevel mediation analysis reveals that distrust and status anxiety are important mediators of inequality aversion, whereas perceived conflict is not. Furthermore, there is a distinction between affluent societies, in which trust is crucial and less affluent societies in which status anxiety is of prime importance. This is in contradiction with the results of Layte and Whelan (2014), who see a marker in income inequality a wider difference in status hierarchy that provokes an emotional stress response in individuals that is harmful to health and well-being. Respondents from low-inequality countries reported less status anxiety than those in higher inequality countries at all points on the income rank curve. Differences between individuals from the left and right and from the different social classes are noticed between Europe and the USA, the left wing and the poor are more affect by inequalities in Europe. The authors explain it the belief to live in a mobile society in the USA compared to Europe. The results of Ravazzini and Chavez-Juarez (2015) go in the same direction: they suggest that all socio-economic groups are dissatisfied with income inequality in Europe, whereas primarily low socio-economic individuals worry about inequality of opportunity. According to Beja (2014), high levels of objective inequality are considered "bad" in both the industrialized and emerging economies covered in the study. People from the industrialized economies appear to be more sensitive to mild levels of objective inequality compared to those from the emerging economies. Subjective inequality, on the other hand, is not considered "bad" in the same industrialized and emerging economies covered in the study. People from both areas appear to tolerate subjective inequality provided it is the outcome of an impartial environment founded upon rules observed by the majority.

The cross-sectional picture of a negative link between inequalities and SWB is also valid in a dynamic picture. When inequalities increase in a given environment, people are increasingly dissatisfied (Verme 2011; Ravazzini and Chávez-Juárez 2015).

Inequalities in wealth in terms of SWB are yet virtually unknown. Wolff and Zacharias (2009) show the difference of distributions in income and wealth quintiles between 1982 and 2000 in terms of population (race) and in terms of type of asset. Well-being is used as economic well-being and not as SWB.

1.4 The Challenges of Working with Wealth

1.4.1 Measuring Wealth

Wealth is usually measured via two main sources, either using data from tax records or using surveys. When using the former method, wealth data from administrative tax records is used to analyse the wealth structure of specific populations, regions or countries. It is not always easy as the tax unit are different across systems. Sometimes, wealth is measured at the household level and sometimes at the individual level. In some systems, it is possible to account for individual differences in wealth within the household, in some others not. Therefore, survey-based estimation is the most commonly used method to measure wealth. Here, an individual's wealth is assessed from responses questions, typically multiple questions on different assets. Usually, the head of the household is asked to give information on their individual or household wealth and the net wealth is calculated based on respondents' replies to the questions on the different wealth components.

In contrast to survey data on income, the availability of such data on wealth is scarce. Even more than for income, it is difficult for most people to evaluate their wealth. Imputation methods for income are more advanced than for wealth. There are many difficulties to overcome recording individual wealth using surveys. As for income, people at the extreme sides, whether they are poor or very wealthy, are harder to capture and more likely to refuse to respond. This leads to a so-called 'middle class bias'.

There are also surveys that use a one-shot question about an individual's or household's wealth to determine the net value of their wealth; however, the fewer questions on the different components of assets and debts asked in a survey, the greater the probability that net wealth of an individual or a household will be underestimated, leading to 'aggregation bias'.

1.4.2 Individual or Household

When measuring wealth at the household level, it is implicitly assumed that the individuals living together pool and share all their available resources, which will not necessarily be the case (Frick and Grabka 2009: 90). This in turn implies that all household members benefit equally from the assets when linking household wealth to individual happiness. It is questionable whether this assumption is appropriate (see e.g. Grabka et al. 2015).

1.4.3 The Difficulty to Evaluate Certain Wealth Components

Wealth can be conceptualized in different ways as noted by Wolff (2014) according to whom there is not one correct way of measuring household wealth. The reason for that is that wealth is a multidimensional concept that can be considered from various angles. Certain forms or components of wealth are harder to evaluate than others. This is particularly true for housing wealth or pensions.

Housing wealth can be evaluated through several ways, for instance, the price of purchase, or the market price. This might be widely underestimated, especially for elderly who have bought their main home a long time before the survey and who are unaware that their residence has gained value. This can be even harder for household to evaluate their housing wealth in the case of secondary housing abroad.

As for pension wealth, not only the approach to capture private wealth in the National Accounts, but also the analysis of the wealth distribution on the basis of population-representative micro data are confronted with a series of methodological and statistical problems. In both approaches, the prospective entitlement to state pension funds is not sufficiently taken into consideration. Asking questions about pension entitlements or data linkage could solve the under-coverage of this component.

Other wealth components are sometimes not surveyed because they are particularly difficult to capture. Given the difficulties people face trying to estimate the total value of their entire household content at current market value, wealth components such as gold, jewellery, coins or art works in aggregate can be underestimated in comparison with the total sum for the entire national economy.

1.4.4 Imputation

Another difficulty stems from the technical side of the estimation process. When a given respondent does not know the value of his or her own assets or debts or does not want to answer this question, an imputation procedure takes place. In some surveys, such as SHARE, five values for one individual or household are calculated (implicated) to approximate the distribution of the missing data and to reflect the uncertainty. If the value for a certain wealth component has been imputed, this should be taken into account in the estimation procedure to reflect the uncertainty. However, it can be assumed that in many studies only one of the five implicates has been considered. One challenge for imputations on wealth, as well as for other variables, is whether longitudinal information should be used. Therefore, scientific output should explicitly mention information about whether data are imputed or not and how.

1.4.5 Databases

Several databases collect data on wealth. In this book, British Household Panel, German SOEP, HILDA, SHARE, CH-SILC, Swiss Household Panel (SHP) and others are used. This does not mean that they all cover wealth in the same way. A review of the variations of measurement of wealth components surveyed in SHARE, SHP and CH-SILC has been done by Ravazzini et al. (2018).

1.5 Future Research

Although the association between household wealth and happiness seems unambiguously positive, little is still known of the multiple links between wealth and SWB, especially when comparing with the association between income and SWB. Wealth and SWB seem to be linked at a macro and a micro level, but there are mixed evidence of the effects of wealth as a buffer. As for the inequality in wealth and SWB, virtually nothing is known.

1.5.1 What We Know Now

The available findings show that wealthy people are typically happier than non-wealthy people and that at least part of this difference is due to a causal effect of wealth on happiness. The direct effects are quite known, the evidence for the buffering effects of wealth are mixed and the effects of the inequality in wealth are virtually unknown.

1.5.2 What We Do Not (Yet) Know

Although we know that wealth adds to happiness, we do not know yet whether saving adds more to happiness than spending. More generally, we don't know what form of wealth is the most related to happiness. We are also largely unaware of the effects for different types of population. We have a limited understanding of the influence of contextual variables. This is interesting for the researcher as well as for individuals as noted by Killewald et al. (2017):"If one wants to know how a financial choice has worked out in the past on the happiness of similar people, these people should not only be similar with respect to nation of residence and socio-demographics such as sex and age, but also comparable with respect to personality and values". Advances in establishing the causal role of wealth-related life choices on life satisfaction (e.g., marriage, portfolio composition, self-employment, homeownership) are needed. Life cycle effects and individual effects should also be studied in future research. Further research is needed to expand our understanding of wealth generation and use and explore, for instance, the processes and considerations that underlie households' savings and portfolio decisions. The knowledge of the influence of environmental effects on the wealth-SWB conundrum hardly goes beyond the influence of GDP. Although the links between income and SWB are studied since a few decades, the links between wealth and SWB are available for a bit more than a decade, enabling to assess the multiple ties existing between wealth, a plural concept and SWB. There are now aspects that are known and that seem indisputable (see Senik (2014) for a review), but most is still to be explored. The influence of economic, social, cultural factors is a reservoir of further understanding the determinants of SWB that is largely untapped. This strand of research must engage conceptually and methodologically with the challenges of assessing the long-term wealth relationships between wealth and SWB. That is what the present book aims at contributing.

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Part I
Wealth and SWB: Theoretical, Conceptual and Historical Considerations

Chapter 2
Private Wealth and Happiness

A Research Synthesis Using an Online Findings-Archive

Antje Jantsch and Ruut Veenhoven

2.1 Introduction

Most people want to be happy and look for opportunities to achieve a more satisfying life. This pursuit seems to be universal (Veenhoven 2000), but is particularly pronounced in contemporary modern society. Our heightened interest in happiness has several reasons, one of which is our greater awareness that a satisfying life is possible today and that our happiness is not just a matter of fate, but also something over which we have considerable control. A related reason is that we now live in societies in which we have a lot of choice, for example, we choose where we live and whether we have children or not and prospects for our happiness figure largely in such decisions. This is creating a growing demand for information about happiness and its determinants (Veenhoven 2008).

Empirical research on happiness started in the 1970s as a side topic in gerontology, psychology and sociology and took off after the year 2000 (Veenhoven 2018g). With some delay, happiness has become popular among economists, who focus on the relationships between happiness and income (e.g. Clark and Oswald 1996;

Parts of this text drawn on earlier papers by Veenhoven and co-authors on research synthesis using the World Database of Happiness.

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Easterlin 1995; Frank 2005; Wunder 2009) and on happiness and unemployment (e.g. Di Tella et al. 2001; Winkelmann und Winkelmann 1998). The relationships between happiness and several socio-demographic characteristics, such as age, gender and marital status, have also been thoroughly analysed (Dolan et al. 2008). While there have been studies on the relationship between happiness and wealth of nations (Hagerty and Veenhoven 2003; Schyns 2002), the relationship between happiness and the wealth of individual persons has only recently been studied. In this chapter we review this latter strand of research.

2.1.1 Demand for Information on Effects of Wealth on Long-Term Happiness

In western countries, people typically earn more money than required for their basic needs. Consequently, we face the question of how we should spend this surplus money to get the most possible happiness out of it and must deal with the following issues.

The first issue is to spend or to save. Spending is likely to add to one's happiness in the short term but may reduce happiness in the long term. This dilemma is illustrated in Lafontaine's fable of 'The ant and the cricket', in which the cricket enjoyed the summer singing carelessly, while the ant worked all the time. The cricket ended up unhappy in the winter, while the ant was happy enjoying the fruit of his earlier labour. This issue begs the question of how much saving will be optimal for happiness in the long term. We cannot see into the future, but we can orient on past experience. In this context it is worth knowing how happy people are who have saved more or less, and in particular, how saving has affected the happiness of people like us, that is, people with similar personal characteristics and living in similar situations. Bits of such information are available from hearsay and from examples in the media, but we would fare better with data based on scientific research.

What is the best way to accumulate wealth? Should one deposit money in a bank account, buy a life-insurance, put it into stocks and shares or invest in durables such as a house or car? Again, there are pros and cons; e.g. buying a house will provide consumptive reward, but at the cost of financial flexibility. Again, it is worth knowing how such choices have worked for the happiness of other people, people like us in particular. Once more we fare better using established scientific fact when making our decisions rather than basing them on claims made in advertisements for life-insurances or in fiction, such as the case of, rich but unhappy, Scrooge in Dickens' Christmas Carol.

2.1.2 Research Questions

We sought answers to the following questions:

1. Does wealth add to people's happiness?

2. If wealth adds to happiness, how much happiness does it add? Is the effect of wealth substantial or marginal?
3. Is more wealth always better? What is the amount of wealth required to support happiness in the long term?
4. What kinds of assets result in the most happiness? Financial assets such as savings or real assets such as a house?
5. Do the effects of wealth on happiness differ across places and people?
6. Do the effects of wealth differ across components of happiness? Does wealth make us feel better or just more contented?

These questions imply a focus on *what* wealth does to happiness, not *why.* The answering of these questions requires description of the relationship, not an explanation.

2.1.3 Approach: Research-Synthesis

We sought to answer the above questions by taking stock of the available research findings on this subject. To do this, we drew on a new strand of research on ‘happiness’, ‘happiness economics’ in particular, and applied a new method of research synthesis, which takes advantage of the availability of an online ‘findings archive’, to which links can be made from texts in electronic formats, such as this chapter. We call it ‘link-facilitated research synthesis’. Details of the technique will be discussed in Sect. 2.3.1.

2.2 Concepts and Measures

Below we will first define our concept of happiness and on that basis select measures that fit this concept. Next, we will consider the concept of wealth and delineate different kinds of wealth and their measurement.

2.2.1 Happiness

The word ‘happiness’ is used with several meanings in the literature. In philosophy, it is typically used to denote ‘a good life’, covering both objective aspects of life and subjective enjoyment of life. In this chapter, we focus on happiness as subjective enjoyment of life and consider it in relation to an objective condition, one’s material wealth.

Definition of Happiness

In this chapter, we focus on 'happiness' in the sense of the 'subjective enjoyment of one's life as a whole', which is also called 'life satisfaction'. This definition of happiness is delineated in detail in Veenhoven (1984: chapter 2). The differences with related notions of subjective well-being are analysed in Veenhoven (2000).

Components of Happiness

Our overall evaluation of life draws on two sources of information: (1) how well we feel most of the time and (2) to what extent we perceive we are getting from life what we want from it. Veenhoven (1984: 25–27) refers to these sub-assessments as 'components' of happiness, called respectively 'hedonic level of affect' and 'contentment'.

The affective component is also known as 'affect balance', which is the degree to which positive affective (PA) experiences outweigh negative affective (NA) experiences (Bradburn 1969). Positive experiences typically signal that we are doing well and encourage functioning in several ways (e.g. Fredrickson 2004), they also protect health (e.g. Veenhoven 2008).

The affective component tends to dominate in the overall evaluation of life (Kainulainen et al. 2018).

Measures of Happiness

Since happiness is defined as something that is on our mind, it can be measured using questioning. Various ways of questioning have been used, direct questions and indirect questions, open questions, and closed questions and one-time retrospective questions and repeated questions on happiness in the moment. Some illustrative questions are:

- *Question on overall happiness:*
  Taking all together, how happy would you say you are these days?
- *Questions on hedonic level of affect:*
  Would you say that you are usually cheerful or dejected?
  How is your mood today? (Repeated over several days)
- *Question on contentment:*
  1. How important are each of these goals for you?
  2. How successful have you been in the pursuit of these goals?

A review of strengths and weaknesses of measures of happiness and their applicability in different context is available in Veenhoven (2017).

2.2.2 Wealth

In this paper we focus on 'wealth' in the sense of material possessions; we do not consider non-material resources denoted using this term, such as 'mental wealth' or 'moral indebtedness'. Given our research questions, we limit to *individual* wealth and do not consider assets of groups or nations.