



Does Money Bring You Happiness? The Investigation of the Relationship between Individual Subjective Financial Evaluation and Happiness in Hong Kong

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Abstract. This study delves into the age-old debate on whether money can buy happiness, which has been widely discussed and controversial over time. Previous research on the relationship between wealth and happiness has produced contradictory results due to differences in measurements of happiness and income. This study aims to take a leading role in examining the relationship between subjective financial evaluation of financial situation and happiness in Hong Kong, with a focus on perceived satisfaction with household financial situations and comparisons with past living standards. Using data from the World Values Survey, the study found a positive relationship between satisfaction with household's financial situation and happiness. People who are less satisfied with household's financial situation have higher odds of feeling unhappy. Additionally, people who believe their living standard is better off than their parents have lower odds of feeling unhappy than people who feel the same.

Keywords: Happiness, household's financial situation, standard of living, relative standards model

1 Introduction

“Money cannot buy happiness.” This is a frequently discussed quote in daily life and has been debatable and controversial over time. Material wealth enables people to satisfy many basic needs, leading to increased well-being [1]. However, some people may never feel content and happy, regardless of how wealthy they are in absolute terms. The relationship between wealth and happiness has been a widely discussed topic in existing literature; nevertheless, the results are contradictory. Researchers have analyzed this relationship at different levels, including cross-national studies and country-specific research. The differences in measurements of happiness and income might contribute to the heterogeneity of results. Prior research has primarily focused on income as an absolute and objective measurement of wealth, but wealth at a relative level has been overlooked. Understanding wealth in a relative term is important since people tend to judge if their income is satisfying based on social comparison, according to Easterlin's [2] theory. People may compare their income with others or their financial situations in

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the past. This study aims to shed light on the relationship between individual subjective financial evaluation of their happiness in Hong Kong with close attention to (1) how perceived satisfaction with household's financial situation is associated with happiness and (2) is there any relationship between comparison with the past standard of living and people's feeling of happiness. This study will use World Values Survey Wave 7 data to adopt region-specific analysis for Hong Kong. The pertinent literature is discussed in the following part, which leads to the testing of several hypotheses. Data and method explanations are followed by analyzing the outcomes, discussions, and conclusions.

2 Literature Review

The degree to which a person considers their overall life quality favorable is one way to define happiness [3]. Some theories support that money can bring happiness, which mainly focuses on cross-national studies [4]. Livability theory by Veenhoven [5] is based on the premise that income promotes happiness only as it permits people to achieve their inborn requirements. According to this model, income should have a significant impact on happiness in developing countries and at lower income levels in wealthy countries because it is in these countries that income determines whether a person can meet basic needs like food and clothing. Veenhoven's model predicts that sense of well-being shouldn't vary between most income groups in wealthy countries or between the wealthiest groups in poor countries because, above a certain income level, everyone will have satisfied the needs that money can fulfill. This prediction was verified in a number of studies [6]. Additionally, Maslow's hierarchy of needs suggests that rises in income above the level of fundamental needs would only increase sense of well-being if people used their income to pursue self-actualization. Another recent research indicates that money can induce happiness when spending matches the buyer's personality [7]. Empirical results prove the positive relationship between salary and happiness [8][9][10].

On the other hand, it has also been claimed that money does not exist to make people happy [11]. Money is a resource that does what most resources do. Many scholars have concluded that people will need to look beyond money to enhance their lives [11] because research suggests a weak association between happiness and wealth [12]. More affluent people were even reported to have lower savoring abilities [13].

Given the contradictory results of the relationship between income and happiness and the fact that existing studies have focused mainly on an objective measure of income level, but the subjective evaluation of financial situation has not been inadequately explored. The relativistic judgment models propose that people evaluate the sufficiency of their incomes in relation to varying standards, in contrast to theories based on needs [14]. It is important to understand who or what people compare to when evaluating their satisfaction with their financial situations. In addition to comparing wealth with others, people consider access to past and anticipated experiences. One factor taken into account is individuals' expected payment and their comparative payment, which both have a negative impact on self-reported satisfaction [15]. The rank-

income hypothesis undermines the view that income and happiness are directly causally related. Income may rise without improving utility unless the person's perceived rank changes [16][17]. This psychological process can be explained by the relative standards model, which was put forth by Campbell's team [18].

3 Research Questions & Hypotheses

Given the proven tendency for people to make relative evaluations about their wealth level or financial condition and the overlooked relationship with happiness from existing literature, this study aims to explore whether there is a relationship between individual subjective financial evaluation and happiness in Hong Kong. One of the purposes of limiting the scope of study in Hong Kong is to control the potential cultural effect, which has been proven to affect the degree of emphasis people put on materialism. In other words, societal values and cultures play a moderating role in this relationship. [19]. The research question is to explore whether there is any relationship between individual subjective financial evaluation and happiness. Two aspects of individual subjective financial evaluation will be measured, which are satisfaction with the household's financial situation and comparison of standard of living with the past. Based on prior studies about rank-income hypothesis and relative judgement and relative standards models, the following hypotheses are tested.

Hypothesis 1a: There is an association between satisfaction with household's financial situation and happiness for people in Hong Kong.

Hypothesis 1b: There is a positive relationship between satisfaction with household's financial situation and happiness. People who are less satisfied with household's financial situation have higher odds of feeling unhappy.

Hypothesis 2a: There is an association between perception of standard of living compared with their parents and happiness of people in Hong Kong.

Hypothesis 2b: People who believe their living standard is better (worse) off than their parents have lower (higher) odds of feeling unhappy than people who feel the same.

4 Data & Methods

This study conducted a secondary analysis of the data from World Values Survey Wave 7 (2017-2022). The WVS wave 7 began in 2017 and ended on December 31, 2021, after being delayed for a year because of the Covid-19. Its respondents are selected among population aged 18 years and above using full probability sampling. The dependent variable is happiness by measuring the responses to question, "Taking all things together, would you say you are: 1 Very happy; 2 Rather happy; 3 Not very happy; 4 Not at all happy." The first independent variable, perceived financial situations (hypothesis 1a & 1b), is tested using question "How satisfied are you with the financial situation of your household?" assessed by the scale with 1 being completely dissatisfied and 10 being completely satisfied. The answers are recoded into three groups (low (1) =1-3; middle (2) =4-7; high (3) =8-10). The second independent variable, comparison

with the past (hypothesis 2a & 2b), is measured based on responses to question, “Comparing your standard of living with your parents’ standard of living when they were about your age, would you say that you are better off (1) worse off (2) or about the same (3)?”.

The dependent and independent variables are categorical. Therefore, chi-square test and ordinal logistic regression are used for data analysis using SPSS. As shown from the graphs (Appendix 1 to 3), 68.3% of respondents feel quite happy. The mean satisfaction with financial situation is 6.27, with 62.6% falling into middle satisfaction level, and 70.7% of respondents feel their standard of living is better off compared with parents.

5 Results

Based on the results for chi-square test (insert Table 1 here) for hypothesis 1a, there is an association between happiness and satisfaction with household financial position (Appendix 4). The result conforms to the relativistic judgment models. For hypothesis 2a, there is an association between happiness and comparison of standard of living with parents (Appendix 5).

Table 1. Chi-square test results

Variables	Degree of freedom	Chi-square	P-value
Satisfaction with financial condition	27	804.275	<.001***
Living standard	6	147.244	<.001***

***p < 0.001, **p < 0.01, *p < 0.05 [two tailed]

Ordinal logistics regression tests hypotheses 1b and 2b (insert Table 2 here). In terms of satisfaction with financial situation, the odds of people with low satisfaction with financial condition feeling not at all happy is 21.815 times higher than people who have high satisfaction level. For people with middle satisfaction level with financial situation, the odds of feeling not at all happy is 4.261 times higher than those with high satisfaction level.

For standard of living compared with parents, we could expect the odds of people who believe their standard of living is better off having a very low happiness level is 0.657 times lower than people who feel the living standard is about the same. In contrast, the odds of those who think their living standard is worse than their parents’ is 2.198 times higher than those who feel the same living standard to feel extreme unhappy.

Table 2. Ordinal regression of happiness

Variables	B	SE	Odds ratio
Threshold [Happiness=Very happy]	-1.314***	0.143	0.269
[Happiness=Rather happy]	2.679***	0.160	14.573

	[Happiness=Not very happy]	5.290***	0.218	198.345
Location	[Living standard =Better off]	-0.421***	0.124	0.657
	[Living standard =Worse off]	0.787***	0.180	2.198
	[Living standard =about the same]	0 ^a	–	–
	[Satisfaction with financial condition =Low]	3.083***	0.190	21.815
	[Satisfaction with financial condition =Middle]	1.449***	0.123	4.261
	[Satisfaction with financial condition =High] (reference)	0 ^a	–	–

***p < 0.001, **p < 0.01, *p < 0.05 [two tailed]

[Living standard =about the same][Satisfaction with financial condition =High]: reference

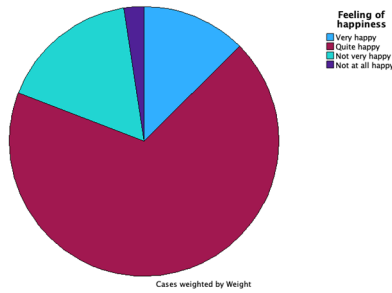
6 Conclusions

This study shed light on the association between individual subjective financial evaluation and happiness with a special focus on satisfaction with financial situation and comparison of standard of living with parents. While the previous literature has greatly focused on salary or income amounts and primarily based on cross-national comparison, this present paper plays a pioneering role in investigating the association between subjective financial evaluation and happiness and answers the following questions: 1) is there a positive association between satisfaction with household's financial situation and happiness for people in Hong Kong and whether people who are less satisfied are more likely to be unhappy; and 2) is there a positive association between perception of standard of living comparing with their parents with happiness and whether people who believe their living standard is worse off have higher odds to feel unhappy. Using chi-squared test and ordinal logistic regression for World Values Survey data, we found an association between satisfaction with household's financial situation and happiness for people in Hong Kong (Hypothesis 1a). People who are less satisfied with household's financial situation have higher odds of feeling not at all happy, indicating a positive association (Hypothesis 1b). There is an association between perception of standard of living compared with their parents with happiness (Hypothesis 2a). People who believe their living standard is better (worse) off than their parents have lower (higher) odds of feeling unhappy than people who feel the same (Hypothesis 2b).

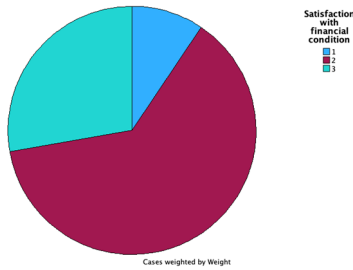
The result is consistent with prior research on people's tendency to make judgments of wealth in a relative term. This study contributes to social comparison and happiness literature, focusing on subjective evaluation and perception of financial situation and comparison with past experience. Nonetheless, there are certain limitations in our present study. The comparison of living standard of parents' time has a time difference of

more than two decades. The significant developments and changes over this long period make the comparison influenced by various factors. To be more comparable, future studies could ask about their perceived comparison with standard of living 3 years ago. Since this study is region-specific to Hong Kong, future research could conduct cross-national analysis to examine whether the result is generalizable to other regions or countries. Additionally, the association between money and happiness varies among different age groups, in which the relationship is significantly lower for older adults [20]. Future studies could examine the potential effect of age on the influence of subjective financial evaluation on happiness.

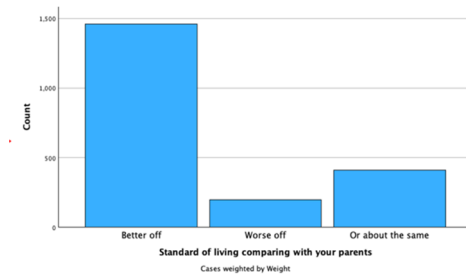
Appendix



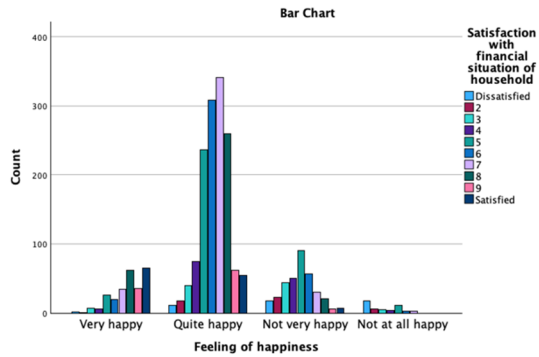
Appendix 1. Pie chart for feeling of happiness



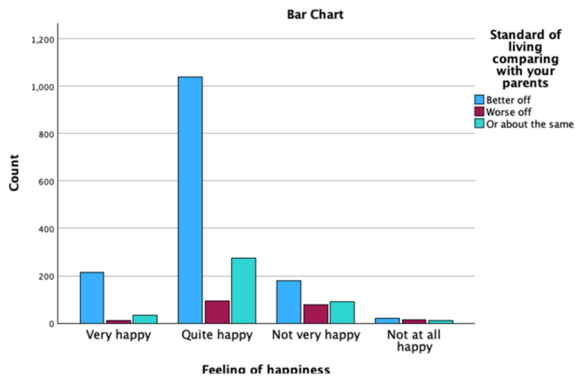
Appendix 2. Pie chart for satisfaction with financial situations of household (recoded)



Appendix 3. Bar chart for standard of living compared with parents



Appendix 4. Bar chart for feeling of happiness and satisfaction with financial situations of household



Appendix 5. Bar chart for feeling of happiness and standard of living compared with parents

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