

Financial Well-Being and Happiness: A Comparison of German and U.S. Economics University Students

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ABSTRACT

Happiness Economics is a relatively new field, with the United Nations World Happiness Report country rankings first published in 2012. The 2015 report ranks the United States 15th in happiness, behind countries such as Switzerland, Denmark, and Mexico; Germany is ranked 26th, behind countries such as Oman, Venezuela, and Ireland (Helliwell, Layard, & Sachs, 2015). Thus, despite similar GDP per capita, the U.S. at \$54,000 and Germany at \$48,000 in U.S. dollars Germany is quite a bit lower for happiness, supporting past research that differences in other factors besides income are in play here. An interesting twist is the question of the happiness of the researchers - economists - who study happiness (Haucap & Heimeshoff, 2014). I chose to compare the happiness of economics students from the U.S. and Germany. I tested four hypotheses: (1) German economics students are less happy than U.S. students; (2) Employment and standard of living play a larger role in determining happiness for U.S. students than German students; (3) Social supports such as family relationship, health care access, and healthy life expectancy are less important to U.S. students' happiness than they are to German students' happiness; and (4) Immigration has a much larger impact on happiness in Germany than in the U.S. I administered a survey to and conducted interviews with a sample of economics students at Frankfurt University of Applied Sciences and University of Wisconsin-La Crosse. My survey used questions from the Bhutan Gross National Happiness survey since Bhutan is the pioneer in assessing happiness of its citizens. The results support hypothesis (4) and did not support hypotheses (1), (2), or (3). Implications within the context of the global immigration debate are discussed.

I. INTRODUCTION

A. Background

The economics of happiness is a relatively new field in economics, with the first peer reviewed article on the subject, "Does Money Buy Happiness" appearing in 1973 in *The Public Interest* (Easterlin, 1973) and the inaugural journal of the *Journal of Happiness Studies* focusing on interdisciplinary research in the field published in 2005. Further, the first World Happiness Report, developed by the United Nations Sustainable Development Solutions Network, ranking countries based on a measure of happiness, was published in 2012 (Zhong, 2015). However, as I discovered in my Eco 336 Women in the U.S. Economy class and my Eco 346 Environmental Economics class, this field has been informed by feminist economists and ecological economists who had questioned Gross Domestic Product (GDP) as a valid measure of societal well-being, the former primarily for the absence of the value of homemakers' time in GDP (Waring, 1988) and the latter for the inattention to environmental degradation in GDP (Boulding, 1966). What was once considered a field ill-suited to economics (Dixon, 1997), happiness economics has grown in significance because it raises essential issues of how societies measure well-being.

In 1972, Bhutan became the first country to measure Gross National Happiness, and its instrument is available online at <http://www.grossnationalhappiness.com/Questionnaire/Questionnaire2014.pdf>. According to Bhutan's Prime Minister Tshering Tobgay, increasing gross national product alone does not necessarily equal increasing contentment and well-being (Armour, 2011). More recently, other countries have begun studying different measures of well-being, including France in 2008 and the U.K. in 2010 (Zhong, 2015). However, happiness economics, as a way of measuring the development of a nation using happiness, satisfaction and other quantifications of well-being, has only been used on a global scale since the early 2000s (Armour, 2011; Zhong, 2015).

Explanations for differences in a country's happiness rank have been the subject of much research in the field. According to the World Happiness Report published in April 2015, "Three-quarters of the differences among countries, and also among regions, are accounted for by differences in six key variables...the six factors are GDP per capita, healthy years of life expectancy, social support (as measured by having someone to count on in times of trouble), trust (as measured by a perceived absence of corruption in government and business), perceived freedom to make life decisions, and generosity (as measured by recent donations, adjusted for differences in income). Differences in social support, incomes and healthy life expectancy are the three most important factors, with their relative importance depending on the comparison group chosen." (World Happiness Report, 2015). For example, based on 2012-2014 data, the 2015 World Happiness Report ranked the United States 15th, behind countries such as Switzerland, Denmark, Canada, Israel, Mexico, and Costa Rica (Helliwell, Layard, & Sachs, 2015). Germany was ranked 26th, behind countries such as Oman, Venezuela, Panama, and Ireland (Helliwell, Layard, & Sachs, 2015). Thus, despite similar GDP per capita - U.S. at \$54,000 and Germany \$48,000 in U.S. dollars - Germany is quite a bit lower for happiness (World Bank, 2015), supporting the research that differences in other factors besides income are in play here.

As stated by Robert F. Kennedy in 1968, while Gross National Product and Gross Domestic Product take many things into consideration, "... gross national product does not allow for the health of our children, the quality of their education, or the joy of their play" (Fox, 2012). These ideas were expressed throughout the 19th and 20th century, however GNP and GDP were the chosen measurement of economic growth and well-being into the 2000s (Fox, 2012) with Bhutan being the lone exception (Zhong, 2015). However, not all economists agree with the disconnect between economic growth, income, and happiness. Sacks, et al (2010), using World Bank data and data from the World Values Survey, found that richer individuals were happier than poorer individuals and average life satisfaction is higher in countries with higher GDP per capita. This research has been the subject of articles in the popular press, including Time's cover story "The Pursuit of Happiness" (Kluger, 2013), and a 2011 CBS 60 Minutes episode on Denmark, ranked in the world's top three happiest countries every year of the reports. Journalist Morley Safer enriched the scientific research in personal interviews with young college-aged Danes, discovering that the happiness stems from the absence of large inequalities and turmoil in over 50 years, the low crime rates, free education, stipends to attend school, and relatively low expectations (Safer, 2008).

An interesting twist on this research is the following question posed by Haucap and Heimeshoff (2014): Given that economists research happiness, how happy are economists? To answer this question, they surveyed 918 German university students majoring in economics and other social sciences and found a positive relationship between the study of economics and individual well-being. They also found that income and future job prospects also significantly affected happiness.

I wanted to expand on this specific line of research by comparing the happiness of German university students studying economics to U.S. university students studying economics. My experience as a first generation college student has given me insight into financial stress, happiness and reported satisfaction, which has further fueled my interest. My interest in Germany was developed during my summer 2015 study abroad in Berlin, Germany. More recently and in a very short time period, however, it appears that the Germany I experienced is being transformed by the migrant crisis, which I suspect has citizens concerned about their income security much more so than in the U.S.

II. RESEARCH PURPOSE

A. *Statement of the Topic*

The purpose of this research is to compare the reported happiness of German and U.S. economics university students and the relationship to possible explanatory variables including financial well-being, social support, health status, and immigration.

B. *Research Hypotheses*

The purpose of this research project is to compare the happiness of German university students studying economics to U.S. university students studying economics, specifically focusing on the previously mentioned three main areas the World Happiness Report found drove happiness: employment and standard of living, social support, and healthy life expectancy. I tested the following hypotheses:

Hypothesis I: German economics students are less happy than U.S. students.

Hypothesis II: Employment and standard of living play a larger role in determining happiness for U.S. students than German students.

Hypothesis III: Social supports such as family relationship, health care access, and healthy life expectancy are less important to U.S. students' happiness than they are to German students' happiness.

Hypothesis IV: Immigration has a larger impact on happiness in Germany than in the U.S.

III. RESEARCH METHODS

In order to test my hypotheses, I gathered primary data through surveys of students enrolled in upper level economics courses from Frankfurt University of Applied Sciences and the University of Wisconsin-La Crosse. Although neither Frankfurt University economics students nor UW-L economics students are representative of all economics students in their respective countries, the two universities are similar in size. Frankfurt University is an exchange school with UW-L and contacts with economics professors were made both through UW-L's International Education and Engagement department and UW-L economics professor, Dr. Donna Anderson.

Surveys of German students studying economics were conducted in person via paper surveys during May 2016. In order to maintain consistency in survey methods, UW-L students studying economics were also surveyed in person via paper surveys the following semester, during late October and early November 2016. At UW-L, 78 students were surveyed along with a sample size of 76 students at Frankfurt University.

The instrument was a modified version of the Bhutan Gross National Happiness survey pertaining to income, social support, and health. Cross tabulation and chi square tests of independence were used to analyze the data. I conducted interviews with a sample of 16 Frankfurt University students who were willing to talk with me in order to obtain more detailed data and individual situations and experiences to supplement the data gathered by the survey. The qualitative data enriches the statistical data, particularly pertaining to the recent migrant crisis and its effect on happiness and income security.

IV. RESULTS

Overall Happiness and Country: Students were asked to rate their overall happiness on a scale of 1 to 5, with 1 being "Very Unhappy" and 5 being "Very Happy." The Chi-Square test showed no relationship between respondents' country of residence and overall happiness ($X^2(2)=1.022, p>.05$). No differences in overall happiness existed between German and U.S. economics students.

How Often Happy: However, a significant difference was found in how often students reported feeling happy based on country of residence ($X^2(3)=20.949, p<.05$). As shown in Figure 1, German students were nearly 6 times more likely to report only feeling happy once per week than U.S. students. On the other end, U.S. students were nearly twice as likely to report feeling happy several times per day. The proportion of students from Germany who reported frequency of feeling happy several times a day in the past two weeks was 44%, while for the U.S. students the proportion was 72%.

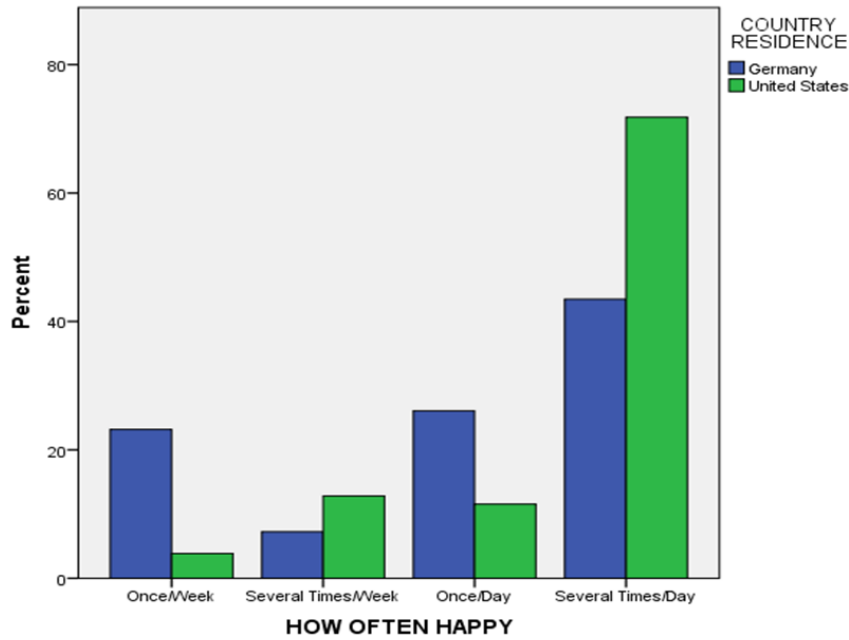


Figure 1. Frequency of Happiness.

Stress and Relaxation: Stress and country of residence were significantly related ($X^2(4)=15.437, p<.05$). Figure 2 shows the proportion of students from Germany who reported feeling stressed once a day or several times a day in the past two weeks was 34% while for the U.S. students the proportion was almost double at 63%. However, U.S. students were also more likely to feel relaxed at least once a day ($X^2(4)=13.189, p<.05$). The proportion of students from Germany who reported feeling relaxed once a day or several times a day in the past two weeks was 40% while for the U.S. students, the proportion was 69%. See Figure 3.

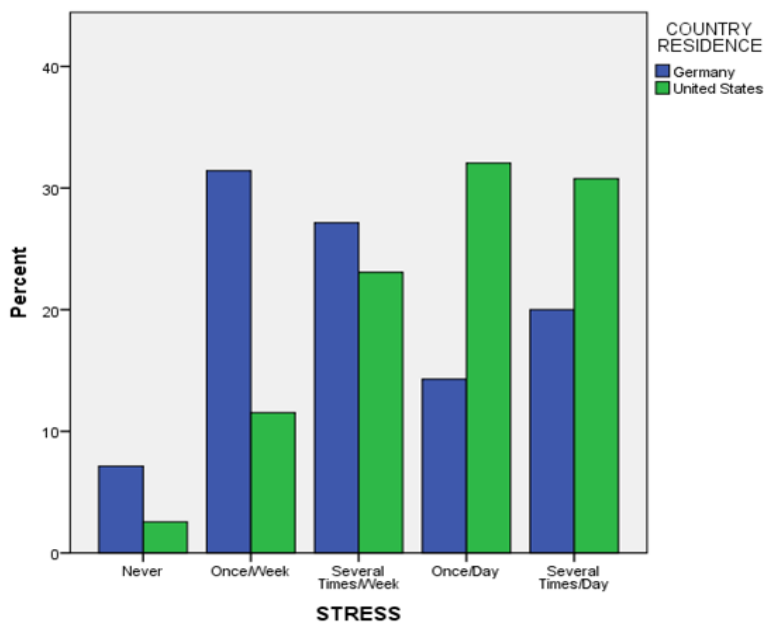


Figure 2. Frequency of Feeling Stressed.

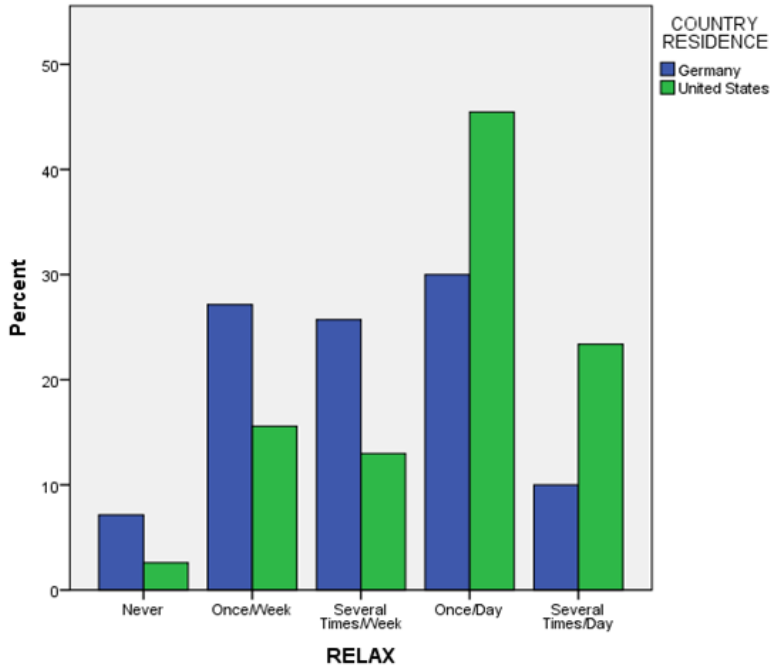


Figure 3. Frequency of Feeling Relaxed.

Feeling Overwhelmed: A significant relationship exists between students’ feelings of being overwhelmed and country ($X^2(4)=25.873, p<.05$). As revealed in Figure 4, the proportion of students from Germany who reported feeling overwhelmed once a day or several times a day in the past two weeks was 20%, while for the U.S. students, the proportion was over double at 56%.

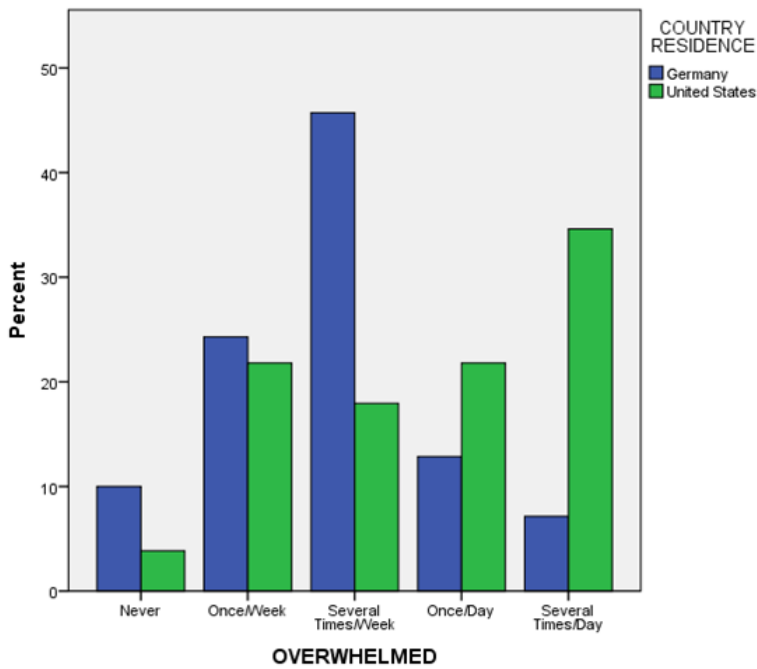


Figure 4. Frequency of Feeling Overwhelmed.

Feeling Disappointed: A significant relationship exists between students' feelings of being disappointed and country ($X^2(4)=12.270, p<.05$). German students reported feeling disappointed more frequently, with 50% of German students feeling disappointed several times per week or more, compared to 37.1% of U.S. students feeling disappointed several times per week or more.

Worry: Significant differences were found in the frequency of worrying about unemployment ($X^2(4)=10.235, p<.05$), health care access ($X^2(4)=12.553, p<.05$), and worry about immigration ($X^2(4)=16.502, p<.05$). German students worried less about unemployment, with 19% responding that they worried about unemployment once a day or more. U.S. students, however, more frequently worried about unemployment with 40% worrying about unemployment at least once per day as shown in Figure 5. German students were also less likely to worry about having access to healthcare, with 50% saying they never worried about it compared to 26% of US students saying they never worried about having access to healthcare, as shown in Figure 6. Lastly, German students were more likely to worry to some degree about immigration, with only 11% saying they never worried about it compared to 40% of U.S. students saying that they never worried about immigration in their country, shown in Figure 7.

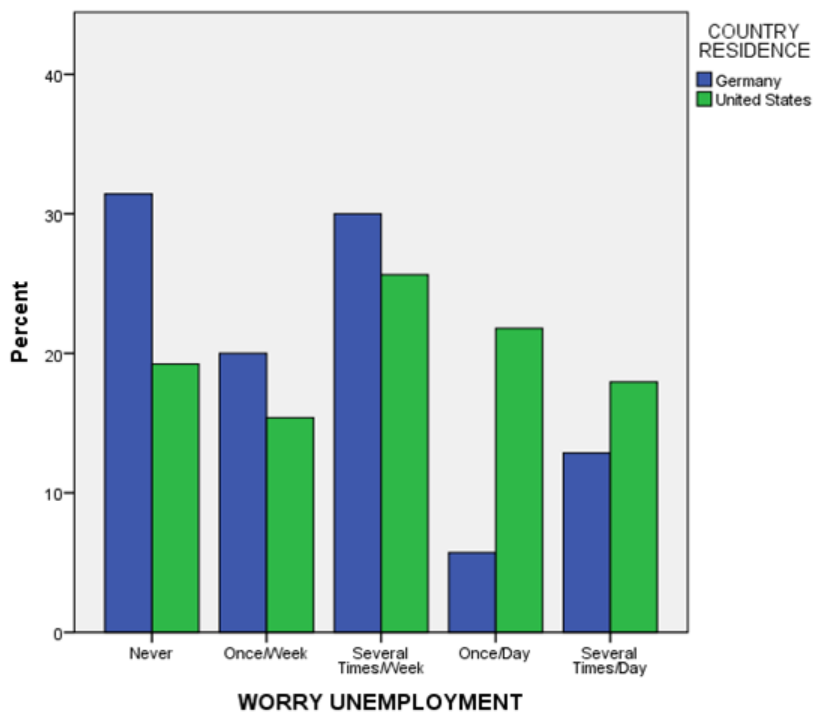


Figure 5. Worry About Unemployment.

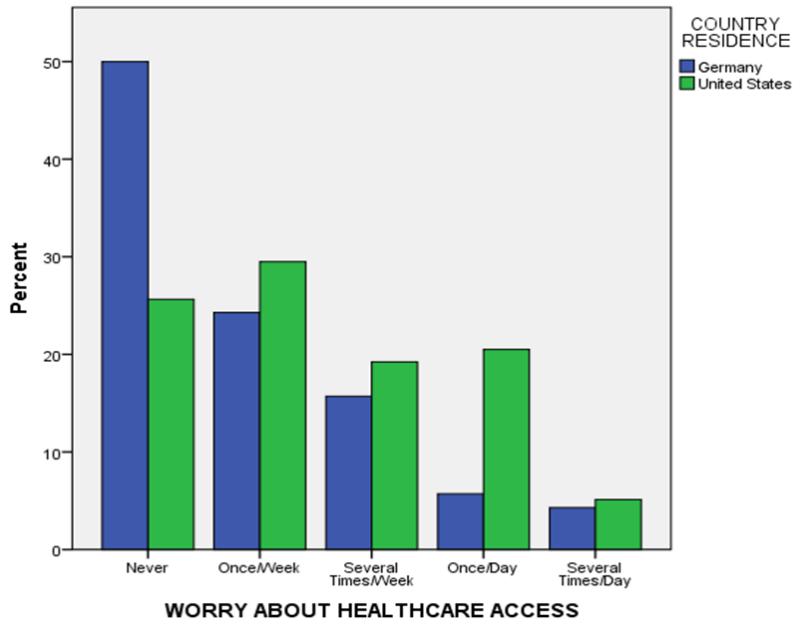


Figure 6. Worry About Health Care Access.

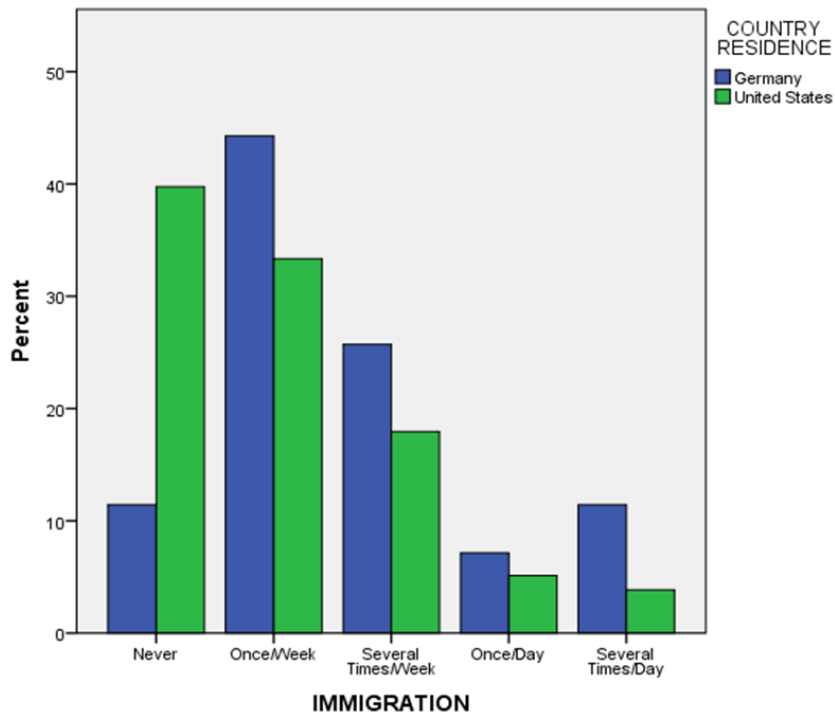


Figure 7. Worry About Immigration Based on Country.

There was also found to be a significant difference in the frequency of worrying about immigration based on gender ($X^2(4)=14.672, p<.05$). Across both countries as a whole, students identifying as female were more likely to worry about immigration with 82% of females worrying about immigration at least once per week, compared to 65% of males.

Other Measures of Well-Being and Country: The following measures of well-being were found not to be significantly related to country of residence: Current Health Status ($X^2(3)=3.63, p>.05$); Satisfaction with Family Relationships ($X^2(3)=1.092, p>.05$); Standard of Living ($X^2(2)=0.207, p>.05$); Work-Life Balance ($X^2(2)=0.117, p>.05$); Frequency of Feeling Angry ($X^2(4)=6.899, p>.05$); Frequency of Feeling Confident ($X^2(3)=2.194, p>.05$); Financial Support from Family ($X^2(1)=0.675, p>.05$); and Hours Employed ($X^2(4)=8.322, p>.05$).

Interview Data: Students willing to be interviewed were asked a set of four questions. The questions are listed below with quotes from German students to show the themes being mentioned most often.

(1) Have you personally noticed any impact on yourself or your family due to the migrant/refugee crisis?

“No. Everybody is talking about it, maybe we all are a little afraid. We're afraid of war and everything, we're a little afraid terrorists will come into Germany.”

“We talk sometimes about it but it doesn't have a big impact.”

(2) Have any current events had an impact on your life, including feelings of happiness, well-being, security, employment opportunities, etc.?

“Emotional impact - Paris and Brussels. I live in Frankfurt, city of banks. When is it going to be here? I'm a little bit worried about it but it's not going to influence my life.”

“Terrorist events, Paris, Istanbul, Belgium. You have the feeling it can happen everywhere; have the thought I can die everywhere so I can go anywhere because it's the same.”

(3) Does money equal happiness?

“Not really; it's security. You need a bit of money but too much money can make you unhappy too.”

“No, but it helps to increase your happiness. There's so many factors. It also brings problems.”

“I wouldn't say money equals happiness, but it eases your life.”

(4) What is most important in your life for you to be happy?

“It's most important to have people you love.”

“Family. Family is definitely number one, of course good friends, to have a good job.”

V. CONCLUSION

Overall, German and U.S. economics students reported happiness did not reveal a statistically significant difference. However, U.S. students reported feeling happy significantly more often than German students. Happiness with social support provided by family members and healthy life expectancy were also similar between German and U.S. students. However, social support in terms of access to health care caused U.S. students to worry significantly more than German students. German students were more likely to be disappointed and to worry about immigration, while U.S. students were more likely to worry about being unemployed. It was found that U.S. students were significantly more likely to feel stressed and overwhelmed but also relaxed.

VI. LIMITATIONS OF THE STUDY

There are several limitations to this study. The students surveyed are not a representative sample. The sample size also should have been larger in order to avoid low cell counts as found in some of the results that were not shown here. Additionally, very few students provided information on their individual or family income leading to an inability to test a hypothesis on current income. Regarding interviews to enrich the qualitative data, no students at the University of Wisconsin-La Crosse were interested in being interviewed, so there are no U.S. responses to the interview to compare with the German responses.

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