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Life cycle happiness and its sources Intersections of psychology, economics, and demography

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Abstract

In the United States happiness rises slightly, on average, from ages 18 to midlife, and declines slowly thereafter. This pattern for the total population is the net result of disparate trends in the satisfaction people get from various life domains: their financial situation, family life, health, and work. The slight rise in happiness through midlife is due chiefly to growing satisfaction with one's family life and work, which together more than offset decreasing satisfaction with health. Beyond midlife, happiness edges downward as a continuing decline in satisfaction with health is joined by diminishing satisfaction with one's family situation and work; these negative trends are offset considerably, however, by a sizeable upturn in later life in people's satisfaction with their financial situation. These findings come from an analysis of the United States General Social Surveys, using the demographer's synthetic panel technique. They support neither the mainstream economics view that well-being depends only on one's objective conditions nor the psychologists' strong setpoint model in which adaptation to such conditions is rapid and complete. They are consistent with a "bottom up" model in which happiness is the net outcome of both objective and subjective factors in various life domains.

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1. Introduction

At what stage of life are people happiest – when they are on the threshold of their adult lives, at midlife when families are complete and many are close to the peak of their working careers, or in the "golden years" of retirement? What are the factors responsible for the life cycle pattern of happiness? These are the questions – the nature and causes of life cycle happiness – to which this paper is addressed. In answering them, the paper draws on theoretical and empirical work in economics and psychology and the methodology of demography.

2. Psychology and economics

2.1. The nature of life cycle happiness

Surprisingly, there is little agreement on how happiness varies, on average, over the life course. Consider four recent surveys of research on subjective well-being (SWB), three in psychology and one in economics, published almost contemporaneously. Myers (2000, p. 58), in the special issue of the *American Psychologist* that surveys work in the new field of positive psychology states: "Although many people believe there are unhappy times of life – times of adolescent stress, midlife crisis, or old age decline – repeated surveys across the industrialized world reveal that no time in life is notably happiest and most satisfying". (Here and subsequently the terms happiness, life satisfaction, and affect balance are used interchangeably; although the concepts are not identical, they are highly positively correlated.)

In contrast, Michael Argyle, writing in the encyclopedic volume on "hedonic psychology" edited by Kahneman, Diener, and Schwarz concludes that studies both of life satisfaction and positive and negative affect imply that well-being increases with age (Argyle, 1999, p. 354, cf. also Argyle, 2001). A survey by Diener, Suh, Lucas, and Smith (1999, p. 291) blends these two results, stating that "recent studies converge to show that life satisfaction often increases, or at least does not drop, with age". But Frey and Stutzer in a book synthesizing the recent economics literature argue that "much care should be taken when claiming that old age leads to unhappiness, or that the old are happier than the young…[T]he economic studies just referred to reach a more differentiated conclusion – namely, that the young and the old are happier than the middle-aged" (2002, p. 54).

All of these surveys appear to be addressing the straightforward question of life cycle well-being: as people progress from young adulthood through midlife to older age, experiencing life's various joys and vicissitudes, do they become, on average, happier, less happy, or does happiness remain unchanged? But the economic studies on which the Frey and Stutzer statement is based are, in fact, considering a quite different question. The U-shaped generalization derives from multivariate regressions of happiness on age plus a number of life circumstances that vary systematically over the life cycle. Hence, these studies are, in effect, asking if one compares young, midlife, and older persons who are in the *same* circumstances with regard to income, employment, marital status, and health, how does their