The Smilling Countries
What do you think about these earns?

- 1. You earn Rp. 50.000 and others Rp. 25.000

- 2. You earn Rp. 100.000 and others Rp. 200.000
Let’s try to imagine when you have a box of money: Rp. 350,000,000

- Which car would you buy?
And how if you have Rp. 550,000,000 in your suitcase?

- Which one of car would you buy?
These mean that:

1. Satisfaction never been met over times.
2. People always one step standing behind the satisfactory.
3. There is a certain level of income when we couldn’t reach the higher level of satisfaction anymore.
When the same case (first case) was asked to a group of Harvard graduate students, major respondents prefer to choose the first choice. This means that relative income could be sensed more important than the absolut value of money.
What about people in developed countries in the world?

- Since 1950, in the United States people are not happier, though living standards have more than doubled.
- There has been no increase in the number of “very happy” people, nor any substantial fall in those who are “not very happy”.
- The same story occurred in Britain, where happiness has been static since 1975 and is no higher than in the 1950. This happened despite massive upsurge in real income at every point of the income distribution (Layard, 2005).
Individual and average income

Evidence has been accumulated that people in advanced countries put more attention on their income compares to that of other people. Hypothesis then appears about advanced countries:

- Higher individual income produces a substantial increase in individual happiness, other things equal.
- Higher average income in a country produces much less of an increase in average happiness, and
- Individuals care greatly about their income relative to other’s (which makes (a) and (b) consistent with each other).