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Is the Just Man a Happy Man? An Empirical Study of the Relationship Between Ethics and Subjective Well-being

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Abstract: In this paper I consider the question of whether ethical decision-making affects a person's happiness. Using cross-country data from the World Values Survey, I find that people who agree that it is never justifiable to engage in ethically-questionable behaviors report that they are more satisfied with their life than people who are more tolerant of unethical conduct, even after controlling for other factors known to affect self-reported happiness. The size of the ethics effect is roughly similar to that of a modest increase in income, being married and attending church, while the effect is smaller than that of having poor health or being dissatisfied with one's personal finances. These results are robust across the four countries studied (the US, Canada, Mexico and Brazil), although there is variation in the ethics and happiness relationship across countries. One implication of this study is that a consideration of a society's ethical norms will improve our understanding of the subjective well-being of people.

JEL categories: D63, D99, Z13

Keywords: Happiness, subjective well-being, ethics, World Values Survey

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Introduction

For millennia, philosophers and scholars have debated the question of whether people who are just and ethical are happier than those who are not. For example, Plato, writing in *The Republic* (2000), argues that “the just man is happy, and the unjust man is miserable” (par. 354a) and that “the best and most just character is the happiest” (par. 580c). In his *Nichomachean Ethics*, Aristotle (1987) claims that happiness arises from a life of virtue and that virtues are acquired by behaving in a virtuous or ethical manner. Adam Smith is even clearer in his treaty on moral sentiments. Recognizing the unhappiness that follows those who choose the path of “vice and folly” over that of “wisdom and virtue” (Smith, 1759, I.iii.3.2), Smith states the following:

To attain to [an] envied situation, the candidates for fortune too frequently abandon the paths of virtue; for unhappily, the road which leads to the one, and that which leads to the other, lie sometimes in very opposite directions. But the ambitious man flatters himself that, in the splendid situation to which he advances, he will have so many means of commanding the respect and admiration of mankind, and will be enabled to act with such superior propriety and grace, that the lustre of his future conduct will entirely cover, or efface, the foulness of the steps by which he arrived at that elevation. ... But, though they should be so lucky as to attain that wished-for greatness, they are always most miserably disappointed in the happiness which they expect to enjoy in it (Smith, 1759, I.iii.3.8).

In other words, people who obtain “respect and admiration” and “wished-for greatness” by taking steps of “foulness” are usually disappointed because they are never as happy as they had hoped they would be.

In contrast, some writers, such as Kant, have argued that happiness should not be a motivating factor for making ethical decisions. Others, such as egoists, have said that people should be just, cooperative, or benevolent only if doing so results in improved well-being, but making decisions consistent with these virtues will not necessarily result in people being happier than they otherwise would be (Waller, 2007).

The purpose of this paper is to explore empirically the link between just actions and happiness. Specifically, are people who are just and ethical happier than those who are unjust or

unethical? Of course, the mere asking of this question suggests that the converse could also be true. Some people may engage in unethical behavior, such as lying, breaking promises, and cheating others, because they believe (correctly or not) that such behavior will make them better off. Alternatively, a person's personal ethics may not be correlated at all with personal happiness. Because reasonable arguments can be made for different sides of the ethics and happiness question, the answer is ultimately an empirical one. Is there empirical evidence in support of the idea that ethics is correlated with increased happiness and unethical conduct is correlated with diminished or lower happiness?

There are a number of challenges in pursuing this type of research. One challenge is that the question of whether happiness is affected by the ethics of people presumes that certain actions are inherently wrong and that what constitutes ethical conduct can be agreed upon by individuals within societies and even across cultures. However, people may disagree about whether there are universal moral values and standards of behavior. My response here is that in a globalized and technologically-integrated world in which social progress is hoped for and even promoted, there must be some universally accepted standards of behavior "because those rules are necessary for society to exist" (Rachels, 2003, p. 26). That said, while I assume that there is agreement on what actions are ethical and what actions are not, below I will suggest that cross-cultural differences in how people perceive ethical problems affect the ethics and happiness relationship.

Another challenge is that observing the ethical decisions and behaviors of others for research purposes is difficult if not impossible. For this reason I focus on the following specific research question: Do people who agree that it is never justifiable to engage in ethically-questionable behaviors report that they are happier and more satisfied with their life than people who are more tolerant of unethical conduct? Because "the path between attitudes and action runs in both directions" (Tavris and Aronson, 2007, p. 56), my premise is that an answer to this question can inform on the more general question of whether people who are ethical are happier than those who are not.

I use data from the 2005-2006 wave of the World Values Survey (WVS) to examine the relationship between ethics and happiness, focusing specifically on the four largest economies in North and South America: the United States, Canada, Mexico and Brazil. The WVS is commonly used in cross-country studies on the determinants of happiness (see Bruni and Porta,

2007). The WVS contains data on individual self-reports of subjective well-being (SWB), perceptions of ethical conduct and acceptability of ethically-sensitive issues, income, and other measures of individual respondent characteristics and is therefore useful for examining empirically the relationship between happiness and ethics. The findings reported below reveal a generally positive relationship between my measures of ethics and happiness. Specifically, I find that respondents who are not willing to justify unethical actions have higher reported well-being than those who are more accepting of such actions, after controlling for factors identified in the literature as important correlates of happiness and well-being.

This research extends our understanding of what contributes to the happiness or SWB of people. There is an extensive and growing literature on the subject of happiness (Diener, Suh, Lucas and Smith, 1999; Frey and Stutzer, 2002; Dolan, Peasgood and White, 2008). However, the literature on the relationship between pro-social behavior and happiness is relatively small, although it is also growing in importance. For example, happiness has been linked to generosity (Konow and Early, 2008), volunteerism (Thoits and Hewitt, 2001; Meier and Stutzer, 2004), and other types of helping behaviors (e.g., Benson et al, 1980). This paper expands this literature by exploring the relationship between a person's ethics and their reported SWB.

Background literature

Happiness research and pro-social behaviors

The terms *subjective well being* (SWB), *happiness*, *utility* and *life satisfaction* are often used interchangeably in the literature (see Diener, 1984; Diener, Suh, Lucas, and Smith, 1999; Veenhoven, 1993; Myers, 2000; McBride, 2001; Ryan and Deci, 2001; Easterlin, 2005). However, not all scholars agree that SWB is necessarily identical with utility (see Kahneman and Krueger, 2006, for a discussion). Although it is recognized that questions such as "how happy are you?" or "what is the level of life satisfaction you have?" cannot be answered objectively, there is a growing economic literature that attempts to identify correlates to SWB (Frey and Stutzer, 2002; Dolan, Peasgood and White, 2008). Factors associated with happiness, albeit to varying degrees of strength and consistency in cross-country and intra-country studies, include income, distribution of income, relative income, health, age, gender, race, nationality, education, employment status, marital status, socioeconomic status, inflation, religion, generosity, altruism,

trust, political institutions, personality and behavior, self-fulfillment, environment, and family characteristics, among others. In spite of the extensive research, it is often difficult to assess direct effects because many of these factors are interrelated and the exact flow of causation is in question. As McBride (2001, p. 255) says: “On the surface it appears a mess, and below the surface it appears even less clear.”

One of the most examined factors expected to affect happiness is income. Does money buy happiness? According to the literature, the answer is both yes and no: Yes, for income levels low enough that they cannot satisfy basic needs, but no for higher income levels (Veenhoven, 1984; Kenny, 1999; Diener, 2000; Myers, 2000). The answer to this question also depends on whether the happiness and wealth relationship is examined using cross-sectional data or time-series data (Easterlin, 2005). The cross-sectional evidence supports an income effect, particularly when comparing wealthier to poorer individuals within societies, but increases in income over time do not seem to result in sustained increases in happiness. Furthermore, income can only explain a small part of total happiness (Frey and Stutzer, 2002), usually less than five percent of the total variation in happiness. The reason is that at least two things seem to be important in understanding the relationship between income and happiness – relative wealth and aspirations. First, people do not necessarily take into consideration their absolute wealth but rather their wealth relative to others (Easterlin, 1995). For example, if income increases but at a lower rate than others, then overall happiness tends to decrease. Second, if aspirations increase at a higher rate than income, then that could also erode SWB (Easterlin, 2001; Stutzer, 2004).

Easterlin (2005) suggests that a “better theory” can explain the relative impact of correlates of happiness by noting how they map into different pecuniary and non-pecuniary domains. Factors reflecting the domain of living conditions, such as wealth and relative income, often have the strongest and most important affects on happiness. Of next importance is the domain of family and health concerns, followed by the domain that includes personal, emotional, social and psychological factors.

Of the different personal and socially-derived characteristics that may affect human happiness, the types of values people possess, particularly with respect to ethical considerations, has received only a little attention in the happiness literature. Helliwell (2003) includes a variable in his cross-country study of happiness based on the World Values Study question of how acceptable respondents think it is for people to cheat on taxes. His analysis indicates that people

who believe it is never justifiable to cheat on taxes have a higher level of happiness than people who may sometimes find cheating on taxes acceptable. Garcia et al (2007, p. 425) provide evidence from a survey conducted in a northern Mexican city showing that “people who consider being fair, respectful, honest and helpful with others to be very important are on average happier” than those who do not have these values.

Related to the question of personal values is the effect of social values, social capital, and pro-social behavior on individual well-being and the collective happiness of societies. For example, Helliwell (2003) shows that there is a positive correlation between generalized trust and reported SWB, where generalized trust is measured by the question of whether a person believes most people can generally be trusted (the alternative is that you cannot be too careful). Bjørnskov (2003) finds that increased generalized trust, as well as a social capital index that includes measures of generalized trust, civic participation, and perceptions on corruption, are positively correlated with self-reported happiness. Similarly, Tavits (2008) uses multilevel modeling to demonstrate a negative correlation between the perceived corruption of a country, as measured by Transparency International’s Corruption Perceptions Index, and the SWB respondent within the country, holding constant political, demographic and other factors.

Konow and Early (2008) explore more directly the question of whether pro-social or selfish motives and actions are more important for human happiness and well-being. Their study addresses what they call the *hedonic paradox*, which is the idea that “someone who seeks happiness for him- or herself will not find it, but the person who helps others will” (p. 1). They conducted a dictator game experiment and found a positive correlation between generosity and reported happiness. They also tested four hypotheses about the causality between generosity and happiness: generosity causes happiness, happiness causes generosity, material well-being affects both happiness and generosity, and psychological well-being affects both happiness and well-being. Their evidence supports the role of psychological well-being. According to the authors, their findings suggest that efforts to improve the SWB or happiness of people should focus on activities that promote psychological well-being, such as community involvement, public service, and volunteerism.

In related work, Margolis (1982) developed a theory of individual behavior based in part on altruism. He argued that people have two objective functions – one which satisfies self-oriented preferences and one which is group oriented – and that there is a trade-off between the

two functions. This explains why, for instance, married altruists are often happier than married non-altruists, even after controlling for income and family size (Phelps, 2001). Similarly, Thoits and Hewitt (2001) and Meier and Stutzer (2004) find that voluntarism is positively correlated with happiness in that people who volunteer appear to be more satisfied with their life than those who do not volunteer. Meier and Stutzer additionally show that causality moves in both directions; volunteers are happier than non-volunteers, and happier people are more likely to volunteer than others. Empirical evidence also suggests that people who are intrinsically motivated, or who “define their values by themselves,” manifest greater happiness levels than those motivated only by extrinsic incentives (Frey and Stutzer, 2002, p.410).

If pro-social behavior is correlated with improved happiness of people, as supported by these studies, then ethical conduct might also be positively correlated with self-reported measures of happiness. However, to date there has not been a systematic effort to examine the ethics-happiness relationship. This paper fills that gap by exploring how measures of a person’s ethics affect their reported SWB.

Type of happiness and the role of ethics

In addition to the question of what affects happiness, there is also the question of what happiness is. The literature recognizes two general types of happiness, eudaimonic and hedonic (see Ryan and Deci, 2001; Nussbaum, 2005). Eudaimonism is the Aristotelian idea that happiness is derived from doing well, with particular attention to behavior relating to interpersonal relationships. The emphasis here is on non-material pursuits and includes right or just behavior. The acquisition of wealth and physical comforts, and even to some extent the attractiveness of physical pleasure and the avoidance of physical pain, are discouraged as sources of human happiness. Rather, the development of the mind and the soul is what produces happiness. Stated differently, the eudaimonic tradition recognizes the existence of different human needs, such as physical (sometime referred to as “lower” needs) and psychological (sometimes referred to as “higher” needs), but it attributes long-term happiness and well-being to the meeting of the higher or psychological needs of people rather than their physical needs. An example is Maslow’s idea that people who reach a state of self-actualization are more fulfilled and satisfied with life than individuals struggling to cope with, say, physiological needs or concerns about safety (Maslow, 1968; see also Konow and Early, 2008, for a related discussion).

For this reason, the claim that ethical behavior will increase a person's happiness would be consistent with a eudaimonistic view of happiness.

Hedonism, in contrast, is built on Bentham's notion of maximizing pleasure over pain and includes the acquisition of material goods and wealth. Learning, philosophy, and even good or just actions, are recommended by hedonists only to the extent that they improve the physical well-being of people. Stated differently, ethical behavior results in increased happiness if such actions lead to an improvement in material comforts. But then, some unethical conduct could also increase a person's wealth or access to physical pleasures. In other words, ethical behavior *per se* is not a factor of personal happiness within the hedonistic tradition, but only insofar as it increases or decreases chances for improved material pleasures. According to Nussbaum (2005, p. 174), this has been a "problem that has troubled economists in the Benthamite tradition" because it is not possible to introduce an "ethical value" into a calculation of pleasures and pains.

The distinction between eudaimonism and hedonism is important in a study examining the relationship between ethics and happiness because, as noted above, concerns about ethics fall within the eudaimonistic conceptualization of happiness. Thus, if there is evidence of an empirical relationship between a person's personal ethics and their SWB, after controlling for other factors known to affect or be correlated with happiness, then that would be consistent with Plato's assertion that "the just man is happy, and the unjust man is miserable," at least according to the eudaimonic approach to improved happiness of humans. In contrast, a finding that ethics and happiness are uncorrelated or that ethics is negatively correlated with happiness would be consistent with a hedonistic approach to improved happiness.

The relationship between attitudes and behavior

Although I am particularly interested in the link between ethical conduct and happiness, my empirical evidence (described in detail below) measures respondent attitudes towards ethical issues rather than actual behavior. Social psychologists recognize a relationship between a person's attitudes and their behaviors. For example, according to cognitive dissonance theory introduced by Festinger (1957) and developed by others, if there are conflicts between a person's beliefs and their behavior, then the person can reduce the dissonance such conflict creates either by changing his beliefs or his behavior. If someone believes she is a good person, but she does something that she knows to be wrong, she will often change her beliefs about the

appropriateness of the action, for example, by justifying the action or convincing herself that the action was really not that bad. In other words, people who behave unjustly tend to judge such actions as more acceptable than people who don't behave unjustly, while people who believe that ethically questionable actions are acceptable could be more disposed to engage in such conduct than people who agree that such actions are never justifiable, other things being equal.

The point here is that we can gain insights into the question of whether people who are just and ethical are happier than those who are not just or ethical by considering the correlation between a person's ethics and his or her reported SWB. In the discussion below "ethics" denotes both attitudes and behavior. Thus, a person who is less willing to justify an ethically questionable action is said to be more ethical than a person who believes it is sometimes or often justifiable to engage in the activity. Because I assume a link between attitudes and behaviors, a person who is more ethical based on a consideration of their attitudes is also assumed also to be more just or ethical than someone who says it is always or sometimes justifiable to engage in the action.

Data and Methods

I examine the empirical relationship between ethics and happiness using data from the fifth (2005-2006) wave of the World Values Survey (WVS, 2009). The World Values Survey (WVS) is a compilation of surveys conducted in many countries from around the world. The surveys involved face-to-face interviews with adult citizens ages 18 and older, and they were conducted in the respondent's native language. Interview subjects were selected randomly and stratified by region and degree of urbanization. For this study I use data from the four largest countries from North and South American in the 2005-2006 wave of the survey for which data is available – the United States, Canada, Mexico and Brazil. Respondents have the following characteristics: 46 percent of respondents were male, 50 percent were married, the average age was 44, and nearly 76 percent had obtained at least some education beyond the primary level (e.g., secondary or university). During the interviews, respondents were asked questions regarding their personal finances, familial and social relationships, and opinions on politics, the economy, and various religious, social and moral topics. Respondents were also asked to give their opinions on a variety of ethical scenarios and ethically sensitive issues and to evaluate their SWB.

My measure of subjective happiness or well-being is taken from the WVS question, “All things considered, how satisfied are you with your life as a whole these days?” For this question the respondent was asked to indicate on a scale of 1 to 10, with 1 representing “dissatisfied” and 10 representing “satisfied,” how satisfied he or she was with life. I label this variable as *How satisfied with life*. Thirty-six percent of all respondents were generally satisfied with their lives, indicating either a 9 or a 10 on this question. In contrast, 2 percent of respondents were relatively dissatisfied with their lives, responding with either a 1 or a 2. This measure of SWB is the most common one used in happiness studies (Kahneman and Krueger, 2006) because, as Frey and Stutzer (2002, p. 403) claim, “reported subjective well-being is a satisfactory empirical approximation of individual utility.” I also created a related dichotomous variable, *Satisfied*, which is equal to one if the respondent indicated a level of satisfaction equal to 9 or 10, and zero otherwise. Table 1 gives definitions and summary statistics for these as well as other variables used in the study.

[Table 1 about here]

The question before us is whether people who are just and ethical are happier than those who are not. Unfortunately, the WVS does not contain information on the actual conduct of respondents with respect to ethically-questionable activities. At best the WVS data contains responses regarding the attitudes of respondents toward certain types of behaviors that might be considered inappropriate or unethical. Consequently, it is this indicator of a person’s ethics that I focus on. As noted above, I assume that there is a relationship between a person’s attitudes toward behavior and his or her actual conduct, so that people who are more tolerant of or find as more justifiable certain actions would be more inclined to engage in those activities. Therefore, my indicator of a person’s ethics is constructed from answers provided by respondents to the request, “Please tell me for each of the following statements whether you think it can always be justified, never be justified, or something in between.” Respondents were then presented with a list of statements and were asked how they would rank each one, using a scale ranging from 1 to 10, where 1 indicated “never justifiable” and 10 indicated “always justifiable.” Of the various statements presented to the respondents, the following four could be considered ethically questionable behaviors (mean scores are given in parentheses):

1. “Claiming government benefits to which you are not entitled” (2.65);
2. “Avoiding a fare on public transport” (3.18);

3. “Cheating on taxes if you have a chance” (2.49); and
4. “Someone accepting a bribe in the course of their duties” (1.83).

I assume that these indicators represent unethical actions. I also assume responses to these ethical scenarios can be interpreted as follows: Other things being equal, if one respondent indicates that a particular ethical scenario is unjustifiable (e.g., she scores the action as a 1 on the never justifiable to always justifiable scale) while another respondent indicates that the same scenario is moderately justifiable (e.g., he scores the action as a 5 on the same scale), then we say the attitudes of the first respondent are consistent with a higher level of ethics than those of the second respondent. In this way I would say the first person is “more ethical” than the second. My question is whether people who are “more ethical,” as defined here, have a higher level of self-reported well-being than others, other things being equal.

The correlations of these four individual measures with each other are significant, ranging from 0.35 to 0.44. The *Cronbach alpha* for the statements as a group is 0.73, suggesting that collectively they represent a common latent construct. Consequently, I created a dummy variable representing a composite measure of ethics as follows: The variable *Ethical* is equal to 1 if the respondent gave each of the four individual statements a score of 1 (i.e., “never justifiable”) and zero otherwise. The mean value of *Ethical* is 0.350, which means that a little more than one-third of respondents believed that all four statements representing ethically questionable behaviors are “never justifiable.”

In addition to the ethics variable I also utilize multiple controls based on previous research on individual happiness. These include income, gender, age, marital status, educational level, health, employment status, participation in voluntary organizations, religiosity, and concern over personal finances. Although there is controversy over the relationship between wealth or income on happiness, there is more consistently evidence of a positive link between relative income, or one’s income rank compared with others, and self-reported happiness (see Kahneman and Krueger, 2006, and Dolan, Peasgood and White, 2008, for commentary). Thus, I control for income with the variable *Income decile*, which is proxied by the self-reports of respondents indicating where their household income falls within a ten-point scale of national average household income (i.e., which decile household income falls in), such that a 1 indicates the first or lowest decile and a 10 represents the tenth or highest decile. I expect that the higher the reported income decile of the respondent, the higher will be reported SWB.

The effect of gender on happiness is somewhat controversial. While some psychologists argue that women are more inclined to depression than men, women also exhibit higher levels of positive affect; so on average there might not be a significant difference in the level of happiness between men and women (Diener, Suh, Lucas, and Smith, 1999). Nevertheless, there is some empirical evidence that men have lower SWB than women (Alesina, Di Tella and MacCulloch, 2004). To this end I include a gender variable, *Male*, equal to 1 if the respondent is male and zero if female. I control for respondent age by including *Age* as a variable (divided by 10), and *Age squared* (divided by 100). Studies generally show a significant and U-shaped relationship between age and happiness (Dolan, Peasgood and White, 2008); thus I expect the coefficient on *Age* to be negative while that of *Age squared* to be positive. Marriage has been found to affect happiness in a significant and positive way (Wilson, 1967; Diener, 1984; Diener, Suh, Lucas, and Smith, 1999; Easterlin 2003). Therefore, the variable *Married* equals 1 if the respondent indicated he or she was married. According to Dolan, Peasgood and White (2008), the effect of education is complex, with some scholars finding a positive relationship between years in education and happiness, while other scholars finding a curvilinear relationship that maximizes at mid-level educational attainment. Thus, I include two educational dummy variables. *Secondary education* is equal to 1 if the respondent had at least some post-primary education (but no higher education), and *Higher education* equals 1 if the respondent had at least some post-secondary education.

Self-reported health is one of the strongest correlates of SWB (van Praag, Frijters, and Ferrer-i-Carbonell, 2003; Helliwell, 2003; see also Kahneman and Krueger, 2006; Dolan, Peasgood and White, 2008). In this study I include a dummy variable, *Poor health*, equal to 1 if the respondent indicated he had poor or very poor health. I expect this variable to be negative. Employment status, particularly being unemployed, has been shown to have an important effect on SWB (Frey and Stutzer, 2000, 2002; Helliwell, 2003; see also Dolan, Peasgood and White, 2008). People who report being unemployed generally have lower SWB than other respondents. In this study I include the dummy variable *Unemployed* for those respondents who said they were unemployed. Helliwell (2003) reports that SWB is positively correlated with the number of voluntary organizations respondents participate in and how often they attend church. Indeed, the religiosity and happiness link is generally strong and consistent (Kahneman and Krueger, 2006; Dolan, Peasgood and White, 2008). Therefore, I include a variable, *Voluntary organizations*,

representing the number of non-church organizations to which the respondent belongs (such as sports, recreational, labor and professional organizations). Church activity is operationalized by the dummy variable *Attends church*, which takes a value of 1 if the respondent indicated he or she attends church at least once a week on average. I expect both the voluntary organization and church attendance variables to be positive. I also control for a respondent's concerns over personal finances. As summarized by Dolan, Peasgood and White (2008), evidence is generally consistent with the idea that the more concerned people are with their financial situation, the lower is their reported level of happiness. Thus, I include the dummy variable *Dissatisfied with finances*, which is equal to 1 if the respondent indicates a 5 or less on a scale of 1 to 10, where 1 was "completely dissatisfied" and 10 was "completely satisfied," in response to the question, "How satisfied are you with the financial situation of your household?" I expect the coefficient on this variable to be negative.

I employ two modeling strategies. The first is to follow the precedent of other scholars studying correlates of happiness (e.g., Frey and Stutzer, 2000; Helliwell, 2003) by treating the dependent variable, *How satisfied with life*, as a cardinal variable in an ordinary least squares (OLS) regression analysis. The empirical model I estimate is represented as the following additive function:

$$How\ satisfied\ with\ life_i = \alpha + \beta_1 Ethical_i + \beta_2 X_{2i} + \beta_3 X_{3i} + \dots + \varepsilon_i$$

where *Ethical* represents the ethics variable, the *X*s are the control variables, the β s are estimated coefficients, and ε is an independently and identically distributed error term. The second modeling strategy is to use the dichotomous indicator of SWB, *Satisfied*, as the dependent variable in a Probit analysis using a similarly constructed additive function on the right-hand side of the equation. If ethical conduct improves SWB, then I should observe a positive and significant coefficient on the *Ethical* variable in both modeling strategies.

Findings

Figure 1 shows the percent of respondents in all four countries for which the variable *Ethical* equals 1 for each level of the SWB variable, *How satisfied with life*. The figure shows an upward trend. For each increasing level of SWB, the percent of respondents who do not justify

any of the four ethically-questionable behaviors also increases, suggesting that ethics and happiness might be positively related.

[Figure 1 about here]

Table 2 presents OLS regressions of the effect of ethics and other variables on SWB, as measured by the WVS question on life satisfaction. Six different models are presented. The first four examine the happiness and ethics relationship for each country separately. The fifth and sixth models combine all data but control for individual country effects by the use of country dummy variables.

[Table 2 about here]

Examining models one through four reveals that the effect of the ethics variable on happiness is positive. The relationship is significant for three of the four countries, however. In the case of Mexico, a null hypothesis that the relationship between ethics and happiness is rejected at only the 20 percent level of significance. For the US, Canada, and Brazil, the effect is significant at the 5 percent or better level of significance. The size of the coefficient is approximately 19 for the US and Canada, but it is nearly two and a half times larger for Brazil. The coefficient for the US can be interpreted as follows (similar interpretations can be made for the other models in Table 2): Given the average level of satisfaction for the US, respondents who are ethical (as defined in this study) report an approximately 2.6 percent higher level of SWB than other respondents. For Canada the effect is slightly smaller. In Brazil, however, respondents unwilling to justify any of the four statements representing ethically questionable behaviors have a level of self-reported well-being that is more than 6 percent higher than other respondents. Although modest in absolute terms, the effect on happiness of ethics is similar to that reported for the effect of income on happiness; for instance, Konow and Early (2008) summarize some of the income and happiness literature by noting a range of 2 to 4 percent.

To provide a further sense of proportion, these findings can be restated differently by comparing the coefficient for *Ethical* with other coefficients presented in Table 2. For instance, the effect of ethics on happiness in the US appears to be slightly less important in scale than being married, and less than half as important as church attendance. Moreover, it would take a nearly two decile improvement in income to equal the effect on happiness of being ethical. In contrast, the ethics effect is dwarfed by poor health and feelings of financial stress. The findings are similar in the case of Canada, although income does not appear to be significant for Canada,

and the coefficient on the ethics variable is comparable in size to that of church attendance. In Brazil, the effect appears to be significantly more important than the relative level of income, marriage, health, and unemployment. The only variable that appears to be more important in Brazil for personal well-being, of the variables included in this study, is perceived financial stress.

Combining all data into a single model, as reported in the fifth and sixth models of Table 2, also reveals a positive relationship between the ethics and happiness variables. In column 5, the estimated coefficient on the ethics variable is 0.24, which given the overall mean level of satisfaction (7.72) represents an improvement in happiness of about 3 percent for ethical respondents relative to others. When country-level interaction terms are included in the analysis, as reported in the sixth column of Table 2, the effect of happiness is marginally insignificant, except for the case of Brazil, which is significantly larger than for the US (which is the omitted category).

The signs on the coefficients of the control variables are generally as expected, with a few exceptions. Income has a positive effect on SWB, although in the case of Mexico the result is not significant. Gender is not significant in the US, Mexico and Brazil, but it is negative and significant in the case of Canada and when all data are combined. The effect of age is generally as expected – negative with a positive squared effect – except for Canada in which the coefficient on age is not significant, and for Brazil in which the squared term is not significant. Being married and attending church result in improved happiness while poor health and being dissatisfied with personal finances reduces health. Indeed, the negative effect on happiness of poor health and dissatisfaction with finances has the largest effect on happiness of all of the variables employed in the study. Unemployment generally results in lower levels of happiness, although the effect is positive but not significant in the US. In all cases, Canada, Mexico and Brazil have higher levels of self-reported well-being, even after controlling for other factors expected to affect happiness. The fact that the control variables are generally as expected suggests the models are well-specified, thus giving credence to the additional findings of how personal ethics affects SWB.

[Table 3 about here]

Table 3 present results from the Probit analysis in which the dependent variable is *Satisfied*, which takes a value of one if respondents indicated either a 9 or 10 in response to the

How satisfied with life question. The results of this analysis reveal that the effect of the ethics variable on happiness is generally similar to that reported from the OLS analysis. Respondents who cannot justify any of the ethically-questionable behaviors have a higher level of reported SWB than other respondents. However, for the Probit model the effect is not significant in the case of the US, but unlike the OLS results I find a significant effect in the case of Mexico. The size or importance of the ethics variable is also roughly consistent with results reported in the OLS analysis. In Probit models, the change in the probability of the dependent variable is calculated by multiplying the average density for the model (reported at the bottom row of Table 3) with the coefficient (Greene, 2000). Thus, respondents who are ethical, according to the indicator of ethics used in this study, are approximately 6 percent more likely to have self-reported happiness of 9 or 10 on the 1 to 10 scale offered to respondents than individuals who do not meet the ethical criteria. In Brazil, ethics increases the likelihood of high levels of reported SWB by more than 9 percent.

Discussion

The purpose of this study is to explore the relationship between personal ethics and the self-reported SWB of people, where personal ethics is interpreted here to include both behavioral tendencies and attitudes towards ethically-questionable behaviors. The indicator of ethics I use in this study is an index derived from questions in the World Values Survey asking respondents whether they can justify or never justify the ethically-questionable behaviors of claiming benefits that one is not entitled to, not paying fares on public transportation, cheating on taxes, and accepting bribes. Focusing on four western countries (the US, Canada, Mexico and Brazil), the results reveal a positive and generally significant effect of ethics on happiness, even after controlling for other factors known to be correlated with happiness. The size of the effect is roughly consistent with the importance on happiness of a modest increase in income, as well as marital status and church attendance depending on the specific country studied. In other words, these results suggest that ethical people, as defined in this study, are happier than others, other things being equal. This finding is generally robust to modeling strategy (using OLS and Probit techniques), although the significance of the ethics and happiness effect is somewhat, though not seriously, sensitive to different econometric models.

One interesting finding is the differences in the relative strength of the ethics and happiness relationship when comparing the effect across countries. The coefficient for the ethics variable in the Brazil equations is substantially larger than the coefficients estimated for the US, Canada and Mexico. This suggests that culture may play a role in *how* people are affected by supporting, or acting against, ethical norms of behavior. How ethical (or unethical) behavior affects the SWB of people is not the same thing as how people evaluate ethical situations. There is considerable evidence in the literature showing that cross-cultural and cross-national differences affect ethics perceptions, attitudes and behaviors (Vitell, Nwachukwu, and Barnes, 1993; Collins, 2000; Hofstede, 2001). For example, Beekun, Stedham and Yamaura (2003) report on differences in ethical decision-making of Brazilian and U.S. business professionals. They find that respondents from the U.S. generally perceived ethically-questionable scenarios as less ethical than respondents from Brazil. This is consistent with evidence presented in Table 1, which shows that the percent of Brazilians who would never justify any of the four ethically-questionable statements that comprise my measure of ethics is half that of the U.S. (23 percent for Brazil versus 46 percent for the US). As further evidence, Table 4 shows differences in the opinions of respondents in each country with respect to each component of the ethics variable used in this study. The table shows that respondents in the US and Canada are generally less willing to justify the conduct represented by the specified statements than respondents in Mexico and Brazil. The fact that the ethics and happiness relationship is stronger for Brazil than for the other countries, however, may be evidence of how strongly Brazilians feel about the importance of behaving ethically relative to respondents in other countries. Although Brazilians are more likely to justify unethical conduct, adhering to ethical norms may be more important for them. Thus, justifying unethical conduct may require a more heavy personal price in terms of producing a lower level of SWB than respondents in the US, Canada or Mexico. Why this is the case, and what it is about Brazilian and other cultures that determines how ethical decision-making is translated SWB, is an important question that deserves further attention by scholars.

[Table 4 about here]

If ethics is correlated with happiness, in the sense that ethical people are happier than others, then an important question is how ethics and happiness are related. Does ethical behavior cause an increase in personal well-being, or does happiness cause improved ethical behavior? Or, is the relationship bicausal or the result of a third factor jointly affecting ethics and happiness?

Although identifying the exact nature of causality is difficult, there are at least two possible external factors that may jointly affect the ethics and happiness relationship. One is income. The reason is that individuals with low levels of income may feel more financial pressures than those with high levels of income. People who feel more stress or pressure over financial matters may in turn be more tempted to rationalize unethical conduct, particularly unethical actions that improve their material well-being (e.g., stealing money). For example, James and Hendrickson (2008, p. 349) report evidence that “economic pressures result in a greater willingness of farmers to tolerate unethical conduct, particularly in the case of actions that have the potential of causing harm or that are influenced by law or contract.” Similarly, De Clercq and Dakhli (2009) find in a cross-country study using data from the WVS that for respondents who are self-employed, the lower their level of income, the more likely they are to lower their ethical standards by justifying ethically-questionable behaviors. If income is a driver of the ethics and happiness relationship reported here, then there should be a consistent positive correlation between ethics and income across countries, just as there is a generally positive relationship between income and happiness. The data for the four countries examined in this study show mixed results, however. As shown in Table 5, for Canada and Brazil the correlation between ethics and income is negative and significant, meaning that for respondents in these countries, the higher their income decile the lower is the likelihood that they will indicate that it is never justifiable to engage in ethically-questionable behaviors. For the US the correlation is also negative and but it is not significant, while for Mexico it is positive and significant. This simple findings raises doubt about the joint effect of income on happiness and ethics.

[Table 5 about here]

Another possible joint factor affecting ethics and happiness is psychological well-being. The findings of this study that ethics and happiness are positively correlated is consistent with a eudaimonic view of happiness, in the sense that happiness is derived from doing well and from meeting psychological rather than material or hedonistic needs. For instance, Konow and Early (2008) show that in experiments of generosity, the evidence is consistent with the joint affect of psychological well-being on generous behavior and happiness. Specifically, “altruistic behavior increases the stock of [psychological well-being], which then supports a higher average flow of happiness” (p. 8). In a similar way, not being willing to justify ethically-questionable behaviors may improve a person’s psychological well-being, perhaps because they avoid feelings of guilt

or shame, which in turn produces an increase (or at least does not cause a decrease) in happiness. Moreover, people who have high levels of psychological well-being may also be more inclined to support high standards of ethics and personal conduct, thus showing a positive relationship between ethics and happiness.

Although an extensive study of the role of psychological well-being is beyond the scope of this report, we could surmise that psychological well-being might play a joint role in the ethics and happiness relationship by determining whether indicators of psychological well-being are correlated with both satisfaction and ethics (just like the test of the income and ethics correlation noted previously). A representative index of psychological well-being was developed by Berkman (1971). His index included measures of negative feelings, such as feeling “very lonely or remote from other people,” or depressed or bored, and positive feelings, such as feeling “on top of the world” and being “pleased about having accomplished something” (p. 38). The WVS does not contain these specific indicators, but it does contain questions on how important family and friends are to the respondent, and how important it is for respondents to seek to be themselves rather than to follow others. These indicators may correlate with psychological well-being, if people who have high levels of psychological well-being also feel more strongly about being with family and friends and being themselves. Table 5 shows that there are generally positive correlations of *How satisfied with life* and *Ethical* with these indicators of psychological well-being for each of the four countries in this study. This result supports the idea that psychological well-being could jointly and positively affect both personal ethics and self-reported SWB.

Conclusion

The idea that happiness and ethics are related is not a new one, because many philosophers and religious leaders have argued for at least two millennia that happiness is improved when individuals behave ethically. Nevertheless, this paper provides empirical evidence that ethics is correlated with happiness, even after controlling for other recognized correlates of SWB.

In addition to advancing the literature on happiness research, these findings also have policy implications. If, as Easterlin (2005, p. 30), wonders, “the goal of public policy is to improve subjective well-being,” and if SWB increases when people are just, then efforts to

improve the moral behavior of people will also improve overall societal well-being in two ways. The first is that an improvement in moral conduct could lower economics costs by, for instance, a reduction in corruption or a savings in transaction costs if people are more prone to trust rather than rely on costly monitoring. The second is that people may become more generally satisfied with their lives. Stated differently, the implication of this study suggests that a consideration of the ethical norms of societies can improve our understanding of what contributes to the subjective well-being of people. While income, personal characteristics, and social values play a role in affecting happiness, so does the personal ethics of people.

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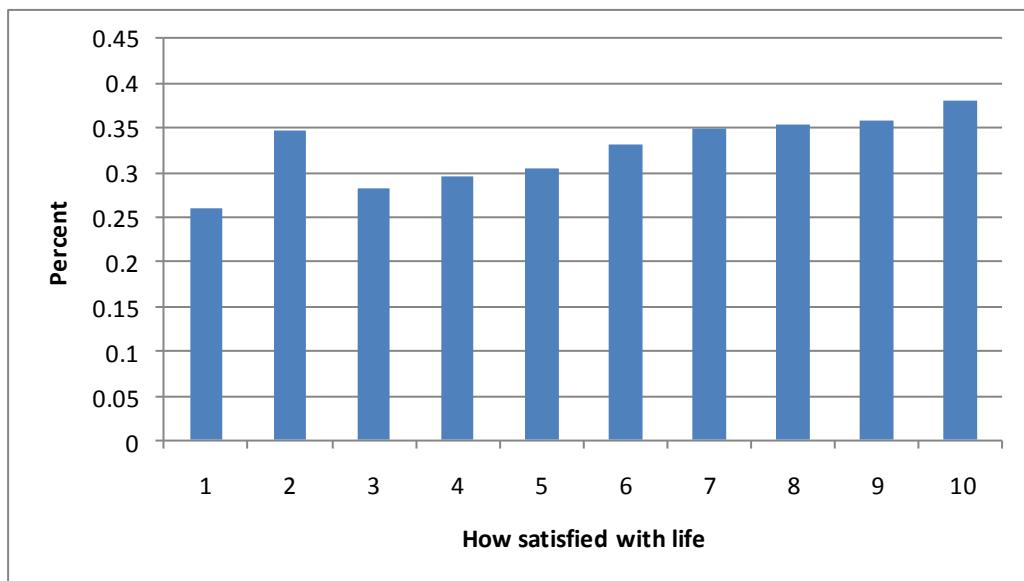


Figure 1. Percent of respondents from the US, Canada, Mexico and Brazil for which the dummy variable *Ethical* equals 1 for each level of subjective well-being.

Source: WVS (2009).

Table 1. Variables, with definitions and summary statistics.

Variable	Definition	Mean	S.D.
How satisfied with life (all data)	Variable ranging from 1 to 10 based on the question: "All things considered, how satisfied are you with your life as a whole these days?" with 1=dissatisfied and 10=satisfied.	7.72	1.93
	(for USA only)	7.25	1.77
	(for Canada only)	7.71	1.72
	(for Mexico only)	8.22	2.01
	(for Brazil only)	7.63	2.11
Satisfied (all data)	Dichotomous variable equal to 1 if respondent indicated a 9 or 10 on the "How satisfied with life" variable; zero otherwise.	0.36	0.48
	(for USA only)	0.23	0.42
	(for Canada only)	0.31	0.46
	(for Mexico only)	0.51	0.50
	(for Brazil only)	0.38	0.48
Ethical (all data)	Dummy variable equal to 1 if respondent answered 1 (=never justifiable) for each of the four individual ethical statements ("Claiming government benefits to which you are not entitled," "Avoiding a fare on public transportation," "Cheating on taxes if you have a chance," and "Someone accepting a bribe in the course of his/her duties"); zero otherwise.	0.35	0.48
	(for USA only)	0.46	0.50
	(for Canada only)	0.47	0.50
	(for Mexico only)	0.23	0.42
	(for Brazil only)	0.23	0.42
Income decile	Variable representing respondent's self report of household income, selected from a scale of incomes divided into deciles, with 1=lowest income and 10=highest income.	5.00	2.59
Male	Dummy variable equal to 1 if respondent was a male; zero otherwise.	0.46	0.50
Age (1/10 th)	Respondent's age, divided by 10.	4.38	1.69
Age squared (1/100 th)	Respondent's age, squared and divided by 100.	2.20	1.62
Married	Dummy variable equal to 1 if respondent was currently married; zero otherwise.	0.50	0.50
Secondary education	Dummy variable equal to 1 if respondent had some or completed secondary education but no higher education; zero otherwise.	0.56	0.50
Higher education	Dummy variable equal to 1 if respondent had some higher (post-secondary) education; zero otherwise.	0.21	0.40
Poor health	Dummy variable equal to 1 if respondent indicated that he or she had poor or very poor health (other responses were very good, good and fair); zero otherwise.	0.03	0.18
Unemployed	Dummy variable equal to 1 if respondent was unemployed; zero otherwise.	0.09	0.29
Voluntary organizations	The number of non-church voluntary organizations to which the respondent belongs.	0.95	1.30
Attends church	Dummy variable equal to 1 if respondent attends church once a week or more; zero otherwise.	0.38	0.49
Dissatisfied with finances	Dummy variable equal to 1 if respondent's response to the statement, "How satisfied are you with the financial situation of your household?", was 5 or less, from a variable ranging from 1 "completely dissatisfied" to 10 "completely satisfied".	0.32	0.47

Note: Data taken from the 5th wave of the World Values Survey (see WVS, 2005).

Table 2. Ordinary least squares estimates of ethics and other correlates of subjective well-being, for the US, Canada, Mexico and Brazil.

Variable	USA	Canada	Mexico	Brazil	Global 1	Global 2
Intercept	7.195*** (0.457)	7.757*** (0.315)	8.636*** (0.417)	7.912*** (0.426)	7.593*** (0.201)	7.628*** (0.206)
Ethical	0.190** (0.095)	0.186** (0.078)	0.160 (0.126)	0.467*** (0.127)	0.244*** (0.052)	0.162 (0.106)
Income decile	0.105*** (0.028)	0.009 (0.016)	0.036* (0.021)	0.061** (0.027)	0.045*** (0.010)	0.046*** (0.010)
Male	0.004 (0.092)	-0.191*** (0.076)	-0.140 (0.109)	-0.024 (0.111)	-0.095** (0.048)	-0.099** (0.048)
Age (1/10 th)	-0.310** (0.155)	-0.059 (0.123)	-0.413** (0.200)	-0.017 (0.191)	-0.156** (0.077)	-0.159** (0.077)
Age squared (1/100 th)	0.284* (0.153)	0.058 (0.121)	0.524** (0.225)	-0.057 (0.208)	0.152* (0.079)	0.156** (0.079)
Married	0.247*** (0.097)	0.440*** (0.084)	0.464*** (0.114)	0.194* (0.117)	0.330*** (0.051)	0.331*** (0.051)
Secondary education	0.395 (0.250)	0.078 (0.146)	0.151 (0.135)	-0.349*** (0.124)	-0.104 (0.067)	-0.099 (0.061)
Higher education	0.434 (0.291)	0.044 (0.162)	0.150 (0.172)	-0.354** (0.164)	-0.132* (0.082)	0.129 (0.082)
Poor health	-1.336*** (0.235)	-1.292*** (0.196)	-0.657** (0.336)	-0.255 (0.359)	-1.028*** (0.135)	-1.026*** (0.135)
Unemployed	0.153 (0.253)	-0.270** (0.131)	-0.009 (0.235)	-0.396*** (0.152)	-0.206** (0.085)	-0.207*** (0.085)
Voluntary organizations	0.012 (0.039)	0.053* (0.028)	-0.001 (0.039)	0.070 (0.051)	0.032* (0.019)	0.031* (0.019)
Attends church	0.469*** (0.099)	0.194** (0.092)	0.198* (0.108)	0.172 (0.109)	0.250*** (0.051)	0.252*** (0.051)
Dissatisfied with finances	-1.200*** (0.105)	-1.173*** (0.096)	-1.236*** (0.128)	-0.939*** (0.144)	-1.127*** (0.055)	-1.128*** (0.055)
Canada	--	--	--	--	0.313*** (0.070)	0.297*** (0.094)
Mexico	--	--	--	--	0.793*** (0.079)	0.770*** (0.095)
Brazil	--	--	--	--	0.518*** (0.081)	0.433*** (0.096)
Canada * Ethical	--	--	--	--	--	0.035 (0.135)
Mexico * Ethical	--	--	--	--	--	0.025 (0.157)
Brazil * Ethical	--	--	--	--	--	0.300** (0.153)
Adj R ²	0.24	0.17	0.10	0.08	0.15	0.16
F-statistic	28.78***	29.06***	12.03***	10.73***	66.04***	55.90***
N	1139	1773	1339	1436	5687	5687

Note: The dependent variable is *How satisfied with life*, which is the respondent's answer to the question, "All things considered, how satisfied are you with your life as a whole these days?" with 1=dissatisfied and 10=satisfied. Standard errors in parentheses.

* significant at the 10% level.

** significant at the 5% level.

*** significant at the 1% level.

Table 3. Probit estimates of ethics and other correlates of subjective well-being, for the US, Canada, Mexico and Brazil.

Variable	USA	Canada	Mexico	Brazil	Global 1	Global 2
Intercept	-1.125** (0.486)	-0.552** (0.278)	0.248 (0.281)	0.219 (0.275)	-0.419*** (0.152)	-0.358** (0.156)
Ethical	0.065 (0.090)	0.189*** (0.068)	0.167** (0.085)	0.264*** (0.081)	0.170*** (0.039)	0.042 (0.085)
Income decile	0.053** (0.027)	-0.020 (0.014)	-0.017 (0.014)	0.023 (0.017)	0.006 (0.007)	0.006 (0.008)
Male	-0.097 (0.089)	-0.092 (0.067)	-0.102 (0.073)	-0.118* (0.072)	-0.105*** (0.036)	-0.106*** (0.036)
Age (1/10 th)	-0.234 (0.147)	-0.085 (0.108)	-0.158 (0.135)	-0.128 (0.123)	-0.118** (0.058)	-0.119** (0.058)
Age squared (1/100 th)	0.239* (0.145)	0.106 (0.105)	0.256* (0.153)	0.079 (0.134)	0.132** (0.059)	0.133** (0.059)
Married	0.197** (0.095)	0.460*** (0.073)	0.266*** (0.076)	0.112 (0.076)	0.268*** (0.038)	0.267*** (0.038)
Secondary education	0.705** (0.331)	0.123 (0.127)	-0.063 (0.090)	-0.406*** (0.080)	-0.209*** (0.050)	-0.207*** (0.050)
Higher education	0.689** (0.359)	0.029 (0.142)	-0.116 (0.115)	-0.656*** (0.109)	-0.343*** (0.061)	-0.343*** (0.061)
Poor health	-4.632 (130.3)	-0.364* (0.200)	-0.257 (0.227)	0.049 (0.231)	-0.335*** (0.114)	-0.333*** (0.114)
Unemployed	0.093 (0.264)	-0.106 (0.123)	-0.143 (0.159)	-0.122 (0.099)	-0.062 (0.066)	-0.063 (0.066)
Voluntary organizations	-0.002 (0.035)	0.054** (0.024)	0.042 (0.026)	0.080** (0.033)	0.046*** (0.014)	0.047*** (0.014)
Attends church	0.270*** (0.092)	0.101 (0.078)	0.130* (0.072)	0.146** (0.071)	0.162*** (0.038)	0.162*** (0.038)
Dissatisfied with finances	-0.850*** (0.111)	-0.790*** (0.094)	-0.563*** (0.086)	-0.447*** (0.074)	-0.619*** (0.043)	-0.621*** (0.043)
Canada	--	--	--	--	0.196*** (0.055)	0.121* (0.075)
Mexico	--	--	--	--	0.716*** (0.060)	0.655*** (0.074)
Brazil	--	--	--	--	0.496*** (0.063)	0.416*** (0.076)
Canada * Ethical	--	--	--	--	--	0.152 (0.106)
Mexico * Ethical	--	--	--	--	--	0.123 (0.119)
Brazil * Ethical	--	--	--	--	--	0.208* (0.117)
Adj R ²	0.20	0.15	0.09	0.10	0.15	0.16
Likelihood ratio (d.f.)	160.4 (13)***	194.2 (13)***	89.2 (13)***	109.5 (13)***	679.9 (16)***	683.3 (19)***
% correctly predicted	74.0	69.7	64.4	66.0	69.8	69.9
Average density	0.267	0.319	0.378	0.357	0.332	0.332
N	1139	1773	1339	1436	5687	5687

Note: The dependent variable is *Satisfied*, which is equal to 1 if the respondent indicated a 9 or 10 in responses to the question, "All things considered, how satisfied are you with your life as a whole these days?" with 1=dissatisfied and 10=satisfied, and zero otherwise. Standard errors in parentheses. Estimated slope, or probability change in *Satisfied* from a unit change in the explanatory variable, is calculated by multiplying the average density with the estimated coefficient.

* significant at the 10% level.

** significant at the 5% level.

*** significant at the 1% level.

Table 4. Proportion of respondents in the US, Canada, Mexico and Brazil who do not justify each of four ethically-questionable actions, as presented in the World Values Survey.

Variable	US	Canada	Mexico	Brazil	All
“Claiming government benefits to which you are not entitled”	0.68	0.67	0.38	0.50	0.56
“Avoiding a fare on public transportation”	0.53	0.58	0.37	0.35	0.46
“Cheating on taxes if you have a chance”	0.67	0.69	0.59	0.39	0.59
“Someone accepting a bribe in the course of his/her duties”	0.79	0.79	0.64	0.72	0.74

Note: For each statement, the respondent was asked, “Please tell me for each of the following statements whether you think it can always be justified, never be justified, or something in between,” 1=“never justifiable” and 10=“always justifiable.” The percent is of those respondents who indicated a 1 for the statement.

Table 5. Correlations between subjective well-being and personal ethics with income decile and indicators of psychological well-being for respondents in the US, Canada, Mexico and Brazil.

Variable	How satisfied with life					Ethical				
	US	Canada	Mexico	Brazil	All	US	Canada	Mexico	Brazil	All
Income decile	+, sig	+, sig	+, sig	+, sig	+, sig	-, n.s.	-, sig	+, sig	-, sig	+, sig
Family is important in life	+, sig	+, sig	+, sig	+, sig	+, sig	+, sig	+, sig	+, sig	-, n.s.	+, sig
Friends are important in life	+, sig	+, sig	+, sig	+, sig	+, sig	+, sig	+, sig	+, sig	+, n.s.	+, sig
Agree that one should seek to be him/herself rather than follow others	-, n.s.	+, sig	+, n.s.	+, sig	+, sig	+, sig				

Note: The variables *How satisfied with life*, *Ethical* and *Income decile* are as defined in Tables 1. The importance of family and friends is based on a four item scale with options of “very important,” “rather important,” “not very important,” and “not at all important.” The seeking to be him/herself is also a four item response, with options of “strongly agree,” “agree,” “disagree,” and “strongly disagree.” A + sign indicates that a response closer to the “very important” or “strongly agree” ends of the scale is positively correlated with either high self-reported subjective well-being or ethics. “Sig” refers to statistically significant, while “n.s.” means “not significant.”