

# Does Corruption Hurt Happiness?

## Evidence Based on Perceptions across the World.

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While much is known about the relationship between corruption and the economy, an aspect of corruption that is less widely studied is its effect on life satisfaction. Given its effects on economic growth, to what extent does corruption pervade into private spheres of life? The World Happiness Report identifies freedom from corruption as one of the variables that explain variation in subjective well-being worldwide (Helliwell et al., 2016). In related literature, a negative relationship between corruption and subjective well-being has been found (Arvin & Lew, 2014; Tay et al, 2014;), which is moderated by the level of economic development. In this regard, Arvin and Lew (2014) concluded that corruption only has a significantly negative effect on happiness after real GDP per capita increases above approximately \$10,000. This finding implies that at low levels of economic development, corruption may not have a negative effect on subjective well-being, indicating that there are gains to be made from corruption. This study extends the literature by analyzing the relationship between perceived corruption and subjective well-being within countries, in order to provide a further understanding of the corruption-happiness relationship. We show that perceived corruption has a significant negative effect on happiness. When the same analysis is conducted within each country, we find that when there is a significant relationship between perceived corruption and happiness, the relationship is also negative. The negative relationship between perceived corruption and life satisfaction is larger in more developed countries and regions, relative to that in developing areas. An implication of our findings is that in societies with higher levels of perceived corruption, such as developing countries and countries with lower levels of governance, happiness is not greatly affected by individual perceptions of corruption.

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