Economic Growth and Well-being in Singapore and Malaysia:

A Comparative Case Study

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Abstract

Despite a common colonial past under the British empire, Singapore and Malaysia have experienced vastly different development paths since independence. While Singapore has one of the highest per capita incomes in the world today, Malaysia's economy remains a mere third of that of Singapore's. Despite the economic disparity between the two countries, the newly available data on well-being, as presented in the 2018 United Nations World Happiness Reports (WHRs), ranked the two countries consecutively 34th and 35th. Hence, it seems that Singapore's economic prosperity has not yielded proportionally higher well-being levels. This paper attempts to find out whether there is an association between GDP per capita and well-being in the two countries. Moreover, the WHRs' "six key explanatory factors", UN's estimations of what the happiness rank consists of, are analyzed in relation to economic growth and happiness. It is found out that GDP growth has not steadily increased well-being in the long term in Singapore and Malaysia. Moreover, Singapore's economic success has yielded more well-being since independence than Malaysia, but the former's much higher national income has not resulted into proportionally higher well-being compared to the latter.

Keywords: *well-being, happiness, Southeast Asia, Singapore, Malaysia, Malaya*

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List of abbreviations

CMEPSP	The Commission on the Measurement of Economic Performance and Social Progress
GDP	Gross Domestic Product
GIC	Government Investment Companies
GLC	Government Linked Companies
GWP	Gallup World Poll
EOI	Export Orientation Industrialization
FDI	Foreign Direct Investment
IPI	Import Substitution Industrialization
IBRD	International Bank for Reconstruction and Development
IMS-GT	Indonesia-Malaysia-Singapore Growth Triangle
MCP	Malayan Communist Party
MDU	Malayan Democratic Union
NEP	New Economic Policy
PAP	People's Action Party
PPP	Purchasing Power Parity
UMNO	United Malays Nationalist Organization
UN	United Nations
UNDP	United Nations Development Programme
UNSD	United Nations Statistics Division
UNU-WIDER	United Nations University World Institute for Development Economics Research
WHD	World Happiness Report
WIID	World Income Inequality Database

Figures and tables

1. Introduction

Despite a common colonial past under the British empire, Singapore and Malaysia have experienced vastly different development paths. Singapore's economy has experienced unprecedented economic growth since it gained independence first from its colonial power and later from its short-lived merger with Malaysia in 1965. The island's GDP growth has soared to unprecedented figures lifting large masses out of poverty. What is more, Singapore has been able to sustain high economic growth through the years as its GDP per capita growth figures have sporadically risen to double-digit figures. Today, Singapore has the 9th largest GDP per capita in the world at $85,535.38 (2017, adjusted to PPP, in constant 2011 international $; World Bank, 2019b). Similarly, Malaysia's economy has done well. The GDP per capita stands at $26,824.09 (2017, adjusted to PPP, in constant 2011 international $; World Bank, 2019a), and growth has stayed at relatively constant figures since the early 1960s. While economic growth has been positive in both countries over the past six decades, Singapore's success is unrivaled: The World Bank has classified Singapore as a high-income country since 1987, while Malaysia is regarded as an upper middle-income country (World Bank, 2019a, 2019b). Despite the differences in the countries' economic paths, however, the United Nations 2018 World Happiness Report (WHR), the most comprehensive and broad-based annual study on well-being that ranks countries according to happiness, Singapore and Malaysia ranked respectively 34th and 35th. According to the data, happiness is a subjective experience and it can be measured on a ladder that ranges between 0-10. Why does Singapore's three times higher national income not translate to proportionately higher well-being? How is national income associated with well-being, if at all? This research shows that the truth about the connection between income and well-being in Singapore and Malaysia is complex.

It is undisputable that in our global capitalist world economic growth is a major source of prosperity and well-being for many. According to traditional economic thought, represented by such works as Solow (1956), Mankiw et al. (1992), Knowles and Owen (1995), and Rostow (1960), growth will directly lead to improved well-being, and thus, GDP growth is often regarded as the gold standard in economic development. In the lack of a more holistic indicator, government policies often aim to increase GDP per capita with the assumption that it will lead to improved well-being among the people. However, the case of Malaysia and Singapore shows that higher national income does not inevitably lead to higher well-being. In the two countries, GDP growth has not steadily increased well-being in the long term. Moreover, Singapore's economic

success has yielded more well-being since independence than Malaysia, but the former's much higher national income has not resulted into proportionally higher well-being compared to the latter.

1.1 Aim of the study

With newly available data from the UN WHRs, the aim of this study is to determine how national income, measured in GDP per capita, and well-being might be related in Singapore and Malaysia, if they are at all. Although the two former British colonies, one an economic success story and another a rapidly developing industrial powerhouse, share a similar colonial past, they have experienced vastly different development paths. An analysis of the WHR data ranks the two countries with nearly similar levels of happiness. Moreover, the WHRs' "six key explanatory factors", UN's estimations of what the happiness rank consists of, are analyzed in relation to economic growth and happiness. The analysis shows how happiness and income correlate with the six variables, and hence, implies what the sources of well-being may be. Moreover, the aim of this research is to study the association between GDP per capita and well-being both *within* each country and *across* the two countries.

1.2 Scope and relevance

While the methodology of this paper is apt in determining bivariate correlations, the data is not robust enough to establish strong causal links. Hence, the scope of this research is to find associations between GDP per capita and happiness as well as the six key variables. The paper's relevance is not, however, compromised by its inability to find causal links. The research is relevant because it builds up on the existing, new, and relevant research done on well-being and happiness all across the world. In particular, it adds to the discussion set forth by Easterlin (1974) and Stevenson and Wolfers (2008) and locates Singapore and Malaysia on the spectrum of well-being literature. Furthermore, the research is relevant to policy discussion in Singapore and Malaysia that concentrate much of their development efforts to increasing gross national income rather than gross national happiness (Lee, 2008; Lim & Soo Ann, 2010; Chew-Ging & Lee, 2017).

1.3 Delimitation

The delimitations of the study are twofold: there are both challenges in the quality and quantity of data as well as source reliability. Case studies may suffer from the lack of external validity as the findings only hold true in the case in question. However, the external validity of this paper is strengthened by the comparison of two countries. Additionally, this paper will serve as a foundation

for further studies on the relationship between GDP and well-being in Southeast Asia as well as in the global context. Moreover, Stevenson and Wolfers (2008) point out that there is a difficulty in compiling sufficiently comparable intertemporal data on well-being. The challenge is the utter lack and sparsity of such data. For the purpose of this paper (and keeping in mind that 11 years have passed since Stevenson and Wolfers' analysis), however, there is enough well-being data for a robust, 15-year comparison. What is more, there are challenges in comparing well-being across countries and cultures. Firstly, cross-country comparisons may face limitations due to translations because the GWP and the Cantril ladder (Cantril, 1965) were originally written in English. The concept of happiness may not directly translate to a given language, and different cultures may understand happiness in different ways. As a response to the dilemma, in their research, Diener and Tov (2007 as cited in Stevenson & Wolfers, 2008) argue that there may be universal emotions that make well-being comparable across societies. Finally, while somewhat nonspecific, the purposes of the UN Charter frame the commitments and research of all UN bodies, including those of the UN World Happiness Report.

1.4 Definitions

In this paper, well-being is treated as a subjective and quantifiable measure. Well-being is seen as a subjective measure because most existing well-being research and literature treats is as such (at least Cantril, 1965; Easterlin, 1974; Fitoussi et al., 2009; Dalziel et al., 2018; Stevenson & Wolfers, 2008), including the GWP (2019) and the WHRs (2012, 2019). The subjective measures are quantified on a Cantril ladder (Cantril, 1965) to allow greater accuracy in comparisons. While some argue that well-being may not be a subjective and quantifiable variable (e.g. Veenhoven, 2008, p. 44), quantified measures of well-being are widely used and accepted by existing literature. Hence, this paper regards it as a solid starting point for well-being research. Moreover, this paper will treat happiness as well-being, and vice versa, because much of well-being literature uses the two terms interchangeably (at least Cantril, 1965; Easterlin, 1974; Fitoussi et al., 2009; Dalziel et al., 2018). Furthermore, in the tradition set by Amartya Sen (1999), this paper will use the term *person(s)* rather than *people*, "which can indicate a mass of indistinguishable humans", or *individual(s),* "which can suggest an actor in isolations from all others" (Dalziel et al., 2018, p. 9).

1.5 Thesis outline

The next section will present the context in which the study is conducted and compare and contrast the economic, political and demographic contexts of the two countries upon each other. The

subsequent section synthesizes the findings in the existing literature on well-being and presents the the United Nations World Happiness Report. After that, the theoretical framework of the study is presented. The following section explains the methodology of the paper, presents the data and discusses some of the possible limitations of the methodology and the sources used. Finally, the findings are analyzed and discussed with regard to previous findings. A conclusion wraps up the discussion on well-being and economic prosperity in Singapore and Malaysia.

2. Context

2.1 Historical context

Despite some unification efforts, the British colonial rule and the Japanese occupation during the Second World War left the Malayan Peninsula divided. In the immediate post-war years, the separation was intensified by political unrest that served as an impetus for the separate constitutional development of the two territories (Yeo & Lau, 1991, p. 147). The British returned to the peninsula after the Japanese surrendered in 1945 and almost immediately formed the Malayan Union, which was meant to unify the Malayan Peninsula with the Straits Settlements of Penang and Malacca under a direct colonial power. However, newly-formed political parties such as the Malayan Democratic Union (MDU), the Malayan Communist Party (MCP) and, most importantly, the United Malays Nationalist Organization (UMNO) were critical of the British arrangement and demanded independence from the colonizers (ibid., p. 119). According to Lau and Yeo (ibid., p. 147), Britain had a "moral obligation to decolonize, but in the Cold War atmosphere, duty to ensure a non-communist Malaya and Singapore". Indeed, the British fear of communism led to concrete measures: The Emergency in 1948, mass arrests in 1955, and the Operation Coldstore in 1963 (Harper, 2001, pp. xi, 12, 42).

The left-wing People's Action Party (PAP) in Singapore saw the inevitable formation of a unified Malayan nation state after the colonial rule ended (Yeo & Lau, 1991, p. 132). The Singaporean political rhetoric was strongly in favor of the merger: on 24 May, 1963, only four months before the formation of Malaysia, Lee Kuan Yew argued that the "political, economic and military reason are so compelling that we would become be committing national suicide if we refused to merge in Malaysia" (Lee, 1963). Finally, Malaysia was formed when Malaya, Singapore, Sabah, and Sarawak merged in 1963. Malaysia's UMNO played both a "critical as well as strategic role" in shaping Malayan nationalism, and its efforts can be seen as part of the greater nationalism movements of the 1950s and 1960s (Nathan, 2002). The years that led to the formation of a unified

Malayan nation state were a politically complex time period. The merger was short-lived for Singapore. Kuala Lumpur expelled the island from Malaysia only two years after the merger on 9 August 1965.

There is a multitude of explanations of the causes of Singapore's separation from the merger. According to Nathan (2002), "the island republic's two-year membership… had at best been most problematic for Kuala Lumpur." In the merger , Singapore was able to extract some "constitutional concessions" from the Federal Government led by Tunku Abdul Rahman, and Lee Kuan Yew (later known as the 'founding father of Singapore') proclaimed himself the "Premier of Singapore" while his colleagues in other states were merely "Chief Ministers" (ibid.). Furthermore, Nathan argues that the UMNO ideology of *bumiputeraism* (emphasizing state patronage, protection, and privileges for 'indigenous people') clashes with the PAP's ideology of meritocracy. Some scholars are more direct in their analysis of the ethnic differences. According to Noordien (2005, p. 198), by December 1964 "intergovernmental cooperation between the Singapore and Central Government had seriously deteriorated." Furthermore, he writes that "[t]wo years later [in 1965], it was clear that the races in Malaya and Singapore were polarizing toward Chinese and Malay extremes" (ibid., p. 187). A balanced argument might be that both ethnic tensions as well as political plurality and unrest led to the separation of Singapore from Malaysia.
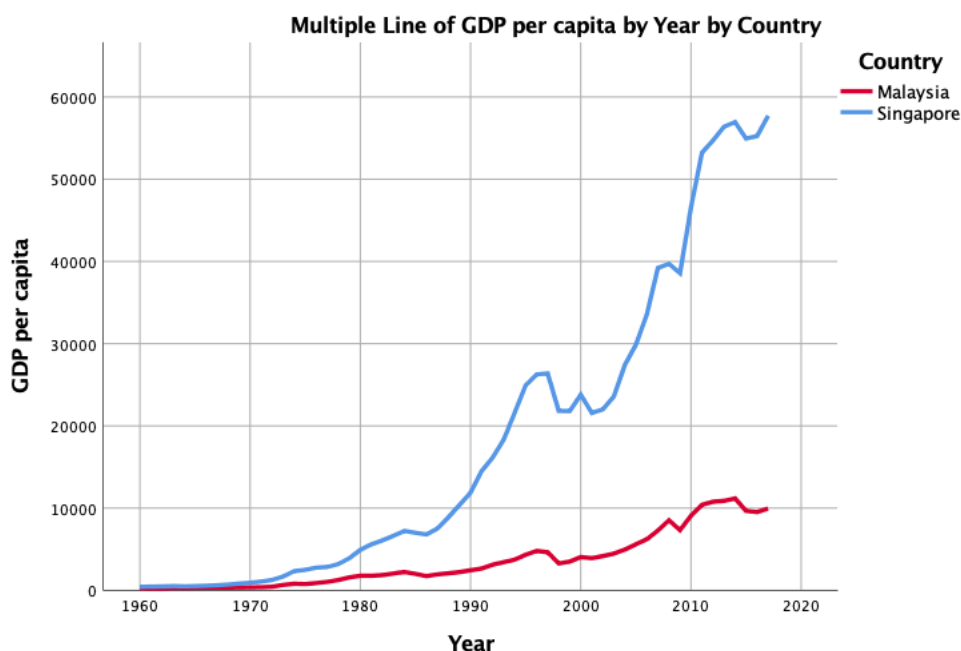

Figure 1: GDP per capita in Singapore and Malaysia 1960-2017 in current US$ (World Bank, 2019a, 2019b)

2.2 Economic-political contexts

Due to their common past under the British colonial rule and the two-year merger as well as their geographical proximity to each other, Singapore and Malaysia are closely intertwined both politically and economically. According to Phelps (2004), the region can be best understood as a mega-urban region, the Indonesia-Malaysia-Singapore Growth Triangle (IMS-GT), in which concepts such as "triangular diplomacy", "web of global interdependencies", and "cosmopolitan democracy" explain its political-economic reality more accurately than the traditional notion of *realpolitik* and rigid state borders. Indeed, the IMS-GT has been described as "a zone of complementary economic resources" (Yaw et al., 2000 as cited in Phelps, 2004) and a zone of "economic cooperation" (Parsonage, 1992 as cited in Phelps, 2004). The economic-political integration is crucial for the resource-poor Singapore and economically viable for all three countries. In 2018, 13.9% of Malaysia's exports went to Singapore whereas 10.9% of Singapore's exports went to Malaysia (Matrade, 2019; Singstat 2019). Another example of the integration is Singapore Air Force's use of Malaysian airspace (Nathan, 2002). Despite their commonalities and cooperation, however, the countries have experienced very different economic development trajectories since independence. With outward-looking development planning, Singapore's position as an entrepot city has been its strongest economic asset throughout its history. Since 1819, the Brits used the city as a port to the rest of the region and by the start of 1960s, the British military services made up one-third of Singapore's GDP (Lim & Soo Ann, 2010, p. 140). An important source of unrefined and manufactured goods in the region, Malaysia has seen a more modest growth in economic development. Today, Singapore's economy is approximately three times larger than Malaysia's (figure 1).

Both Singapore and Malaysia have had relatively strong developmental states that have directed their economic growth. In Singapore, the People's Action Party (PAP) has had a strong role in development planning from the beginning of the country's independence. Today, the party has ruled Singapore uninterrupted for over half a century and controls virtually all aspects of life from land acquisition and ownership to the press and housing provision. In Malaysia, the political field has been slightly more colorful, although all prime ministers have come from the UMNO until the 2018 general elections. Similar to Singapore, the developmental state has remained strong; the economy has been directed by state-led five-year development plans since the 1950s. Lee & Chew-Ging (2017) describe Malaysia as a mixed economy where both market and the state have a crucial role. Development planning is seen as an answer to market failure, that is, for example, wide-spread poverty and ethnic inequalities that persist.

When Singapore achieved self-governance from the British, the economy was faltering. In the start of the 1960s, the GDP per capita was somewhere between $400-450 (figure 1) and most Singaporeans lived in small, multi-family apartments in old shophouses (Phang, 2018, pp. 1, 13). As an answer to the dismal economic state of the country, Singapore merged with Malaya and attempted to stimulate growth by following import substitution industrialization (IPI) with the rest of Malaysia. The merger was followed by the economically viable British military's withdrawal, which immediately decreased Singapore's importance as a hub in the South China Sea (Lim & Soo Ann, 2010, p. 140). Moreover, as Singapore was expelled from the merger, the PAP broke away from the IPI ideology and adopted a "strategy of globalization rather than localization" (ibid.). The PAP's generous promises included tax breaks and subsidies to foreign investors, which attracted investors from all over the globe. In addition to the more direct monetary benefits, investors received affordable land and labor as well as efficient infrastructure in Singapore (ibid., pp. 140-141). Foreign investments remain an integral part of Singapore's economy. Between 1990 and 2017 foreign direct investment (FDI) inflows increased by 27% (World Bank, 2019b).

   The PAP's successful economic strategy strengthened its political control – and vice versa: the strong developmental state was, and remains to be, central in its economic strategy and policy. An example of the rapid and fundamental change in the economy and the government's strong will comes from land ownership. The government increased its control of land from 80% privately owned to 80% publicly owned in just a decade since its break from Malaysia. Moreover, there were complete and broad-based efforts to limit and eventually eviscerate any political opposition by controlling the media (Lim & Soo Ann, 2010, p. 142). With its clever development planning, Singapore's GDP per capita has soared to ever higher figures (figure 1). A synthesis of the rapid development is provided by Lim and Soo Ann (2010, pp. 142, 145). According to the two, "Singapore's post-independence globalization of the 1960s and 1970s was … heavily directed by an authoritarian state" with an ever-increasing importance of foreigners in the labor force.

   While Singapore was launching for growth in the latter part of the 1960s, Malaysia was facing its own challenges. The focus of its five-year plans has always shifted in accordance and adapted to external and internal factors. One of the most transformative events in the first decades of Malaysian independence were the May 13, 1969 Race Riots that resulted in changes in the five-year plans: the focus shifted from rural development, employment growth and economic growth to racial harmony and population planning. The race disputes also affected the formation of *New Economic Policy* (NEP, 1st phase 1971-1975) that put more focus on poverty eradication, affirmative action, and the restructuring of Malaysian society (Chew-Ging & Lee, 2017). Compared to Singapore, Malaysia's economic growth trajectory has been much more moderate. While

Singapore's GDP per capita was $85,535.09 in 2017 (in constant 2011 international $ at PPP; 9th highest in the world), the figure was $26,824.09 in Malaysia. However, with regard to global counterparts, Malaysia's growth has been rapid. Since independence, Malaysia's GDP growth figures have stayed stable, and the country has usually experienced between 5-10% GDP increase annually (Lee & Chew-Ging, 2017; World Bank, 2019a). Despite the welfare challenges, it is clear that the rapid changes in Singapore and Malaysia's economies have been remarkable.

The fruits of globalization have been plentiful yet unequally distributed in Singapore and Malaysia as income inequality has increased steadily since independence. In Malaysia, the Gini index was 41.04 in 2016, while in Singapore, it was 47.30 in 2011 (UNU-WIDER, 2018). Moreover, there has been a decline in the relative incomes of local Singaporeans as compared to foreigners and the impacts of the growth to the local population have been "ambiguous" in the ever-globalizing world: "GDP growth … has in the past decade suffered multiple setbacks that reflect continued if not increased vulnerability to the vicissitudes of volatile regional and global economies" (Lim & Soo Ann, 2010, pp. 146, 154). The interconnectedness of world economies resulted into a 10% drop in Singapore's GDP during the 2008-2009 economic crisis (ibid., p. 154; World Bank, 2019b). According to Ahmed et al. (2015), in Malaysia, globalization and trade openness have led to growth of national income on one hand, but they have also resulted in depressing welfare and equality on the other.

2.3 The ethnic divide

While both countries are demographically diverse, the ethnic composition of Singapore is noticeably different from that of Malaysia's. Of Singapore's citizens, 76.2% are ethnically Chinese, 15.0% are Malays, 7.4% are Indian and 1.4% are classified as "other" (Strategy Group Singapore, 2014). In Malaysia, the Bumiputra or Malays are the largest ethnic group with 60.3% of the total population, while 22.9% are Chinese, 7.8% are Indians and 10.0% are classified as "other" (Mahari, 2011). Many scholars see the diversity as a separating factor rather than a unifying force in the two countries. According to Nathan (2002), for example, the political-economic relationship is "complicated" and "delicate" because of at least three factors of which two are directly linked to the demographic composition of the countries: "Malaysia's links with the Malay ethnic minority in Singapore and Singapore's links with the ethnic Chinese minority in Malaysia", "the ethnic sensitivities stemming from the pro-Malay policies of a predominantly Malay government in Malaysia and a predominantly Chinese-majority government in Singapore" (ibid.), and the "close economic ties involving both competition and complementarity" (Lim, 1990, p. 136 as cited in

Nathan, 2002). Another example of the ethnic tensions comes from the politically tumultuous years of autonomy, independence, and merger in the late 1950s to the early 1960s. The three main ethnicities in Singapore – Chinese, Malay, and Indian – showed the more personal dimension in politics when the tension culminated in the streets in the 1964 race riots. On 21 July 1964, communal riots broke out and led to the deaths of 22 people (Noordien, 2005, p. 195). Similarly, in Malaysia, the ethnic question was central in Malayan politics: in addition to communist threats, Tunku Abdul Rahman was wary of the Chinese majority in Singapore (Harper, 2001, p. 42).

3. Literature review

3.1 Well-being literature on economic growth

Easterlin's 1974 paper titled "Does Economic Growth Improve the Human Lot? Some Empirical Evidence" is one of the first scholarly attempts to study the link between economic growth and well-being (Easterlin, 1974). The seminal paper asks whether the wealthy are happier than the poor both *within* countries and whether economic development will lead to happier lives *across* countries. According to Easterlin, happiness is a subjective indication of welfare, which is not confined in economic well-being. Easterlin's paper is based on Cantril's pioneering 1965 "study of the hope, fears, and happiness of persons", which concludes that there is a positive association between income and happiness (Cantril, 1965, p. 194; Easterlin, 1974). Cantril's methodology is based on the "Self-Anchoring Striving Scale technique", in which person's own assumptions, perceptions, goals, and values are perceived in a scale between two anchoring points, or extremes. In the scale, the worst and best options are defined by the respondent him or herself. The very scale is used in the Gallup World Poll (GWP), and hence, in the UN's World Happiness Reports (WHR). Easterlin found that income and happiness are, indeed, positively associated within countries, but there is little evidence of the association across countries. The theory is known as the Easterlin paradox.

Other scholars have explored and tested Easterlin's analysis. Most notably, with their analysis of large datasets on well-being and GDP per capita across the world, Stevenson and Wolfers (2008) argue that the theory set forth by Easterlin is faulty. They establish a clear positive link between average levels of subjective well-being and GDP per capita within and across countries. Moreover, whereas much of the earlier literature finds a satiation point beyond which there is no increase in well-being in wealthier countries, Stevenson and Wolfers are able to show that this is not supported by data.

Traditionally, development economists have been mainly interested in the processes of economic growth. Solow's (1956) neoclassical growth model demonstrates the ways in which increased rates of investment in physical capital, for example factories and machinery, will lead to higher levels of output per person. Mankiw et al. (1992), in turn, demonstrate the importance of education of the workforce to labor productivity and economic growth, while Knowles and Owen (1995) talk about the importance of good health. According to Rostow's (1960) theory on the stages of economic growth, countries moved through five stages: 1. living in traditional society 2. creating the preconditions for take-off; 3. achieving take-off; 4. driving to maturity; 5. enjoying high mass consumption. The examples from Solow, Mankiw, Knowles and Owen, and Rostow show that the economic tradition is built upon the premises that assumes economic growth as the ultimate goal.

Slightly diverging from traditional economic thought is the discussion about the role of institutions in economic development. Institutionalists seem to disagree with the neoclassical premise that persons make only economic-rational choices and that the 'economic man' is always willing and able to make well-informed choices and act on them accordingly in an (ideally) unregulated economy. In his article on the role of time in institutional development, North (1994) argues that institutions are the underlying determinants of economic performance because they guide human action. He dismisses the neoclassical idea that free markets are perfect and thus will lead to the most ideal economic outcome. Similarly, Rodrik et al. (2004) talk about the strength of institutions in economic development. Acemoglu et al. (2001), in turn, develop the institutions theory a step further in their statistical analysis of the "reversal of fortunes" in the African continent.

Well-being economics is based on traditional development economic thought, but rather than regarding economic growth as the ultimate goal, its aim is to enhance the well-being of persons. For example, Hämäläinen (2013) argues that the "socioeconomic model of industrialized societies is unsustainable economically, socially, and ecologically as well as in terms of individual well-being". Hence "a more holistic understanding of human needs and well-being can create new possibilities for more focused and effective [sustainable development] policies". Most well-being literature seems to agree that while GDP is an essential indicator in determining economic development, it is not necessarily adequate in determining well-being, which has a more holistic nature. The Stiglitz-Sen-Fitoussi Commission's (also known as the Commission on the Measurement of Economic Performance and Social Progress (CMEPSP)) report, for example, argues that well-being has both economic and non-economic dimensions, and following GDP "continues to answer important questions such as monitoring economic activity" (Fitoussi et al.,

2009, p. 11). Slightly diverging from this view is Stevenson and Wolfers' (2008) reassessment of the Easterlin paradox: according to the two, statistical analysis shows that GDP per capita growth does, indeed, lead to increased well-being. Hence, the two state that GDP growth can be, indeed, a way to achieve higher levels of happiness.

Politically, GDP is often regarded as *the* measurement of success. Abramovitz (1959, p. 3 as cited in Easterlin, 1974) points out that "since Pigou … economists have generally distinguished between social welfare, or welfare at large, and the narrower concept of economic welfare," with "national product … taken to be the objective, measurable counterpart of economic welfare." … Moreover, according to Abramovitz, economists have operated on Pigou's dictum "that there is a clear presumption that changes in economic welfare indicate changes in social welfare in the same degree." Following this line of thought, Dalziel et al. (2018) extend the argument to policy-making: referring to David Cameron's 2010 statements on the importance of economic growth, "it is possible to have economic growth *without* new jobs paying a decent wage, *without* opportunity to everyone. Indeed, a country can experience economic growth at the same time that large groups in the population find they are unable to maintain their material living standards". The three suggest that it is more important to be concerned of the way in which economies grow rather than growth itself. Indeed, Meadows et al. (1972) argue that "…*how* economies grow is vital for wellbeing" (emphasis added). With regard to Malaysian national economy, Bahurundin and Fei (2015) argue that GDP "becomes the focus of politicians and private entities alike. While subpar performance of this indicator is potentially a source of contention among policy makers and those with vested interest, another crucial dimension of economic development, which deserves much consideration is, income distribution."

The presumption that economic growth will automatically and inevitably lead to greater well-being is challenged by many. In finding a positive association between income and happiness, Cantril (1965, Chapter XV) generalizes the pattern into a five-stage model (not unlike Rostow, 1960): emotional well-being of persons improves when a country passes from one economic-developmental stage to another. Countries with high well-being levels but less developed economies are exceptions to the rule. Cantril's analysis is challenged by Easterlin (1974). According to him, "the association between wealth and happiness indicated by Cantril's international data is not so clear-cut". In his analysis of the data, Easterlin finds that happiness and economic prosperity are linked in the micro-level within the United States. Thus, in general, the wealthier you are, the happier your life is. In hindsight, however, the correlation may be due to United States' rather unique post-war economic structure. With regard to cross-country comparisons, Easterlin does not find a clear association between happiness and economic

prosperity. This discrepancy, he explains, is due to relativity: according to Karl Marx, "a house may be large or small; as long as the surrounding houses are equally small it satisfies all social demands for a dwelling. But if a palace rises beside the little house, the little house shrinks into a hut" (cited in Easterlin, 1974 as quoted by Lipset, 1960, p. 63).

All in all, most well-being literature shares a common ideological premise, according to which the primary purpose of economics is to contribute to improved well-being of persons (e.g. Dalziel et al., 2018; Easterlin, 1974; Stevenson & Wolfers, 2008). Nevertheless, it is more contested whether GDP will inevitably lead to heightened well-being.

3.2 Well-being literature on measuring well-being

Most well-being literature sees GDP growth as an essential part of economic prosperity but disregards it as the only source of well-being. This view is supported by most and contested by Stevenson and Wolfers (2008). While Dalziel et al. (2018, p. 12) argue that GDP growth "ignores wider social issues important for [the] wellbeing" of persons, Easterlin (1974) states that economic growth may not lead to an ultimate "state of plenty" and the CMEPSP concludes that "the time is ripe" to shift from measuring economic production to measuring persons' well-being (Fitoussi et al., 2009, p. 12). What, then, is well-being and how do we measure it? Fitoussi et al. (ibid., p. 41) give one answer as they regard the quality of life as a broader concept than merely a combination of economic production and living standards. According to the three, it "includes the full range of factors that influences what we value in living, reaching beyond its material side".

Another way to analyze well-being is the capabilities approach made popular by well-being economist Amartya Sen. The approach looks at a person's life as a combination of functionings, or 'doings and beings', and of persons' freedom to choose these functionings. In this approach, "[a]ttention is thus paid particularly to the expansion of the 'capabilities' of persons to lead the kinds of lives they value – and have reason to value" (Sen 1999, p. 18). In his 1983 paper, Sen extends the discussion on the capabilities approach to more general dimensions of well-being: "Ultimately, the process of economic development has to be concerned with what people can or cannot do, e.g. whether they can live long, escape avoidable morbidity, be well nourished, be able to read and write and communicate, take part in literary and scientific pursuits, and so forth" (1983, p. 754). All well-being scholars seem to agree that well-being is holistic, at least partly connected to economic prosperity, and best measured as a subjective experience.

Many well-being scholars distinguish subjective measurements of happiness from those of objective measurements of happiness. For example, the Cantril ladder is based on persons subjective experiences. With regard to the subjectivity of the measurement, Easterlin (1974) discusses the challenge of translating the word "happiness" into other languages. He argues that "considerations affecting personal happiness in different cultures are quite similar". In line with Easterlin's view, Cantril (1965) argues that people have hopes and dreams that transcend national and cultural boundaries: most of us view matters regarding economic, family, and health matters the most important ones. Similar to this view is Diener and Tov's more recent analysis (2007 as cited in Stevenson & Wolfers, 2008), according to which money, family, and health are, indeed, the most important measurements of happiness for most of us. Echoing Easterlin's arguments, Fitoussi et al. (2009, p, 16) state that "it is possible to collect meaningful data on subjective well-being". Studies on well-being are developed in close connection with psychological research and "long philosophical tradition views individuals as the best judges of their own conditions". Sen (1999) agrees with Easterlin and the CMEPSP: "persons make their own judgments about what constitutes a valued kind of life" and the judgments are supported by reason. Contesting this view, Veenhoven (2008, p. 44) finds an absence of subjective well-being discourse within sociological thought: "sociologists tend to think of subjective well-being as a mere idea that depends on social comparison with variable standards and that is therefore a *whimsical state of mind*, not worth pursuing and hence not worth studying" (emphasis added). However, he points out that there is a growing number of sociologists who do study different aspects of subjective well-being.

Objective indicators are a less-used approach in measuring well-being. The CMEPSP list some objective ways to determine happiness: health, education, everyday activities (which includes the right to a decent job and housing), participation in the social process, social and natural environment, and factors shaping their economic and personal security (Fitoussi et al., 2009, p. 15). While the CMEPSP (ibid.) argues that both subjective and objective well-being indicators are essential in determining the level of quality of life, for example Easterlin (1974) dismisses the validity of a reliable objective measurements, because they would run into "the problem of what observers or what indicators one should rely on". Objective indicators have gained much less attention among well-being scholars than subjective measurements, with all of the reviewed literature primarily referring to the latter rather than the former.

The World Happiness Report finds meaning in the subjective measurements of happiness by comparing it to "life circumstances and other candidate variables", by assessing the correlation between subjective and objective measures of happiness and by predicting future

outcomes (Helliwell, 2012, p. 17). The report thus shows how the subjective indicators fit into the wider discussion of well-being. Interestingly, for example, subjective measurements have been compared with objective measurements such as "facial expressions, brain-wave patterns and cortisol measures at the individual level, and community and national suicide patterns" (ibid.).

3.3 The United Nations World Happiness Report

The United Nations (UN) has published the World Happiness Report (WHR) annually since 2012. The first report was released in support of the UN High level meeting on "Wellbeing and Happiness: Defining a New Economic Paradigm", and synthesized global data on national happiness as well as explored the science behind happiness research, "showing that the quality of people's lives can be coherently, reliably, and validly assessed by a variety of subjective well-being measures, collectively referred to then and in subsequent reports as "happiness"" (Helliwell et al., 2019, p. 5). The reports synthesize already existing national-level data and research and take the discussion of national happiness on a comparative, international level. All of the reports have a specific focus. The 2019 WHR's theme is "happiness and community: how happiness has been changing over the past dozen years, and how information technology, governance and social norms influence communities" (ibid.). Moreover, for the first time, the 2019 WHR emphasizes the longitudinal data accumulation presented by the reports: with neatly synthesized data from 14 years since 2005, cross-country comparisons can now be made on a temporal basis.

The reports' main source of data is the Gallup World Poll (GWP), which asks respondents to assess their happiness on the Cantril ladder, a ladder that ranges from 0-10, wherein 0 represents the worst possible life the respondents could have and 10 represents the best possible life for them (UN, 2019). The happiness report is thus based on subjective responses on happiness. According to the 2012 report, measures on subjective happiness can best capture the essence of well-being (Helliwell et al., 2012, p. 12). The data in the reports are based on responses aided by the Cantril ladder, but the UN makes national estimations of what the ladder constitutes of. The report calls these the "six key explanatory factors" and they are:

1. GDP per capita
2. Social support
3. Healthy life expectancy at birth
4. Freedom to make life choices
5. Generosity
6. Perception of corruption

It should be noted that these variables are estimates that the report has created and that the data itself is constructed by persons' subjective assessment of their life as represented by the Cantril ladder responses (Helliwell et al., 2019, p. 20-21). The six variables are calculated by comparing national levels on an imaginary country, 'the Dystopia', that has the least happy residents in the world (UN, 2019).

3.4 Contribution to discussion

Why does well-being matter? One answer comes from the CMEPSP: "while not *replacing* conventional economic indicators, [well-being will] provide an opportunity to *enrich* policy discussions and to inform people's view of the conditions of the communities where they live" (Fitoussi et al., 2009, p. 41). Malaysia and Singapore differ vastly with regard to economic performance: the former has a GDP per capita that is a mere third of that of the latter. Despite the differences in their economic development trajectories, the countries shared similar levels of well-being in 2017, according to the UN World Happiness Report (Helliwell et al., 2019; Helliwell et al., 2018). Well-being literature and happiness science are relatively new areas of research. For example, the WHR reports have been published since 2012 and they include data from 2005.

Most importantly, this paper will contribute to the discussion on how economic growth may be associated with happiness in Singapore and Malaysia. The main research question is: "Will GDP growth automatically and inevitably lead to improved well-being?" Well-being literature has already shown that that may not be the case, but many developing and developed nations alike are obsessed with the GDP measurement and similar indicators that measure economic growth. It is easy to equate positive economic growth to growing national well-being, and hence, use the indicators as political tools that have little veritability. The scenario is true in the case of Singapore where the authoritarian PAP uses its unilateral power to bring economic prosperity to the people while compromising in other areas of well-being. Similarly, Malaysia's government has been mostly concerned about economic policy in favor of the *bumiputra*, especially since the first NEP in 1970. Hence, this paper will also attempt to shed light to the more nuanced connection between economic growth and well-being. What is more, this paper will serve as a foundation for further studies on the relationship between GDP and well-being in Southeast Asia.

4. Theoretical framework

The theoretical framework of this paper stems from the discussion set forth in the well-being literature as introduced in the previous section. Moreover, it is developed in close connection with the paper's methodology. Firstly, one dimension to the theoretical framework of this paper is the ideological premise of the literature, which treats increased well-being, rather than national income, as that the main objective of development thinking. While establishing that the main focus should not be economic prosperity, this paper acknowledges the usefulness of the GDP measurement. Secondly, as national and cross-country comparisons are an integral part of the theory discourse, the theoretical framework is closely connected to the paper's methodology, which compares GDP per capita against well-being within Singapore and Malaysia and between the two countries. Thirdly, the findings are analyzed with regard to the Easterlin paradox and its reassessment by Stevenson and Wolfers. These two theories were found to be the two most influential works in the literature review, with most of well-being literature citing at least the former. Stevenson and Wolfers' analysis is notable because it has shifted the focus of well-being research by showing that, by and large, GDP growth will lead to increased well-being across countries and that there is no satiation point after which well-being will not increase.

4.1 The Easterlin paradox

According to the Easterlin paradox, contrary to theory (and perhaps common sense), economic growth is not associated directly with increasing happiness. Easterlin strengthened his argument in his research in subsequent years (Stevenson and Wolfers, 2008). In his original article, he observed that, "although higher incomes are associated with higher levels of happiness within a country, average levels of happiness for a country do not appear to increase over time in line with increases in average income. In other words, the rich are happier than the poor, but there is no evidence that countries increase in average happiness as they get richer" However, Easterlin's findings were largely limited to data borne from the USA (Smith, 2014), and Easterlin himself regarded the need for more "research on the nature and causes of human welfare" (Easterlin, 1974). With an analysis of large datasets, Stevenson and Wolfers (2008) reassess the Easterlin paradox and are able to show that Easterlin's arguments are not supported by international data. The two also argue that "…the present literature is based on fragile and incomplete evidence about this relationship" and highlight that "[a]t the time the Easterlin paradox was first identified, few data were available to allow an assessment of subjective well-being across countries and through time" (ibid.).

5. Methods and data

5.1 Methodology

The methodology of this study is guided by the theoretical framework and the research objectives presented in the previous sections. The study is a comparative case study that has an intertemporal, longitudinal dimension. A longitudinal design is the most efficient way to establish a temporal order and examine historical effects (de Vaus, 2013, p. 113). According to Bryman (2016, p. 313), a longitudinal design, which is usually an extremely time-consuming and expensive approach to utilize, is an excellent way to analyze pre-collected data. The paper will thus use the approach to its advantage and look at the effects of GDP development and well-being retrospectively over annual measuring points between 2006-2017. Because the GWP data used in the WHR holds a certain anonymity for its respondents, the research will be a trend study where changes between similar groups, rather than the same people, are examined (de Vaus., 2013, p. 125). A cross-country comparison is the most efficient way to study two more or less identical cases with similar methods. The strength of a case study is its intensity and focus on the research subject (Bryman, 2016, p. 70).

Bivariate correlation analyses are used to find associations between variables, whereas bivariate scatterplots and ordinary least square (OLS) regressions are used to visualize the data. First, the life ladder of Singapore and Malaysia is compared to the world average over time and in a single year. Second, GDP per capita is plotted against the life ladder in the cases of Singapore and Malaysia to see if there is a correlation between the two indicators over time. Third, GDP is plotted against the six key explanatory factors in both countries respectively. The correlations are run with the natural logarithm of GDP per capita against the life ladder. The logarithm scale on the x-axis shows an equiproportional change anywhere on the graph. The method is used by Stevenson and Wolfers (2008): "…if happiness is linearly related to log income in the within-country cross section, then cross-country studies should also examine the relationship between average levels of subjective well-being and average levels of log income. If economic development raises individual incomes equiproportionately, then average log income will rise or fall in tandem with the log of average income." Hence, the logarithm of GDP per capita will provide a more sufficient intertemporal comparison of two variables.

5.2 Data

As its units of analysis, this paper uses data from two sources. Data on GDP per capita is retrieved from the World Bank's open database (World Bank, 2019a, 2019b) and data on well-being comes from the 2019 World Happiness Report (Helliwell et al., 2019). The 2019 WHR Chapter 2 pieces

together data from all available WHRs, which means the earliest data is from 2005 and the newest data to date is from 2018. The Cantril ladder, also called the life ladder, is based on a scale from 0-10. The questions, with parenthesized instructions to the interviewer, are presented below:

"(A) All of us want certain things out of life. When you think about what really matters in your own life, what are your wishes and hopes for the future? In other words, if you imagine your future in the *best* possible light, what would your life look like then, if you are to be happy? Take your time in answering; such things aren't easy to put into words.

PERMISSIBLE PROBES: What are your hopes for the future? What would your life have to be like for you to be completely happy? What is missing for you to be happy? [Use also, if necessary, the words "dreams" and "desires."]

OBLIGATORY PROBE: Anything else?

(B) Now, taking the other side of the picture, what are your fears and worries about the future? In other words, if you imagine your future in the *worst* possible light, what would your life look like then? Again, take your time in answering.

PERMISSIBLE PROBE: What would make you unhappy? [Stress the words "fears" and "worries."]

OBLIGATORY PROBE: Anything else?

Here is a picture of a ladder. Suppose we say that the top of the ladder (POINTING) represents the best possible life for you and the bottom (POINTING) represents the worst possible life for you.

(C) Where on the ladder (MOVING FINGER RAPIDLY UP AND DOWN LADDER) do you feel you personally stand at the *present* time? Step number ___ (Cantril, 1965, pp. 22-23)

Hence, although the study produces subjective data on well-being, the method in which the data is produced is standardized. Similarly, the collection of data on GDP is standardized by the UN System National Accounts (UNSD, 2019).

5.3 Methodology limitations

There are certain limitations to the methodology of this paper. Case studies may suffer from the lack of external validity as the findings only hold true in the case in question. However, the external validity of this paper is strengthened by the comparison of two countries, rather than concentrating on only one example. Many Southeast Asian countries have growth trajectories that resemble each other: for example, Thailand is often dubbed as a next Newly Industrialized Country. Thailand has a similarly sized economy with Malaysia with a GDP per capita at $16.279,22 in 2017 (constant 2011 international $, World Bank, 2019a, 2019c). Moreover, this paper will serve as a foundation for further studies on the relationship between GDP and well-being in Southeast Asia as well as in the global context.

Moreover, Stevenson and Wolfers (2008) point out that there is a difficulty in compiling sufficiently comparable intertemporal data on well-being. The challenge is the utter lack and sparsity of such data. For the purpose of this paper (and keeping in mind that 11 years have passed since Stevenson and Wolfers' analysis), however, there is enough well-being data for a robust, 15-year comparison. Moreover, there are a few years where data is unavailable. This is taken into consideration in the graphs by linear extrapolation, that is, inferring data points that do not exist. Another limitation is that the WHR's six key variables are estimations of the possible factors that may affect happiness. This is a limitation to the objectivity of the research. The paper thus recognizes the limitations and treats the estimations as one way to look at the composition of the life ladder, rather than the only way to do so. On the other hand, the six variables strengthen the comparability and external validity of the research as all countries are ranked according to the same factors.

5.4 Source criticism

This paper uses the 2019 UN WHR as its main source of data on well-being. There are, however, certain limitations to the data presented in the report. Scheyvens (2014, Chapter 5) talks about the limitations in the use of virtual data in research. Most importantly, she reminds that all data has a purpose. She encourages to ask questions, such as: Why was the record written? Who wrote it? And, who was the intended audience? (ibid., p. 82). Jennings (2006, p. 244 as cited in Scheyvens, 2014, p. 82) reminds that "…a text is less a factual record and more an indication of the worldview of the author." It is thus crucial to hold on to the contextual integrity and be "aware of the political purpose of the repository and of the values, etiquette and choice of words at the time in which the records were created" (Scheyvens, 2014, p. 83). Indeed, the WHRs are written with a bias. The

ideology of the reports is based on the UN's values that some regard as politically driven. According to the UN Charter (UN, 1945, Chapter I), the purposes of the UN are to 1. maintain international peace and security, 2. develop friendly relations among nations, 3. achieve international cooperation in solving international problems, and 4. be a center for harmonizing the actions of nations. While somewhat nonspecific, the purposes of the UN Charter frame the commitments and research of all UN bodies.

Moreover, there are challenges in comparing well-being across nation states and cultures. Firstly, cross-country comparison may face limitations due to translations because the GWP and the Cantril ladder were originally written in English. In Singapore, most of the population speaks English as their first or second language while in Malaysia most people speak Malay. The concept of happiness may not directly translate to a given language, and different cultures may understand happiness in different ways. As a response to the dilemma, in their research, Diener and Tov (2007 as cited in Stevenson & Wolfers, 2008) argue that there may be universal emotions that make well-being comparable across societies. The view is based on research which found out that when asking what is required for more happiness or life satisfaction, most people answer in the same way: money, health, family.

6. Findings and analysis

Figure 2 compares Singapore and Malaysia with the rest of the world on a graph where life ladder is plotted against the logarithm of GDP per capita. Singapore and Malaysia are among the countries in the highest third of the dataset, both according to the economic as well as well-being indicators. All of the countries in the dataset are aligned linearly, with a correlation of 0.820, which indicates that there is a significant association between GDP per capita and well-being in the world. While Malaysia is slightly above the trend line, Singapore is slightly below it, which indicates that neither of the countries are exactly on par with the expected world levels.

Figure 3 shows the well-being levels, depicted as the life ladder, in Singapore and Malaysia and compares them with the mean life ladder in the world between 2006-2018. Both Singapore and Malaysia are mostly above the world average, with only a brief dive under the average in Malaysia in 2009 and 2018. Most strikingly, the development of well-being in Singapore forms a clear pattern that is replicated in the Malaysian case. The similarity in the patterns is not a surprise since the economies are closely intertwined (Nathan, 2002; Phelps, 2004). It is likely that the 2008-2009 global economic crisis is seen as a dip in the life ladder in both Singapore and

Malaysia, a possible proof about the connection between income and well-being within nations found by Easterlin (1974) and strengthened by Stevenson and Wolfers (2008), among others.
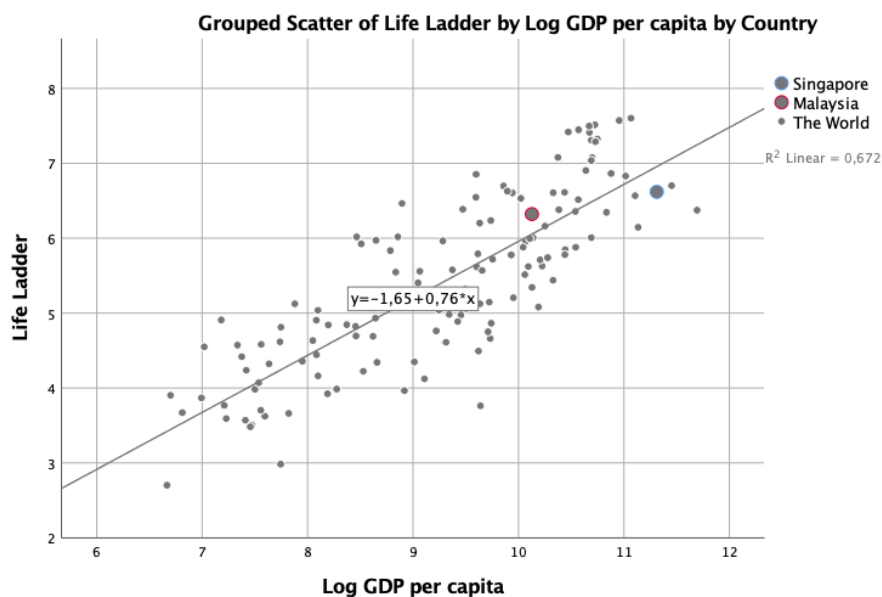
R-squared: .820. Correlation is significant at the 0.01 level (2-tailed).

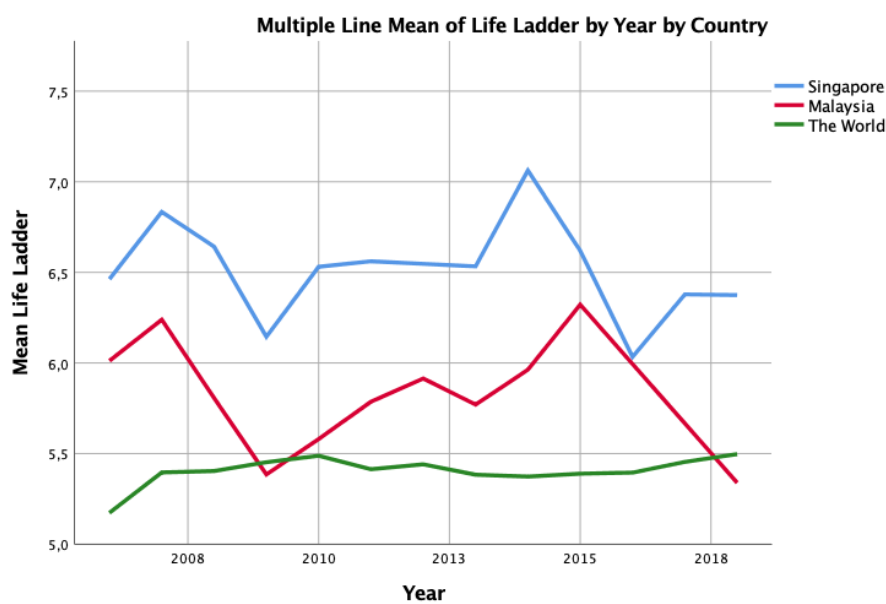*Figure 2: Life ladder by log of GDP per capita in 2015*


Figure 3: Well-being in Singapore and Malaysia compared with the world average

In Singapore's case (figure 4), it is found that GDP per capita and the life ladder have a correlation of 0.033, which indicates that there is no association between the two variables. Moreover, the data visualization shows a lot of dispersion in the graph. Similarly, in Malaysia (figure 5), there is no

indication of correlation between the two variables. There is slightly less intertemporal dispersion on the graph in Malaysia's case as opposed to Singapore.
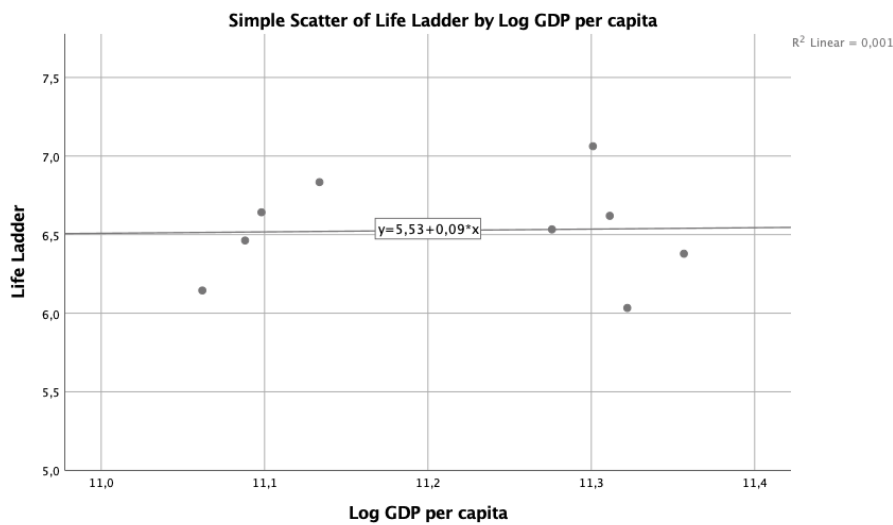
R-squared: 0.033

Figure 4: Well-being by log of GDP per capita in Singapore with an OLS regression line
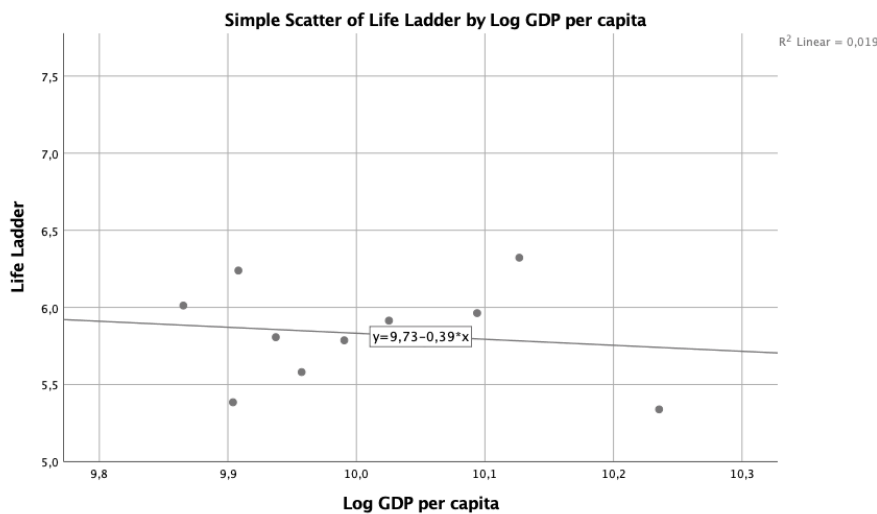
R-squared: -.139

Figure 5: Well-being by log of GDP per capita in Malaysia with an OLS regression line

An ordinary least square (OLS) regression line is formed in figures 4 and 5 for Singapore and Malaysia. It is rather difficult to see a clear pattern in the graphs, but the regression line predicts the direction and rate of growth with the available data. The regression line shows that there is no correlation between the log of GDP per capita and life ladder in either of the two countries.

	Log of GDP per capita	Social support	Healthy life expectancy at birth	Freedom to make life choices	Generosity	Perceptions of corruption
Log of GDP per capita	1	-.064	.939*	.764*	.250	.553
Life Ladder	.033	-.419	-.238	-.166	.323	.259

* Correlation is significant at the 0.01 level (2-tailed).

Table 2: Pearson correlations of the log of GDP per capita and life ladder with six key variables in Singapore

	Log of GDP per capita	Social support	Healthy life expectancy at birth	Freedom to make life choices	Generosity	Perceptions of corruption
Log of GDP per capita	1	-.272	.987*	-.184	.391	.409
Life Ladder	-.139	.568	-.236	-.522	-409	-.441

* Correlation is significant at the 0.01 level (2-tailed).

Table 3: Pearson correlations of the log of GDP per capita and life ladder with six key variables in Malaysia

Tables 2 and 3 show the Pearson correlation levels for the logarithm of GDP per capita, the life ladder and all six key explanatory factors in both Singapore and Malaysia. The correlations show the associations there are between the different variables. Firstly, there is a strong positive correlation between GDP per capita and healthy life expectancy at birth. In Malaysia, the correlation is 0.987 and in Singapore, it is 0.939. Secondly, there is also a clear correlation between GDP per capita and freedom to make life choices in Singapore. It is interesting, however, that the correlation is negative in the case of Malaysia (where R-squared is -0.184) and positive in the case of Singapore (where R-squared is 0.764). In Singapore, another interesting association is between GDP per capita and perception of corruption that show a slight positive association, where correlation is 0.533. In Malaysia, the only significant correlation is between GDP per capita and life expectancy at birth. The rest of the six key variables show little to no association with economic growth, with the strongest (yet rather insignificant) association in the case of perception of corruption. There is weak to no correlation between GDP per capita and social support in Singapore and Malaysia (where R-squared=-0.064 and -0.272 respectively). In Singapore, there is weak to no correlation between GDP per capita and generosity (where R-squared=0.250), whereas a similar pattern occurs in Malaysia between GDP per capita and generosity (where R-squared=0.391).

The second row of the tables presents the correlations of life ladder and the six key explanatory factors. In Singapore, there is very little association between well-being and the six variables as correlations range between -0.419 and 0.323 with the two extreme values at social support and generosity respectively. In Malaysia, there are slightly stronger associations between well-being and the six variables: life ladder has a weak positive correlation with social support (R-squared=0.568) and a weak negative correlation with freedom to make life choices (R-squared=-0.522).
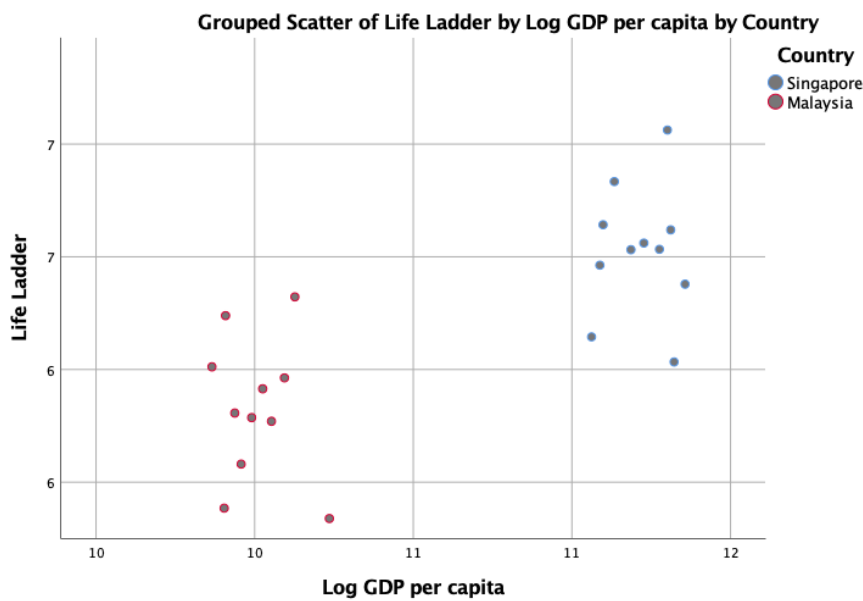

Figure 6: Well-being by log of GDP per capita in Singapore and Malaysia

As the two countries are plotted on a single graph (figure 6), there is a clear pattern with most of Singapore's measuring points above those of Malaysia's. However, well-being in Singapore is not proportionately larger than Malaysia's considering that Malaysia's GDP per capita is a mere third of that of Singapore, and there are two measuring points where well-being in Malaysia is in fact higher than the lowest two points in Singapore. With a relatively short intertemporal analysis, this finding is significant because it represents the closeness of well-being levels in the two countries.

7. Discussion

7.1 Is GDP per capita associated with well-being in Malaysia and Singapore?

There is little evidence that GDP per capita is associated with well-being in Malaysia and Singapore. However, Singapore has generally experienced higher levels of well-being compared to

Malaysia. This finding is supported by the comparison of the two countries and the comparison of the countries to the world levels (figures 2 & 3). Indeed, Singaporeans enjoy higher levels of well-being than most people in the world. In 2015, for example, Singapore was had a life ladder of 6.61 in the WHR. Malaysia was not too far behind with a life ladder of 6.32 (figure 3). However, the analysis of the association between GDP per capita and well-being in each country reveals a telling story: more income does not seem to correlate with increased well-being. In short, while both Singapore and Malaysia have growing national economies, well-being has not been steadily increasing over time. Overall, Singapore's residents enjoy slightly higher levels of well-being than Malaysia's, which indicates that, in Singapore, there has been a growth in well-being at some point in time, not shown in the data in the past 15 years.

Hence, contrary to Stevenson and Wolfers' (2008) assessment of the Easterlin paradox, the country-wide correlations show that GDP growth does not inevitably lead to increasing well-being. According to Stevenson and Wolfers (2008), growth in GDP per capita will lead to increases in well-being both within and across countries. The two argue that there is "a clear role for absolute income and a more limited role for relative income comparisons in determining happiness" and that the "gradient is remarkably robust across countries, within countries, and over time" (ibid.). The analysis in the previous section shows that there is little evidence of this in the Malayan peninsula. In Singapore, well-being has stayed more or less unchanged over the years although there have been significant increases in GDP per capita (figure 4): the life ladder has fluctuated between 6.03 and 7.06, while GDP per capita has steadily increased with an annual growth rate fluctuating from -0.60 to 15.24% between 2006-2017 (World Bank, 2019a). In Malaysia, GDP has grown with an annual growth rate between -1.51 and 7.43 in the same time frame. Despite the growth, however, a familiar pattern occurs: there has been a decrease in happiness in Malaysia overall as the life ladder has moved between 5.34 and 6.24 with the all-time low in 2017. The OLS regressions in figures 4 and 5 show trend lines according to which happiness in Singapore will increase slightly and happiness in Malaysia will, in fact, decrease in the long term.

Indeed, over the past 15 years, there is little proof that GDP growth has led to increased well-being within Singapore and Malaysia. According to Easterlin (1974), higher income will lead to increasing happiness: "[i]n successive income groups from low to high the proportion of very happy rises steadily. There is a clear indication that income and happiness are positively associated." Moreover, "[t]he happiness differences between rich and poor countries that one might expect on the basis of the within-country difference by economic status are not borne out by the international data." Thus, the Easterlin paradox predicts that there is a robust connection between income and happiness within nations while it finds little evidence of the connection in cross-country

comparisons. Easterlin explains the paradox by relativity and the adaptability of mankind: people are less happy within their personal frame of reference where they can see and experience inequality as manifested in material goods. The data in this research does not support the Easterlin paradox – on the contrary, in Singapore and Malaysia, there is less evidence of the association of GDP per capita and well-being within countries and a slightly clearer, even though not unambiguous, connection across the two countries.

With a cross-country analysis, the findings of this paper set limits to an overly general theory. Neither the Easterlin paradox nor the Stevenson and Wolfers reassessment of the paradox can explain the nuanced qualities of the relationship between national income and well-being in Singapore and Malaysia. Rather, the association between the two variables is more complex: GDP growth has not been accompanied with steady increases of well-being in the medium to long term and Singapore's economic success has yielded more well-being since independence than Malaysia, yet the former's much higher national income has not resulted into proportionally higher well-being compared to the latter. The correlations in the previous section also show that GDP per capita growth does not lead to proportional increases in GDP per capita. Stevenson and Wolfers (2008) dismiss the possibility of a tipping point after which increases in GDP would not bring about more well-being. Hence, the view implies that as long as there is GDP growth, there will be happier people. If the view holds true and increasing GDP per capita will bring about more happiness without a tipping point, Singapore should enjoy much higher levels of well-being than Malaysia with its three times higher GDP per capita. Why is Singapore, then, not so far from Malaysia in terms of well-being? Why do the theories by Easterlin Stevenson and Wolfers not explain the association of well-being and national income in Singapore and Malaysia? The comparisons of the individual correlations in tables 2 and 3 and the discussion in the subsequent sections will shed some more light into this paradox.

7.2 What do the six key explanatory factors tell us?

The key explanatory factors fraction well-being into six variables that estimate the sources of happiness. Correlations are run between the six variables and GDP per capita and the life ladder. Despite the ambiguous relationship between national income and happiness, or perhaps because of it, changes in GDP per capita leads to changes in some indicators of well-being in Singapore and Malaysia. Most notably, higher GDP per capita is associated with higher levels of healthy life expectancy in both countries. The robust connection can easily be explained by the cost of healthcare as a higher national income will lead to more investments into health equipment, an

increased number of educated doctors as well as a population that is willing and able to pay for the improved health services. Moreover, in Singapore, higher GDP per capita also correlates positively with persons' freedom to make life choices, while the connection is at best insignificant and slightly negative in Malaysia. The analysis of correlations between the life ladder and the six variables reveals very little as there are no strong, significant associations between the variables. Interestingly, however, the life ladder seems to have a weak negative correlation with social support in Singapore and a positive slightly stronger correlation in Malaysia. Moreover, in Malaysia, the life ladder has a weak negative association with persons' freedom to make life choices.

Hence, growth in GDP per capita is associated with increases in some indicators of well-being while shifts in the life ladder does not seem to have a strong association with any of the variables. In Singapore, the small increase in the well-being between 2006 and 2017, as indicated by the OLS regression line in figure 6, is attributable to an association of income and healthy life expectancy and freedom to make life choices. The correlation between income and happiness is weakened, however, by the weaker connections to other variables, which social support shows a negative association over time. In Malaysia, aside from the positive significant correlation between income and healthy life expectancy, GDP does not seem to be associated with the variables.

7.3 What are some possible causes to changing levels of well-being in Singapore and Malaysia?

Although the scope of this paper is to find correlations rather than determine robust causalities, there are some interesting shifts in well-being in Singapore and Malaysia that deserve attention. In 2008-2009 there is a clear drop in well-being in both countries, which is then followed by an increase until 2014 and 2015 in Singapore and Malaysia respectively, with a stagnant phase in the former between 2010 and 2013 and a small drop in 2013 in the latter. After the increase, both countries experience a similar drop in well-being that only Singapore is able to stop in 2016. It is likely that the abrupt changes in the well-being have been caused by economic or political shocks (figure 2). An interesting feature of the development of well-being is that Malaysia seems to follow Singapore with a small time lag.

First, there is an abrupt decrease in well-being in 2007-2009 in both countries. With the interconnected global economy and the politically and economically intertwined IMS-GT, it is likely that the decrease is due to the global financial crisis of 2007-2008. Moreover, figures 3 and 4 show that there is a closer connection with GDP per capita and well-being in the first four years starting in 2006, which indicates that the abrupt drop in well-being is, indeed, largely due to an

abrupt drop in GDP per capita. In Singapore, GDP per capita decreased by 1.74% in 2008 while in Malaysia the drop was 1.51% in 2009 (World Bank, 2019a, 2019b). What is more, the countries were able bounce back quickly with growing economies only a year after the crisis.

Following the drop in 2009, there is an increase in well-being until 2014 in Singapore and 2015 in Malaysia. Before the peaks in 2014 and 2015, there is a small but significant drop in well-being in Malaysia in 2013, while the life ladder level remains somewhat unchanged in Singapore between 2011-2013. The latest WHR suggests that the increase until 2013 followed by the abrupt drop in Malaysia's life ladder may be due to voting behavior since "life satisfaction is significantly and positively related to the intention to vote for a governing party in a survey of voters in the run-up to the 2013 general election in Malaysia" (Ng et al., 2016 as cited in Helliwell et al., 2019, p. 64). If this argument holds true, a similar pattern is detectable in Singapore where the 2011 general elections gave hope to PAP's opposition and its supporters. An increase in life satisfaction between 2013 and 2014-15 may be an indication of a remedial phase after the elections or a build-up before the next elections in Singapore in 2015 and in Malaysia in 2018. A non-UMNO prime minister was elected in the 2018 Malaysian general elections for the first since independence.

Finally, after a peak in 2014 in Singapore and 2015 in Malaysia, there is a decrease in well-being that may be due to increasing inequality, according to some (Buttrick et al., 2017; Consultancy Asia, 2018). Buttrick et al. (2017) suggest that income inequality is associated with lower levels of happiness because "people living in more unequal societies are more likely to stress the importance of being successful, respected, and admired". Indeed, inequality remains high in both countries in the 21st century (UNU-WIDER, 2018). Moreover, according to the Boston Consulting Group's Sustainable Economic Development Assessment, Singapore has difficulties in converting its wealth into well-being, with poor scores with regard to equality, environment, health, and governance (BCG, 2018 as cited in Consultancy Asia, 2018). Another explanation to the existing theories' inability to explain the developments in Singapore and Malaysia could be the demographic and language differences as highlighted by Cantril (1965), Easterlin (1974) as well as Nathan (2002) and Noordien (2005). Perhaps Malaysians and Singaporeans understand the term *happiness* in different ways.

8. Conclusion

According to traditional economic thought, growth in GDP per capita will inevitably lead to increasing well-being of persons. Countless studies done on the seemingly robust and endless might of economic growth, most notably those of Solow, Mankiw, Knowles and Owen, and Rostow, have

built a foundation for policies that favor GDP growth over anything else. A contrasting view comes from those that write in the tradition of Easterlin's (1974) paradoxical findings: income may be associated with higher levels of well-being within countries, but a higher average income does not increase well-being nation-wide. The view is challenged by Stevenson and Wolfers (2008), who are able to show that, overall, international data does not support the Easterlin paradox: GDP per capita is positively associated with well-being both within and across countries. Despite the disagreements, however, most of the well-being scholars agree that the goal of development should be heightened levels of well-being and not an endless pursuit of economic growth.

With regard to existing literature, in particular to Easterlin (1974) and Stevenson and Wolfers (2008), this paper shows that the reality about the relationship between GDP per capita and well-being in Malaysia and Singapore is more nuanced than what is expected. Easterlin's (1974) analysis and its reassessment by Stevenson and Wolfers' (2008) both produce rather narrow theoretical outcomes that do not fit the case of economic prosperity and well-being in Singapore and Malaysia. In the two countries, GDP growth has not steadily increased well-being in the long term. Moreover, Singapore's economic success has yielded more well-being since independence than Malaysia, but the former's much higher national income has not resulted into proportionally higher well-being compared to the latter. In short, money may not be a never-ending source of happiness.

The association, or the lack of it thereof, between GDP per capita and well-being in Singapore and Malaysia cannot be explained by the existing theories. This paper shows that Stevenson and Wolfers can perhaps predict general, world-wide developments, but the truth about the association between GDP per capita and well-being in Singapore and Malaysia is more complex. Moreover, this paper suggests that some unexpected factors might be at play: economic shocks, voting behavior and political action, income inequality, ethnicity and even language. The finding has policy implications: it is simply not enough to assume that greater income will result to a happier people. More research must be done on the sources of well-being to increase and create long-lasting happiness.

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