

Abstract

This study provides additional empirical evidence on the link between formal education and the self-reported level of happiness and measures the magnitude of this relationship by estimating the marginal rate of substitution between educational attainment and personal income. After controlling for a large set of micro and macro level variables, it is found that educational attainment has a strong and statistically significant effect on subjective well-being. This effect rapidly diminishes. A person with a high-school degree would have to earn \$40,952 more a year to be as happy as a person with a college degree that has a similar socioeconomic background. The same person will have to earn \$45,302 per year to be as happy as a person with a graduate degree in the same income bracket. The findings suggest that most of the happiness premium from education is earned in college while a great portion of the non-pecuniary benefits from pursuing a graduate degree is associated with better marriage and health choices. Finally, the paper discusses the role of aspirations in the education happiness link.