One of the popular conclusions supposedly stemming from research in positive psychology is that money cannot buy happiness. The problem with this conclusion is that it is wrong. Research shows that income has a positive relationship with happiness (life satisfaction), although it is not a straight line. As income increases, its added contribution to life satisfaction becomes smaller. The impact of additional income is greatest among those who have little money, but it does not stop mattering, even after someone is able to meet basic needs. The very least we can do as positive psychologists is to take our own data seriously. Income may not be the most important contributor to how happy most people are, and there are good reasons--psychological and moral--to decry rampant materialism. But money matters, if only a bit. As Mae West once said, "I've been rich, and I've been poor; believe me, rich is better." Here is another finding about money and happiness. When we compare the average life satisfaction of people who live in different nations, the wealth (GNP) of the nation is a strong predictor of the happiness of its citizens. With exceptions, the least happy nations are the poorest, and the most happy nations are the richest. There are some data implying that as nations become richer, the happiness of their citizens does not rise. This finding is termed a paradox, but it may be based on an incomplete sampling of nations, as I will discuss in a future blog entry. As my own salary has increased over the years, my life has certainly become more comfortable, and here may be some insight into the relationship between money and happiness. Positive psychologists distinguish between pleasures and comforts. Pleasures by definition are short-lived—we adapt to them. In contrast, comforts are not front-and-center in our consciousness, until they are absent. I call this the Big Yellow Taxi Effect, after Joni Mitchell's song about not knowing what we have until it's gone. I can remember when my family was first able to purchase an air conditioner, and when the family was first able to purchase a color television. For a while, life was very pleasurable ... very cool and vivid (puns intended). Now we take these for granted, except when they break. Then life is miserable. Maybe for those of us who are fortunate enough to have extra income, the value of that income vis-à-vis happiness is to afford comforts. Is comfort good? I think so. Regardless, I would never tell someone who is uncomfortable that it does not matter. Here are some additional findings about money and happiness. A recent study by Hilke Plassmann, John O'Doherty, Baba Shiv, and Antonio Rangel,
published in 2008 in the Proceedings of the National Academy of Sciences, measured brain activity while research participants were drinking wine. Regions of the brain responsible for the registering of pleasure were more active when the wine was identified as expensive as opposed to inexpensive. The punch-line: It was the same wine in both cases! Perhaps wealthy people are happier because they spend more money on things. In any event, I wish the researchers had included a third condition in which participants were told they were drinking really expensive wine purchased at a really deep discount. That might have short-circuited the fMRI apparatus. Another recent article by Elizabeth W. Dunn, Lara B. Aknin, and Michael I. Norton, published in 2008 in Science, concluded that money can buy happiness, so long as the money is spent on someone else. They described three studies. The first was a survey of Americans and found that the amount of money people spent in gifts to others or gave to charity was positively associated with general happiness, even when overall income was controlled. (By the way, they also found that overall income predicted happiness.). In their second study, they surveyed employees at a company who had received profit-sharing bonuses. The amount of the bonus spent on others predicted happiness six to eight weeks later, whereas the amount of the bonus spent on themselves did not. Their third study was a true experiment: Research participants were given either $5 or $20 and instructed to spend the money either on themselves or on others. Then their happiness was ascertained, Those who spent the money on others were happier, and the amount of money did not matter. One more finding was reported: Additional participants were asked to predict what would make people happier, and they mistakenly said that the most happiness would result from spending $20 on themselves. Putting these findings from all of these studies together, might the most happiness be derived from expensive gifts to others? Admittedly, this is not what Dunn and colleagues found in their experiment (remember $5 versus $20 made no difference), but as we are fond of saying in the science business, further research is needed. The most telling study would ask people to give away a substantial amount of their own money, not simply a relatively small amount of extra money provided to them by researchers. Perhaps the Native American potlatch ceremony, marked by the ritualized giving away of one's most valued possessions, deserves attention from the perspective of positive psychology. Maybe we should devise and carry out our own versions of the potlatch ceremony ... so long as they do not involve color televisions or air conditioners.