

Can Money Buy Happiness?

Of course not! Or can it? Surprising new research sheds light on how you can (and can't) spend your way to a sunnier outlook on life.

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"Whoever said money can't buy happiness isn't spending it right." You may remember those Lexus ads from a few years ago, which hijacked this bumper-sticker-ready twist on the conventional wisdom to sell a car so fancy that no one would ever dream of affixing a bumper sticker to it.

What made the ads so intriguing, but also so infuriating, was that they seemed to offer a simple--if rather expensive--solution to a common question: How can you transform the money you work so hard to earn into something approaching the good life? You know that there must be some connection between money and happiness. If there weren't, you'd be less likely to stay late at work (or even come in at all) or struggle to save money and invest it profitably. But then why aren't your lucrative promotion, five-bedroom house and fat 401(k) cheering you up? The relationship between money and happiness, it would appear, is more complicated than the romantic entanglements of any *Desperate Housewife*.

Fortunately, you don't have to do the untangling yourself. Over the past quarter-century, economists and psychologists have banded together to sort out the hows, whys and why nots of money and mood. Especially the why nots. Why is it that the more money you have, the more you want? Why doesn't buying the car, condo or cell phone of your dreams bring you more than momentary joy?

In attempting to answer these seemingly depressing questions, the new scholars of happiness have arrived at some insights that are, well, downright cheery. Money can help you find more happiness, so long as you know just what you can and can't expect from it. And no, you don't have to buy a Lexus to be happy. Much of the research suggests that seeking the good life at a store is an expensive exercise in futility. Before you can pursue happiness the right way, you need to recognize what you've been doing wrong.

Money Misery The new science of happiness starts with a simple insight: We're never satisfied. "We always think if we just had a little bit more money, we'd be happier," says Catherine Sanderson, a psychology

professor at Amherst College, "but when we get there, we're not." Indeed, the more you make, the more you want. The more you have, the less effective it is at bringing you joy, and that seeming paradox has long bedeviled economists. "Once you get basic human needs met, a lot more money doesn't make a lot more happiness," notes Dan Gilbert, a psychology professor at Harvard University and the author of the new book *Stumbling on Happiness*. As the graphic at left shows, going from earning less than \$20,000 a year to making more than \$50,000 makes you twice as likely to be happy, yet the payoff for then surpassing \$90,000 is slight. And while the rich are happier than the poor, the enormous rise in living standards over the past 50 years hasn't made Americans happier. Why? Three reasons:

You overestimate how much pleasure you'll get from having more. Humans are adaptable creatures, which has been a plus during assorted ice ages, plagues and wars. But that's also why you're never all that satisfied for long when good fortune comes your way. While earning more makes you happy in the short term, you quickly adjust to your new wealth--and everything it buys you. Yes, you get a thrill at first from shiny new cars and TV screens the size of Picasso's *Guernica*. But you soon get used to them, a state of running in place that economists call the "hedonic treadmill."

Even though stuff seldom brings you the satisfaction you expect, you keep returning to the mall and the car dealership in search of more. "When you imagine how much you're going to enjoy a Porsche, what you're imagining is the day you get it," says Gilbert. When your new car loses its ability to make your heart go pitter-patter, he says, you tend to draw the wrong conclusions. Instead of questioning the notion that you can buy happiness on the car lot, you begin to question your choice of car. So you pin your hopes on a new BMW, only to be disappointed again.

More money can lead to more stress. The big salary you pull in from your high-paying job may not buy you much in the way of happiness. But it can buy you a spacious house in the suburbs. Trouble is, that also means a long trip to and from work, and study after study confirms what you sense daily: Even if you love your job, the little slice of everyday hell you call the

commute can wear you down. You can adjust to most anything, but a stop-and-go drive or an overstuffed bus will make you unhappy whether it's your first day on the job or your last.

You endlessly compare yourself with the family next door. H.L. Mencken once quipped that the happy man was one who earned \$100 more than his wife's sister's husband. He was right. Happiness scholars have found that how you stand relative to others makes a much bigger difference to your sense of well-being than how much you make in an absolute sense.

You may feel a touch of envy when you read about the glamorous lives of the absurdly wealthy, but the group you likely compare yourself with are folks Harvard economist Erzo Luttmer calls "similar others"--the people you work with, people you grew up with, old friends and old classmates. "You have to think, 'I could have been that person,'" Luttmer says.

Matching census data on earnings with data on self-reported happiness from a national survey, Luttmer found that, sure enough, your happiness can depend a great deal on your neighbors' paychecks. "If you compare two people with the same income, with one living in a richer area than the other," Luttmer says, "the person in the richer area reports being less happy."

Your penchant for comparing yourself with the guy next door, like your tendency to grow bored with the things that you acquire, seems to be a deeply rooted human trait. An inability to stay satisfied is arguably one of the key reasons ancient man moved out of his drafty cave and began building the civilization you now inhabit. But you're not living in a cave, and you likely don't have to worry about mere survival. You can afford to step off the hedonic treadmill. The question is, how do you do it?

Money Bliss If you want to know how to use the money you have to become happier, you need to understand just what it is that brings you happiness in the first place. And that's where the newest happiness research comes in.

Friends and family are a mighty elixir. One secret of happiness? People. Innumerable studies suggest that having friends matters a great deal. Large-scale surveys by the University of Chicago's National Opinion Research Center, for example, find that those with five or more close friends are 50% more likely to describe themselves as "very happy" than those with smaller social circles. Compared with the happiness-increasing powers of human connection, the power of money looks feeble indeed. So throw a party, set up regular lunch dates--whatever it takes to invest in your friendships.

Even more important to your happiness is your relationship with your aptly named "significant other." People in happy, stable, committed relationships tend to be far happier than those who aren't. Among those surveyed by NORC from the 1970s through the 1990s, some 40% of married couples said they were "very happy"; among the never-married, only about a quarter were quite so exuberant. Just choose wisely. Divorce brings misery to everyone involved, though those who stick it out in a terrible marriage are the unhappiest of all.

While a healthy marriage is a clear happiness-booster, the kids that tend to follow are more of a mixed blessing. Studies of kids and happiness have come up with little more than a mess of conflicting data. "When you take moment-by-moment readouts of how people feel when they're taking care of the kids, they actually aren't very happy," notes Cornell psychologist Tom Gilovich. "But if you ask them they say that having kids is one of the most enjoyable things they do with their lives."

Doing things can bring us more joy than having things. Our preoccupation with stuff obscures an important truth: The things that don't last create the most lasting happiness. That's what Gilovich and Leaf Van Boven of the University of Colorado found when they asked students to compare the pleasure they got from the most recent things they bought vs. the experiences (a night out, a vacation) they spent money on.

One reason may be that experiences tend to blossom as you recall them, not diminish. "In your memory, you're free to embellish and elaborate," says Gilovich. Your trip to Mexico may have been an endless parade of hassles punctuated by a few exquisite moments. But looking back on it, your brain can edit out the surly cabdrivers, remembering only the glorious sunsets. So next time you think that arranging a vacation is more trouble than it's worth--or a cost you'd rather not shoulder--factor in the delayed impact.

Of course, a lot of what you spend money on could be considered a thing, an experience or a bit of both. A book that sits unread on a bookshelf is a thing; a book you plunge into with gusto, savoring every plot twist, is an experience. Gilovich admits that people define what is and isn't an experience differently. Maybe that's the key. Gilovich suspects that the people who are happiest are those who are best at wringing experiences out of everything they spend money on, whether it's dancing lessons or hiking boots.

Applying yourself to something hard makes you happy. We're addicted to challenges, and we're often far happier while working toward a goal than

after we reach it. Challenges help you attain what psychologist Mihaly Csikszentmihalyi calls a state of "flow," total absorption in something that stretches you to the limits of your abilities, mental or physical. Buy the \$1,000 golf clubs; pay for the \$50-an-hour music lessons.

Flow takes work. After all, you have to learn to play scales on a guitar before you can lose yourself in a Van Halen-esque solo--but the satisfaction you get in the end is greater than what you can get out of more passive pursuits. When people are asked what makes them happy on a moment-to-moment basis, watching TV ranks pretty high. But people who watch a lot of TV tend to be less happy than those who don't. Settling down on the couch with the remote can help you recharge, but to be truly happy, you need more in your life than passive pleasures.

Flow isn't limited to golf games and crossword puzzles. You can find flow at work if you have a job that interests and challenges you, and that gives you ample control over your daily assignments. Indeed, one recent study by two University of British Columbia researchers suggests that workers would be happy to forgo as much as a 20% raise if it meant a job with more variety or one that required more skill.

Think Happy Not long ago, most researchers thought you had a happiness "set point" that you were largely stuck with for life. One famous paper said that "trying to be happier" may be "as futile as trying to be taller." The author of those words has since recanted, and experts are increasingly coming to view happiness as a talent, not an inborn trait. Exceptionally happy people seem to have a set of skills--ones that you can learn too.

Sonja Lyubomirsky, a psychology professor at the University of California-Riverside, is attempting to pin down just what it is that the especially happy do differently. She has found that they don't waste time dwelling on unpleasant things. They tend to interpret ambiguous events in positive ways. And perhaps most tellingly, they aren't bothered by the successes of others. Lyubomirsky says that when she asked less happy people whom they compared themselves with, "they went on and on." She adds, "The happy people didn't know what we were talking about." They dare not to compare, thus short-circuiting invidious social comparisons.

That's not the only way to get yourself to spend less and appreciate what you have more. Try counting your blessings. Literally. Sit down and make a short list of the things you're grateful for, from your garden to your kids. In a series of studies, psychologists Robert Emmons at the University of California-Davis,

and Michael McCullough at the University of Miami found that those who did exercises to cultivate feelings of gratitude, like keeping weekly journals, ended up feeling happier, healthier, more energetic and more optimistic than those who didn't. Gratitude exercises help focus the mind on what really matters in life--which for most people means healthy relationships, not fancy new gadgets.

And if you can't change how you think about gizmos, at least learn to resist. The act of shopping unleashes primal hunter-gatherer urges. When you're in that "hot" state, eager to buy, you tend to be an extremely poor judge of what you'll think of a product when you cool down later. "With big-ticket items, you never want to buy on impulse," warns George Loewenstein, a behavioral economist at Carnegie Mellon University. Before giving into your techno-lust for, say, a new digital camera, give yourself a time-out. Over the next month, keep track of how many times you tell yourself: I wish I had a camera! If in the course of your life you almost never find yourself wanting a camera, forget about it and move on, happily.

Happiness Shopping List

ROMANCE

A DOZEN ROSES

You may joke about in-laws and the old ball and chain, but an assortment of studies have found that married people are generally happier than singles. Do what you can to keep your marriage a happy one, including buying your sweetie the occasional \$60 bouquet of roses.

FLOW

GUITAR LESSONS

The lives of happy people tend to have a lot of flow--the high-intensity, utterly absorbing state that can come from a hobby that takes skill and concentration--for example, mastering an instrument, playing 18 holes of golf or finishing a crossword puzzle.

PET

CAT OR DOG

Despite all the sofas and shoes they destroy, pets have been shown to make you happier. What's more, caring for furry friends can help ease stress and lower your

blood pressure, and a daily trip around the block with Fido is a chance to meet non-furry friends.

GRATITUDE

JOURNAL

A recent study found that writing down what you're grateful for leaves you happier and more optimistic. Buy a fancy \$30 leather journal--or a \$1.50 composition notebook--and take a few moments every day or week to reflect on your good life and to record it.

MEMORIES

SNOW GLOBE

Memories of great experiences are powerful mood boosters. Go ahead and splurge on something that reminds you of your past, be it a T-shirt with a band's logo, a book you loved as a kid or a kitschy souvenir from your last great vacation.

SMALL PLEASURES

LATTE

Don't discount the satisfaction you can get from something as trivial as a good cup of coffee. Furthermore, casual encounters with familiar people like the barista at your local Starbucks or the guy at the newsstand have a bigger effect on your happiness than you might realize.

SOCIABILITY

BACKYARD GRILL

Who doesn't love a Saturday afternoon barbecue with good friends and great food? You'll feed your hunger for nicely charred chicken--and your hunger for society. People with lots of close friends are more likely to be happy than those with smaller social networks.

When it comes to happiness, it's better to be rich than to be poor.

56% of people who make more than \$75,000 a year say they are "very satisfied" with life.

Only 24% of people who make \$25,000 or less a year say they are "very satisfied" with life.

SOURCE: 2004 Associated Press poll.

But once you earn enough to cover your basic needs, being much richer doesn't make you much happier.

% WHO ARE "VERY HAPPY"

FAMILY INCOME <\$20K 22%

\$20K-49.9 30%

\$50K-89.9K 42%

\$90K+ 43%

SOURCE: "Would You Be Happier If You Were Richer? A Focusing Illusion," by D. Kahneman, A. Krueger, D. Schkade, N. Schwarz and A. Stone, Science, June 2006.

What Not to Buy

LUXURY CAR

Splurge on this emblem of mid-life crisis and you'll impress your neighbors, but only with your narcissism. New stuff provides a thrill, but it doesn't last long.

YACHT

Boat buyers tend to overestimate how often they'll set sail and minimize how much the boat will cost. (How many nautical miles to the gallon does she get?)

A \$200 WINE

Can you really appreciate this vintage? You're likely buying to impress, and once you start doing that, you notice how much the über-rich spend--and ratchet up your spending even more.

ANYTHING ON CREDIT

Living high on credit gets you used to a standard of living you can't afford. Then the loss from cutting back on your lifestyle is more intense than the thrill you felt when you were shopping.

Americans have become richer, but happiness levels haven't changed.

1957

35% VERY HAPPY

\$10,171 INCOME[1]

1980

34% VERY HAPPY

\$17,931 INCOME[1]

2004
34% VERY HAPPY
\$27,237 INCOME[1]

NOTE: [1] Average after-tax income (in 2000 dollars).
sources: U.S. Census Bureau; National Opinion Research
Center; University of Chicago; David G. Myers, Hope
College.

People who value money highly are less happy than
those who care more about love and friends. [This
article contains a chart. Please see hard copy or pdf.]

MORE SATISFIED

MORE MATERIALISTIC/MORE ROMANTIC

SOURCE: David G. Myers, Hope College.

Happy Countries

Percentage of residents claiming to be "very happy"

1. Australia 46%
2. U.S.A. 40%
3. Egypt 36%
4. India 34%
5. U.K. 32%

Unhappy Countries

Percentage of residents claiming to be "very unhappy"
or "disappointed"

1. Hungary 35%
2. Russia 30%
3. Turkey 28%
4. South Africa 25%
5. Poland 24%

SOURCE: 2005 Happiness Study based on GfK NOP
Roper Reports Worldwide survey, which includes in-
depth personal interviews with more than 30,000
people age 13 and older in 30 countries between
December 2004 and February 2005.

What Makes Up the Good Life

When asked what gives them the most pleasure, people
favor health and home over stuff.

- 1 84% Good health
- 2 60% A home you own
- 3 48% Children
- 4 46% An interesting job
- 5 36% Free and leisure time
- 6 22% A yard or garden
- 7 19% A luxury or second car
- 8 19% The latest electronic gadgets

SOURCE: 2005 Happiness Study, based on GfK NOP
Roper Reports Worldwide survey.