Money and Happiness: Truths and Myths

Robert Brooks, Ph.D.

As many of my readers are aware, I am very interested in the study of concepts subsumed under the general topic of "positive psychology," especially those related to hope, happiness, altruism, and resilience. Thus, it was not surprising that I was drawn to an article published in *The Boston Globe* on March 21, 2008 by Carey Goldberg with the intriguing title "Money makes you happy—if you spend it on others."

The article focused on research conducted by Elizabeth Dunn, an assistant professor at the University of British Columbia, and Michael Norton at Harvard Business School. Their study was published in the journal *Science.* Goldberg writes, "Studies of happiness have long found that unless people are extremely poor, getting more money brings surprisingly slight gains in positive feelings."

Dunn and Norton questioned whether a person's level of happiness was tied not to the amount of money possessed by individuals but rather what they did with the money. To test this hypothesis, they studied employees at a small Boston area medical supply company who received bonuses averaging about $5,000. They measured levels of happiness prior to and after receipts of these bonuses using a five-point scale. Norton reports, "The size of the bonus you get has no relation to how happy you are, but the amount you spend on other people does predict how happy you are."

They found that people rose a full point on the five-point scale if they spent approximately a third of their bonus on others. Dunn explains, "So, if before receiving their bonus, both Tim and Dan said they were happy sometimes, and Dan spent a third of his bonus prosocially, while Tim spent none of it prosocially, then after spending the bonus, we would expect Dan to tell use he was happy most of the time."

In a related study described in an article written by Elsa Youngsteadt in *Science Now Daily News,* when Dunn and her colleagues asked 109 University of British Columbia students if they would be happier with $5 or $20, most responded, "$20." The students also predicted that they would be happier spending the money on themselves rather than others. However, their prognostications were not borne out. Those who spent the money given to them on others or for charities were happier than those who spent it on themselves. In *The Boston Globe* article, Dunn observes, "We don't want to suggest that more money would never matter. It's just that in our studies we found that how people spent their money mattered at least as much as how much money they received, and indeed there was no effect at all of the amount of money received in the two studies."

Youngsteadt relays Dunn's belief that "the effects of altruistic spending are probably akin to those of exercise, which can have immediate and long-term effects. Giving once might make a person happy for a day, but if it becomes a way of living, then it could make a lasting difference."

In the Goldberg article, Tal Ben-Shahar, author of the book *Happier,* and professor of a course about happiness at Harvard University, offers a perceptive observation. "There's so much benefit to the person who contributes to others that I often think there is no more selfish act than a generous act." Ben-Shahar incorporates activities in his classes in order that students experience first-hand the message he is advocating. Thus, he requests that during one week students perform five small acts of kindness. He has discovered that the effect of doing so "is remarkable and lasts for much longer than a day."

In a number of my writings I have described research I conducted years ago, requesting adults to complete an anonymous questionnaire. The first question asked for their most positive memory of school, something a teacher said or did that boosted their self-esteem and motivation. Initially, I was surprised to discover that the most frequently cited theme was of an experience in which they were requested to help out (e.g., "I remember when a teacher asked me to pass out the milk and straws"; "I remember when a teacher asked me to tutor a younger child"). Given the consistency of these results, my close friend and colleague Sam Goldstein and I advanced the belief in our books about resilience that there appears to be an inborn need to help or contribute to others. Psychologists such as Mark Katz and Emmy Werner have also written of the strong link between enriching the lives of others and one's own sense of well-being and resilience.

The Dunn and Norton findings prompted me to search for other research that has been conducted examining the relationship between money and happiness. I discovered an article from July 3, 2006 by Shankar Vedantam of the *Washington Post* that contains some seemingly startling findings including, "A wealth of data in recent decades has shown that once personal wealth exceeds about $12,000 a year, more money produces virtually no increase in life satisfaction. From 1958 to 1987, for example, income in Japan grew fivefold, but researchers could find no corresponding increase in happiness."

Even taking into consideration the inflation rate since the years 1958-1987, $12,000 did not seem to be an exorbitant figure at which happiness reached a plateau. Yet, in fact, earning a greater amount did not increase one's sense of happiness. But why not? Vedantam interviewed Richard Layard of the London School of Economics who related that when people become wealthier, especially if their fortune is garnered abruptly as occurs when winning a lottery, "initially there is a big increase in happiness, but then it reverts to its original level. So why do people want to win lotteries? They have a rather short-term focus, and they don't seem to grasp long-term ways their own feelings work."

Vendantam, in reviewing other studies, contends, "The belief that high income is associated with good mood is widespread but illusory. . . . The effect of income on life satisfaction seems to be transient." Alan Krueger, a professor of economics and public affairs at Princeton University and a researcher in the area of money and happiness concurs, noting, "People grossly exaggerate the impact that higher incomes would have on their subjective well-being. The problem is that when people get past the level of poverty, money does not play a significant role in day-to-day happiness. It certainly can buy things, but things do not usually address most of the troubles people experience in daily life—concerns about their children, problems in intimate relationships, and stressful aspects of their jobs."

Daniel Gilbert, a professor of psychology at Harvard University and author of the bestseller *Stumbling on Happiness,* offers further insight into the illusory relationship between money and happiness. Gilbert was interviewed for an article in *Harvard Magazine* authored by Craig Lambert who writes that the central focus of Gilbert's book is "prospection—the ability to look into the future and discover what will make us happy. The bad news is that humans aren't very skilled at such predictions; the good news is that we are much better than we realize at adapting to whatever life sends us."

Gilbert contends that we are vulnerable to prospection because of common errors we make, such as "presentism," which is seen as "the belief that we will feel in the future the way we feel today. In a grocery store, feeling hungry, I try to shop for what I will want to eat next Wednesday. Then Wednesday comes, and I ask myself, 'Why did I buy jalapeno pockets?'"

Gilbert adds, "Much recent data show that people fare reasonably well in a variety of tragic and traumatic circumstances—Christopher Reeve was not unusual. Paraplegics are generally quite happy people. And blind people often say that the worst problem they have is that everyone assumes they are sad. . . . People *do* feel devastated if they go blind, but it does not last. The human mind is constituted to make the best of situations in which it finds itself.

But people don't know they have this ability, and that's the thing that bedevils their predictions about the future."

The viewpoint expressed by Gilbert about the capacity of people to be much more hopeful and resilient under adverse conditions than they might have anticipated parallels the position proposed by Ann Masten, a psychologist at the University of Minnesota and one of the foremost researchers in the area of resilience. She published an article titled "Ordinary Magic: Resilience Processes in Development" in an issue of the *American Psychologist*.

Masten writes, "The message from three decades of research on resilience underscores central themes of the positive psychology movement. Psychology has neglected important phenomena in human adaptation and development during periods of focus on risk, problems, pathology, and treatment. . . . Resilience does not come from rare and special qualities, but from the everyday magic of ordinary, normative resources in the minds, brains, and bodies of children, in their families and relationships, and in their communities. . . . The conclusion that resilience emerges from ordinary processes offers a far more optimistic outlook for action than the idea that rare and extraordinary processes are involved."

A Few Salient Points

In examining the studies and observations reported in this article, there are several points worthy of reflection and emphasis. They include:

1. Research about happiness, resilience, and other dimensions of positive psychology deserve increasing emphasis. The field of positive psychology is providing a portrait of people that captures their fortitude, generosity, and compassion. Data generated by these studies highlight that although some may offer pessimistic predictions about how they or others would react in adverse situations, in fact, such situations often occasion the emergence of unsuspected courage and kindness. Fortunately, the focus of psychological studies has shifted from the beginnings of my career as a clinical psychologist. A spotlight on pathology and what needs to be fixed has slowly been replaced by an emphasis on identifying and nurturing strengths.

2. Studies of happiness may not only dispel certain myths, but the findings may encourage us to reflect upon and make needed changes in our lives. I frequently request my adult patients to list the five things in their lives that are most important to them. Typically the first two or three items relate to one's marriage or children or health. Yet, when I then ask them to tell me about each item on the list, invariably many describe devoting little time to cultivate

their top priorities. As Sam Goldstein and I observe in our book *The Power of Resilience: Achieving Balance, Confidence, and Personal Strength in Your Life,* numerous individuals recount with regret the limited time they spend with their spouse or children or in health-related activities such as diet and exercise. Instead they report being consumed with work-related responsibilities—responsibilities that afford them little, if any, satisfaction. A failure to live life in concert with one's reputed values will take its toll on our physical and emotional health.

3. Parents and other caregivers must strive to create opportunities for themselves and their children to contribute to the lives of others. Consider the studies reported earlier in this article. While college students may have anticipated that they would be happier spending money on themselves rather than on others, the actual findings did not support their predictions. Certainly we all want to earn enough to provide comfortably for ourselves and our family and we are aware that poverty has devastating results. However, the meaning of the word "comfortably" varies from one person to the next and as we have seen, once we reach a certain income level, happiness does not rise as a by-product of one's earnings. Rather happiness is linked to our connections with others, our empathy, our altruism.

"The Real Wealth in My Life"

A man was referred to me for therapy because he was feeling depressed and anxious. His entire existence appeared to revolve around the number of sales he made and the money he earned. But as the adage advises, "Money does not buy one happiness." Instead he found himself becoming increasingly distant from his wife, son, and daughter. With despair he reported, "If anyone had told me when I first started my career how much money I would eventually be making I would have been ecstatic. I would have felt that I was a real success. But now I don't feel ecstatic. I don't feel successful. I only feel sad and empty."

I vividly remember his use of the word "empty," which he chillingly described as an absence of enjoyment or passion. In the course of our sessions we discussed the choice he faced, either to continue his current lifestyle, which seemingly promised only an ominous outcome, or to forge a new life script. He recognized the importance of selecting the latter, which led to an ongoing dialogue between him and his wife. They considered the changes they would be required to make if he were to spend less time at work and more with his family. The sacrifices were not as significant as he feared and the benefits of eating dinner with his family, attending more of his children's sporting and school events, and spending increased time with his wife far outweighed these sacrifices.

In our last session together, he reflected upon the changes that had transpired in his life since we first met. He described how much closer he felt emotionally to his wife and children, and the noticeable lessening of stress in his life. He then reported a recent occurrence that elicited what he described as “a significant realization for me.” He and his wife were at a movie theater and they held hands during the movie. “As I held my wife’s hand I realized that what I was holding represented the real joy and wealth in my life. It took a crisis in my life to realize what true wealth is.”

A sentiment well-worth considering by all of us.

http://www.drrobertbrooks.com