

10-09-06 – G & M – You can buy happiness after all

Money

Turns out you can buy happiness after all



It just depends on what measure of happiness you use, new research suggests

Tralee Pearce

From Tuesday's Globe and Mail

Published on Monday, Sep. 06, 2010 3:26PM EDT

Last updated on Monday, Sep. 06, 2010 5:27PM EDT

Can money buy you happiness? Well, yes and no. It depends on what kind of happiness you're after, according to the latest research in the field. If you're hoping for emotional happiness and a sense of joy in your life, then your chances of being happy peak when your household income hits \$75,000 (U.S.). This finding is part of a study written by Nobel Prize-winning behavioural psychologist Daniel Kahneman and his colleague, economist Angus Deaton.

But they also found that, by a measure called "life evaluation," the \$75,000 threshold is non-existent. This second kind of happiness is measured by asking people if they are living the best possible life for them, on a scale of one to 10. And by this standard, happiness does continue to increase relative to household income.

The pair, who work out of the Woodrow Wilson School of Public and International Affairs at Princeton University, analyzed 450,000 responses from a survey called the Gallup-Healthways Well-Being Index, conducted in 2008 and 2009 by telephone. The study was published online Monday in the journal of the Proceedings of the National Academy of Sciences. People were asked about their emotions the day before the call. They were also asked to rate how close they were to living the best possible life they could.

The researchers found that as household incomes approach the threshold of \$75,000, people's reports of being sad, worried and angry decreased, and reports of being happy and joyful increased. After that threshold, however, emotional improvements stalled.

Dr. Kahneman says that comparing the two measures gives a fuller, if more complex, picture of how happiness works. "What is striking is how independent they are," he says of the two forms of happiness. "When you think about your life, momentarily, [whether] your life is a good one, it will make you cheerful for a while – but we really don't spend much time thinking about our lives." Instead, he says, our mood is determined by how we react to our surroundings all day long: how much we spend time with people we like and on things we like doing.

Nina Mazar, a behavioural economist and assistant professor in marketing at the Rotman School of Management at the University of Toronto, says this research is important because it proposes a new way to quantify a famously elusive concept. She's intrigued by the idea that two types of happiness are at play simultaneously. "Maybe they're not the same thing." Dr. Mazar says this can't help but add to the growing understanding of the crucial role of happiness in society, if only for the health benefits. "Emotional well-being is linked to physical and emotional health, especially depression."



Globeinvestor Personal Finance forum

Weigh in on whether you would stash some extra money into an RRSP, RESP or a TFSA.

[View](#)

In the study, ill health, time spent as a caregiver, loneliness and smoking were relatively strong predictors of daily negative emotions – and were experienced less as income rises. Dr. Kahneman says that the study therefore paints a grim picture of the emotional reality that comes with low-household incomes.

"One surprise is really how dreadful it is emotionally to be poor," says Dr. Kahneman, adding that illness and asthma were reported much more in the poorer survey respondents. "It is a richer picture of the pain of poverty." And it may be useful to know, from a public policy perspective, he says, that, "by \$75,000, the essentials are covered for most people."

Tim Stobbs, who blogs about his early retirement goals and happiness at Canadian Dream: Free at 45, says Dr. Kahneman's \$75,000 figure feels about right. "It seems to back up anecdotal evidence from a lot of people," the Regina resident says. "You do hit that plateau at some point. Where that plateau is varies a little person to person. Some are happy at \$50,000, some are closer to \$80,000." (He plans to be happy making about \$35,000 to \$45,000 a year in retirement.)

The life evaluation, or satisfaction, measure has more to do with education, marital status and income, according to the study. "If you look at your life, if you're a college graduate and you're not divorced and if you have high income, you have reason to think about your life as a good one," Dr. Kahneman says. "There's no reason that should saturate at any level. The higher the income the more satisfied people will be with their life, all other things being equal."

One of the major implications of this study lies in the two-part question itself – it's the first time a survey this large has asked both questions of the same respondents. "My guess is that there will be a lot of philosophical discussion and policy discussion about which of these two measures are relevant and when they are relevant," he says.
