Consumption, Income and Happiness

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11.1 Introduction: What is happiness?

The relationship between wealth, consumption and happiness is an ancient question, addressed in the early writings of major religions and philosophers. Many religious and philosophical thinkers have argued that money and the things it can buy do not generate happiness, whereas general public has seen things quite differently. Recent empirical work has allowed us to bring data to bear on this question, with fascinating results.

Most of this research on happiness (i.e. subjective wellbeing) is based on surveys that ask people about how 'happy' they are as well of things such as their income, what they buy, what their most important life goals are. The term "happiness" is very broad and in these studies can refer to several different things: life satisfaction, emotions, mental health/development, and life meaning.

- Many surveys assess a person's overall *life satisfaction* (Diener, Inglehart, & Tay, 2012) by asking questions such as 'looking at your life as a whole these days, how satisfied with your life would you say you are?' Studies also sometimes assess satisfaction with various domains of life, such as a people's satisfaction with their finances, health, family life. Life satisfaction is cognitive, that is to say it is a judgment, a conscious *thought,* about how well one is doing.

- Other measures focus on emotions, i.e. how people feel, rather than what they think about their lives. In one common measure, the Gallup World Poll asks people about whether they had various positive feeling (e.g. enjoyment and smiling or laughing) and negative feelings (e.g. worry, sadness, depression, and anger) the day before (Kahneman & Deaton, 2010).

- Some studies ask about *mental health* and/or *psychological development*. These studies may ask people about the level of stress they feel or they may look for symptoms of neurosis. These studies sometimes assess peoples 'self actualization' on the premise that a person is mentally healthier and more mature the closer they are to being self-actualized. Although most of these measures are survey questions, researchers sometimes also use physiological measures such as testing for stress hormones in the blood (Ryff, 1989).

- Finally, some studies ask about *meaning in life* (Ryff & Keyes, 1995), asking people about the extent to which they feel their life has meaning and purpose.

The distinction between these types of measures turns out to be important. Not surprisingly, all of these things are positively correlated with each other; e.g. people who report frequently feeling sad also tend to have low levels of life satisfaction, have high levels of stress, and to see their lives as lacking meaning. But these measures are not always synchronized, so, for example, it is possible for a person to experience a lot of sadness and despite this still report a high level of life satisfaction, or vise-versa. This is important because, as we shall see, some of the things that cause people to have high levels of life satisfaction are quite different from the things that lead them to experiencing positive emotions. So the question of 'what makes people happy' may have a somewhat different answer depending on which of these four aspects of happiness one is talking about.

Of these four types of questions, the first two – measures of life satisfaction and feeling positive and/or negative emotions – are by far the most common. For parsimony, when I use the terms 'happiness' or 'subjective well-being' (SWB) without further qualifications I am refereeing to these common measures of life satisfaction and affect. When I am referring to mental health or life meaning measures, I will say so explicitly.

This research assumes that people can assess their own happiness with reasonable accuracy, and there is a great deal of evidence to show that this is a reasonable assumption, especially when the researcher is averaging together the answers from a large sample (Diener et al., 2012; Helliwell, Layard, & Sachs, 2012; Van Praag & Ferrer-i-Carbonell, 2010; D. Watson, Clark, & Tellegen, 1988). In this sense, it is no different from the overwhelming majority of psychological research, which relies on self-report measures; as well as research in economics that looks at things like consumer sentiment or customer satisfaction. Moreover, research from neuroscience offers support for the claim that these self-reported measures of happiness are associated with the activation of reward centers in the brain (Sutton & Davidson, 1997).

While people are pretty accurate at telling if they feel happy right now, I will discuss several examples in this chapter where people are pretty lousy at predicting which options will make them happiest in the future, or explaining why they feel the way they do. This research is particularly useful when it can answer these questions where our intuitions often lead us astray.

11.2 Time: Future => Present => Past

In this section I review how the ways we think about our choices as consumers, relate to our happiness (for other similar reviews see Dunn, Gilbert, & Wilson (2011), and Tatzel (2014a, 2014b)).

It is common to hear the phrase "past, present and future." But with regard to the consumption cycle it works the other way around: first we anticipate a *future* purchase, then we use the product in the *present*, and then we look back on our *past* experience with the product (Koehler & Harvey, 2014; Quoidbach, Mikolajczak, & Gross, 2015; Zauberman, Ratner, & Kim, 2009). Dunn and Weidman (2015) call these three sages *anticipatory value* (of future product use), *momentary value* (while consuming the product), and *afterglow value* (from memories of past experiences). This framework highlights the fact that it is not just the actual use of products (i.e. momentary value) that matters for happiness. As Quoidbach, Mikolajczak, & Gross (2015, p.5) point out, people "play the lottery just because buying a ticket allows them to dream about what they would do . . . (and people) buy souvenir pictures to help them remember how fun a roller-coaster ride was."

When a topic relates primarily (although not necessarily exclusively) to one of these stages, I have organized it by stage just below.

11.2.1 Anticipation of future product use

From a sociological perspective, Campbell (1987) wrote about the way modern consumer culture was built on and is driven by the pleasure people get from fantasizing about how great it will be when they finally buy this or that, rather than simply the utility they will get from actually using the product. Later research has shown that, indeed, the pleasure people get from anticipating future purchases can be a major source of enjoyment that people get from the marketplace (Dunn & Norton, 2013; Richins, 2013). For example, a study of people going on vacation found that their anticipated enjoyment of the vacation and their recalled enjoyment after the vacation, were both higher than their actual enjoyment on the vacation (Mitchell, Thompson, Peterson, & Cronk, 1997). In a related study, Nawijn, Marchand, Veenhoven, & Vingerhoets (2010) found that this pre-trip anticipation boosted the overall happiness of people about to go on a vacation. But the happiness of the vacation did not carry over into people's lives immediately after their return (with the exception of people who had an extremely relaxing vacation).

Why was there more of an emotional impact to thinking about the vacation one is about to take than there is to thinking about the vacation one just took? Caruso, Gilbert, & Wilson (2008) found that in general, *people respond with greater emotional intensity to future events than to past events*. In a series of studies, Caruso et al. (2008) showed that Mock-jurors awarded less money to an accident victim who had already suffered for a year than they did to an accident victim who was going to suffer for the next year, and people also bought a less expensive thank you gift for someone who had already done them a favor than they did for someone who was about to do them a favor.

The pleasure of positive anticipation is powerful. Powerful enough in fact that people who make appoint of practicing positive anticipation tend to be happier than those who do not (Bryant, 2003). And in some cases, people do seem to know that anticipation is a good thing and act accordingly. For example, in one study students where asked how much they would be willing to pay for kiss from the movie star of their choice, and the students indicated they would pay more for a kiss 3 days later than for a kiss 3 hours later (Loewenstein, 1987). Yet more often, people succumb to the call of present gratification and do not take full advantage of the possibilities that anticipation provides. This is because, “while the future may be more emotionally compelling than the past, nothing is as powerful as the present” (Dunn et al., 2011, p. 120). Often, people fall prey to what is called future anhedonia; “the belief that hedonic states will be less intense in the future than in the present” (Kassam, Gilbert, Boston, & Wilson, 2008, p. 1533). For example, when people estimate how much they will enjoy getting a gift on the day they receive it, they expect more pleasure if that day is today than if it is three months in the future.

The most straightforward way to boost anticipatory pleasure is to delay purchase, but it is not the only way to achieve that. Delaying purchase allows you to anticipate the pleasure over a longer period of time, but uncertainty (not to be confused with anxiety) leads you to have more frequent positive thoughts about the future happy event, and thus increases its impact on your mood. For example, Kurtz, Wilson and Gilbert (2007) told some research participants that they had won one prize (certain condition), told other participants that they had won two prizes (two-gift condition), and told a third group that they had won one of two prizes, but not which of the two prizes it was (uncertain condition). Not only did people in the uncertain condition spend more time in a positive mood than did people in the certain condition, the people in the uncertain condition were even happier than people in the two gift condition who were getting both of the possible gifts.

11.2.1.1 Impulse buying

Impulse buying is the enemy of savoring the anticipation of future purchases. And it is quite widespread, as Nicholls and Li (2001) found that nearly half of all shoppers in a US mall made at least one impulse purchase while there. And Kacen and Lee (2002) report that worldwide, increasing numbers of people identify as impulse buyers. Studies have also found impulse buying to be somewhat more common in women than in men, and like many other impulsive behaviors to decrease with age (Silvera, Lavack, & Kropp, 2008).

Impulse purchasing is not inherently bad; in some cases it might simply reflect a shopper's healthy spontaneity and flexibility. But a chronic tendency for impulse buying is associated with numerous problems. For example, feelings of regret are so central to the impulse buying experience that they became part of the most widely used impulse buying measure (Verplanken & Herabadi, 2001). Trocchia and Janda (2002) also found buying impulsively predicted later unmet expectations and social embarrassment when using the product.

Some outcomes of impulse buying are specific to the cognitive or affective aspects of this phenomenon. The cognitive aspects of impulse buying include a lack of planning and deliberation before purchase; whereas the affective aspects include feeling excited, compelled to buy, and even out of control regarding impulse purchases (Verplanken & Herabadi, 2001). The cognitive aspects of impulse buying are associated with lower levels of life-satisfaction; whereas the affective elements are positively related to negative affect and negatively related to self-esteem (Silvera et al., 2008).

11.2.2 Momentary value from current product use

One might think that the benefits we get from products while we are actually using them (as opposed to anticipating our future use or remembering our past use) would be the most widely studied aspect of the relationship between happiness and consumer behavior . . . but you would be wrong. The reason momentary value is rarely directly studied is that doing so is difficult. Either you create a situation in which study participants will be using a product, such as a taste test; or you use experience sampling. In experience sampling, participants are contacted at random times during the day and asked what they are doing, how they are feeling. Experience sampling has the advantage of getting data from people using products as they normally would. But experience-sampling studies are very difficult and expensive to run.

Rather than asking people about their product experience while they are using it, it is so much more feasible to simply ask participants to remember a time they used a product, for example 'think back to the last time you drove your car, how much fun was it?' This type of research is quite common. Unfortunately, we know that people's memories for this type of information are inaccurate (Csikszentmihalyi & Hunter, 2003; Dunn & Weidman, 2015; Mitchell et al., 1997; Weidman & Dunn, 2015). That's not to say that this type of data is useless. It does help us understand afterglow value, the good or bad feelings people have *now* because of the (correct or incorrect) ways they remember past product experiences. But it isn't an accurate measure of the feelings people were having in the past when they were actually using the product.

Despite the practical difficulties involved, there have been some studies with accurate 'on-line' measures of consumer experience while using products (e.g. Csikszentmihalyi & Hunter, 2003; Weidman & Dunn, 2015) as well as other related studies reviewed by (Zuzanek & Zuzanek, 2014). In terms of overall time use, some of the least enjoyable activities are those associated with the traditional homemaker role: cleaning, cooking and childcare. Childcare is an interesting example of something that when people are asked about their past experiences they remember it as a fairly enjoyable activity, but when they are actually providing childcare and are asked how they are feeling at that moment, they report low levels of enjoyment (Zuzanek & Zuzanek, 2014). Paid work out of the home tends to be more enjoyable than household chores, but commuting to that work tends to be a very unpleasant experience (Gallup, n.d.; Stutzer & Frey, 2008; Zuzanek & Zuzanek, 2014).

Shopping is an activity of special relevance to any discussion of consumption and happiness. Compared to other daily activities, shopping is in the middle of the pack in terms of being an enjoyable experience, with grocery shopping being slightly less enjoyable than other types of shopping (Zuzanek & Zuzanek, 2014).

The most enjoyable activities are active sports, socializing, and sex (Csikszentmihalyi & Hunter, 2003; Zuzanek & Zuzanek, 2014), so products that enable those activities can produce significant happiness. Further supporting the centrality of interpersonal relationships to consumption (Ahuvia, 2015), an activity done alone produces significantly less happiness than that same activity done with friends (Csikszentmihalyi & Hunter, 2003).

One crucially important finding is that, contrary to what one might expect, spending more time in enjoyable entertainment activities does not necessarily make a person happier overall (Zuzanek & Zuzanek, 2014). Rather, As Aristotle taught, happiness lies in a balanced life with neither too little, nor too much, time spent simply on recreation (Aristotle, 1999). Watching TV provides a good example. Watching TV is enjoyable, often more so than people like to admit. TV is the opposite of childcare in this regard, i.e. when one compares (a) how much people say they are enjoying themselves at that moment while they are watching TV, to (b) how much people say they enjoy watching TV in general, their actual enjoyment (a) is significantly higher than their remembered enjoyment (b). Yet people who spend a lot of time watching TV tend to be less happy than people who spend only a moderate amount of time watching TV. It is very possible to get too much of a good thing.

11.2.3 Afterglow value from experiences vs. objects

A significant and rapidly growing body of research shows that, in general, people derive more happiness from purchasing experiences such as entertainment, travel and education; than from purchasing similarly priced physical goods (Carter & Gilovich, 2013; Gilovich, Kumar, & Jampol, 2015; Van Boven & Gilovich, 2003). For example, Van Boven & Gilovich (2003) asked people to recall one experiential purchase and one material purchase that they had made with "the aim of increasing your happiness." When asked which purchase made them happier, people chose the experiential purchase by an almost 2:1 margin (57%: 34%).

I am addressing this topic under the heading of afterglow value, because the overwhelming majority of this research has looked at how consumers remember past purchases (Dunn & Weidman, 2015). That said, Kumar, Killingsworth and Gilovich (2014) found that purchasing experiences produced more anticipatory pleasure than did purchasing objects. Looking at momentary value received while using the product, some studies find that experiential purchases have the advantage here as well (Carter & Gilovich, 2010; Nicolao, Irwin, & Goodman, 2009), but Weidman & Dunn (2015) tell a slightly more complex story in which purchased experiences produce the most intense happiness during use but purchase of objects provide more frequent momentary happiness over time.

Common sense, and the findings from Weidman & Dunn (2015), might reasonably (yet incorrectly) lead one to think that spending money on an experience, such as going to a concert, would only provide short-term happiness; whereas putting that money towards an object, such as a sophisticated audio system, would provide more afterglow happiness since the object would still be around to provide recent positive experiences and to remind you of all the pleasant experience it has provided over time. Yet the data shows just the reverse. In one study, people were asked to remember significant past purchases of either objects or experiences, and rate how much enjoyment they received both just after purchase and how much enjoyment the purchase still brings them today. "There was no difference in participants' ratings of their initial enjoyment, but participants indicated that they got much more current enjoyment from their experiences" (Carter & Gilovich, 2013, p. 52).

Beyond the staying power in memory of experiential purchases, Carter and Gilovich (Carter & Gilovich, 2013; Gilovich et al., 2015) argue that there are three main reasons why experiential purchases tend to bring more happiness than do purchases of objects. First, making competitive comparisons between ourselves and other people usually leads to unhappiness. Material purchases lend themselves to these types of comparisons much more easily than do experiential purchases (Carter & Gilovich, 2010).

Second, people also use the things they buy to help define their identity (Ahuvia, 2013), and for most people, experiential purchases tend to do this more effectively than do purchases of objects (Carter & Gilovich, 2012). However, in a paper entitled *Damned If They Do, Damned If The Do not*, Zhang, Howell, Caprariello and Guevarra (2014) found that people who have a strong tendency to purchase goods over experiences do so, in part, because they do not find the purchase of experiences to be particularly self-expressive. These people still receive relatively little happiness for the purchase of objects, but this research concludes that their happiness would not increase if they switched to purchasing experiences, because they would not receive one of the major benefits (i.e. self-expression) that other people enjoy from experiential purchases.

And third, one of the core functions of consumption is creating, strengthening, and helping manage our social relationships (Ahuvia, 2015). Experiential purchases also have the edge over objects in this regard, as experiential purchases are better at bringing people together and creating a shared sense of group identity (Carter & Gilovich, 2013; Gilovich et al., 2015; a. Kumar & Gilovich, 2015). This is partly because, as Caprariello and Reis (2013) found, experiential purchases are often consumed with other people where as purchased objects are often used solo. The positive effect of consuming products in a social setting had such a powerful effect on happiness, that when the effects of social vs. solitary consumption were controlled for, experiences no longer showed a happiness advantage over objects.

In addition to these three explanations, I would add that *a purchase really only brings happiness to the extent that it creates an experience*. If you buy a pair of skis but never use them, all they will bring you is regret. However, Guevarra and Howell (2015) found that when the purchase of an object facilitates a meaningful experience (i.e. you actually use the skis), these objects produce similar levels of happiness to the direct purchase of an experience. Unfortunately, we often we do not make as good use of the objects we buy as we had envisioned we would. When we buy experiences, in contrast, we almost always follow through. It is easy to buy skis and never get around to learning how to use them, but if you actually buy a ski vacation it would take an extraordinarily circumstance for you not to go.

11.2.4 Time-inconsistent preferences

In addition to the three types of value (anticipation value, momentary value, and afterglow value) discussed above, time is also important for the relationship between consumption and happiness because of what in the academic literature are often called 'time-inconsistent preferences' or 'hyperbolic discounting' and in the common English are simply called temptations. "When people select goods for immediate consumption, they are tempted by "vices," such as fattening food and lowbrow entertainment, which produce pleasure right away but lack long-term benefits—or even carry long-term costs—for well-being" (Dunn et al., 2011, p. 120).

This is a major problem with regard to savings and debt. In terms of happiness, one of the best things you can do with your money is save it. Having savings or other investment assets has "been found to be stronger predictors of life satisfaction than income alone" (Ruberton, Gladstone, & Lyubomirsky, 2016, p. 1). And this is not limited to large stock portfolios, simply having a little readily accessible cash on hand "is of unique importance to life satisfaction, above and beyond raw earnings, investments, or indebtedness" (Ruberton et al., 2016, p. 1). In contrast, being in debt (excepting mortgages) is psychologically very harmful, and each dollar of debt is more psychological painful than a dollar of savings is psychologically beneficial (S. Brown, Taylor, & Wheatley Price, 2005). People with high levels of consumer debt live in that Bernthal, Crockett, & Rose (2005, p. 137) call a psychological "debtor's prison" of guilt, rationalization, and low self-esteem (Tatzel, 2014b). And this is an all too common experience, with almost half (48%) of US residents telling pollsters that they are worried about their debts (Chancellor & Lyubomirsky, 2013). Yet even though many people recognize that they ought to save more, they have a hard time resisting present temptations.

Research on willpower and temptation has provided useful insights on this phenomenon. For example, Shiv and Fedorikhin (1999) assigned half the participants in their study to remember a seven-digit number and the other half to remember a two-digit number. Subsequently, the participants were offered a choice between chocolate cake and fruit salad. Participants remembering a seven-digit number were much more likely to choose the chocolate cake. Why? Resisting the temptation of the cake required mental resources and these resources had been previously depleted by their heavier cognitive load of remembering the seven digit number. The choice of cake or fruit, then, is partly a function of what a person thinks will be best for them in the long run, and partly a function of whether they have the mental strength to resist the short-term temptations.

Research has also suggested ways for helping people limit the negative effects of temptation. First, whether employees choose to set aside part of their paychecks for retirement savings, for example, is strongly influenced by the default options on their paperwork: if "save" is the default, people are much more likely to save than if the default is "do not save," even if all they need to do is check a box on their paperwork. A simple yet powerful nudge in this case is to set the default option to "save," and in fact this measure has proven highly effective in increasing retirement savings (Thaler & Sunstein, 2008).

Second, in many ways the brain's ability to exert willpower is similar to a muscle's ability to exert physical power (Muraven & Baumeister, 2000). They both can be strengthened by exercise. Specifically, regular small exertions of willpower will strengthen your ability to resist temptation (Baumeister, Vohs, & Tice, 2007).

Third, cultivating good habits is a classic virtue that has regained public attention of late (Duhigg, 2012). In this approach to the problems of temptation, rather than resisting temptation with willpower, the individual avoids the experience of temptation by cultivating good habits and preventing the creation of bad habits (Neal, Wood, & Drolet, 2013). I this way, habits allow people to side-step the use of willpower because their decisions have been "pre-made" by the habit.

Finally, it is also possible to limit the problems of temptation by more literal forms of 'pre-making' a decision. "Delayed consumption is more likely to promote the selection of "virtues," which produce more lasting (if less immediate) well-being" (Dunn et al., 2011, p. 120). This can be seen when people choose what foods to eat. When people choose between fruit and candy for a food to eat immediately, they overwhelmingly choose the candy. But when given the same choice but told they will eat the food a week later, they usually choose the fruit (Read & van Leeuwen, 1998). This also applies in the case of savings. For example, employees may not agree to have a high percentage of their current wages put into saving, but are much more likely to agree to have a high percentage of all future wage increases automatically diverted into long-term savings (Thaler & Sunstein, 2008).

11.3 Happiness: The Me and the We

11.3.1 Giving

In a now classic experiment, Dunn, Aknin, and Norton (2008) had people imagine hypothetical scenarios in which they were given either $5 or $20 and asked to either spend the money on themselves or on someone else. The researchers then asked the study participants to predict in which scenarios the recipient of the money would be happiest? Perhaps not surprisingly, most people guessed that people receiving $20 would be happier than people who received only $5 and that the people who spent the money on themselves would be happier than people who gave it away. The researchers then actually did what they had described, giving away either $5 or $20 to random people, asking half of them to spend it on themselves and the other half to give it away; and then contacting those people later that day to ask them about their mood. It turns out that common sense predictions of what would happen got it all wrong. People who received $20 were not happier than people who received $5 (both groups where equally happy) and the people who gave the money away where actually in a *happier* mood than the people who spent the money on themselves. Thus began a long series of studies showing that, in terms of happiness, one of the best things you can do with money is give it away (Aknin et al., 2013; Dunn, Aknin, & Norton, 2014; Ricard, 2015).

Dunn et al., (2014) argue that giving creates happiness because it helps people meet what self-determination theory considers to be their basic psychological needs. Self-determination theory (Grouzet et al., 2005; Kasser, 2002a; Niemiec, Ryan, & Deci, 2009; Ryan & Deci, 2000) holds that people have basic needs for *relatedness* (i.e. close social relationships), *competence* (i.e. feeling that you are good at what you do and can make a difference in the world), and *autonomy* (i.e. being able to freely make choices about your own life). Giving enhances relatedness in many ways such as giving a gift to someone you know (Ahuvia, 2015; Belk & Coon, 1993; Giesler, 2006) or when two people become closer by working side-by-side on a pro-social task. Giving helps meet the givers need to feel competent and effective when the giver can see or imagine who the gift is making a difference in someone else’s life. Lastly, giving helps meet the givers need for autonomy when they feel the gift was freely given.

Research on self-determination theory holds that people will be happier, mentally healthier, and even physically healthier (e.g. lower stress levels), when they strive to meet these needs and find some success in doing so (Dittmar, Bond, Hurst, & Kasser, 2014; Niemiec et al., 2009; Sheldon & Kasser, 1998). Self-determination theory calls motivations and goals associated with meeting these needs *intrinsic motivations*. In contrast, *extrinsic motivations* are goals such as getting rich and famous that distract from, or even work against, meeting ones intrinsic needs.

As I suggested in Ahuvia (2011), self-determination theory may be most easily understood through an analogy to ‘psychological nutrition.’ In this view, lasting happiness is not the result of any particular pleasant experience but rather an outcome of psychological health. The mind has certain ‘psychological nutrition’ needs, and intrinsic goals are those goals which, when met, fulfill these psychological nutrition requirements and thus lead to psychological health. Extrinsic goals such as gaining social prestige through conspicuous consumption are the equivalent of mental desserts – attractive and momentarily pleasing, but lacking in psychological nutrition. Obtaining these mental desserts does not promote psychological health and hence does not create long-term happiness. In fairness to desserts, whether chocolate or metaphoric in nature, they can be fun and are dependably pleasurable. Desserts are not inherently bad, but if they play too large a role in one’s life, that can cause real problems. In the case of meeting one’s psychological needs, an excessive emphasis on extrinsic goals (psychological desserts) has been empirically associated with, a host of maladies including anxiety, depression, neurotic physical symptoms, unpleasant emotions, drug abuse, alcohol abuse, behavioral disorders, lower levels of self-actualization, less vitality, less life satisfaction and fewer pleasant emotions‘ (Ahuvia & Izberk-Bilgin, 2012).

11.3.2 Materialism

Materialism is not good for happiness. The two most widely used measures of materialism come from Richins (2004), who conceptualizes materialism as (a) placing possessions and money at the center of one's life, (b) believing that money brings happiness, and (c) judging one's own and others' success based on income and possessions; and from Kasser (2002b) who defines materialism as a tendency to prioritize extrinsic goals (e.g., money, fame, and physical attractiveness) rather than intrinsic goals (e.g., strong positive social relationships, growing as a person, and contributing to one's community). In a meta-analysis of studies on materialism, Dittmar et al. (2014) found very consistent results in which higher levels materialism (for those two measures and others) where associated with lower levels of well-being. The meta-analyses went beyond looking at happiness *per se*, and found that the relationship between materialism and negative outcomes was actually stronger for risky health behaviors (e.g. drugs), problematic consumer behaviors (e.g. excessive debt) and for negative self-image than it was for unhappiness (i.e. low life satisfaction and negative affect). Looking at various measures of materialism, the measures that only looked at how much a person desires money had the weakest associations with negative outcomes, whereas the measures that saw materialism as including a focus on image and social status had the strongest association with negative outcomes. Nonetheless, even studies just looking at financial aspirations can produce strong results, for example:

> An important study covers a group of students who were freshmen in 1976. Soon after entering college they were asked "the importance to you personally of being well off financially." Nineteen years later they reported their income and their overall satisfaction with life, as well as with family life, friendships, and work. At a given level of income, people who cared more about their income were less happy with life overall, with their family life, with their friendships and with their job. Of course people who care more about money also tend to earn more, and this helps to offset the negative effect of materialism. But in this study a person considering high income essential would need twice as much income to be as happy as someone considering high income unimportant. (Helliwell et al., 2012, p. 73)

Does the fact that materialism is associated with unhappiness mean that materialism causes unhappiness? Pieters (2013) looked specifically at the association between materialism and loneliness and found that it was a bidirectional cycle, where materialism led to loneliness and loneliness also led to materialism. It is likely that a similar bidirectional cycle exists between materialism and unhappiness in general.

Why is materialism associated with unhappiness? If you consider the attitudes and behaviors that have been shown so far to lead to happiness, materialists tend to strike out. Saving money for the future is associated with happiness. Yet Watson (2003) found that the higher people were in materialism the less likely they were to save, and the more likely they were to spend money and to express positive attitudes about borrowing money for luxury goods. Giving to others has also been shown to lead to happiness (Ricard, 2015), yet materialists also tend not to be generous (Belk, 1985; Kasser, 2002b; Richins

& Dawson, 1992). Much of the pleasure in consumption comes from the pleasant anticipation of a purchase, and this tends to be particularly true of materialists in that their enjoyment of a product tends to go *down* once they actually purchase it (Richins, 2013). So a wise materialist would try to extend this pre-purchase period, but materialists tend to do just the opposite and are particularly prone towards impulse purchasing (Podoshen & Andrzejewski, 2012).

While those reasons are important, "perhaps the blackest mark against materialism" (Tatzel, 2014b, p. 182) is the negative effect materialism can have on one's social relationships (Ahuvia, 2015). One of the strongest findings from happiness research is the crucial and indispensible role that strong positive social relationships play in creating a happy life (Demir, 2009; D. M. G. Lewis, Al-Shawaf, Russel, & Buss, 2015; Myers, 1999). Materialists often neglect their close social relationships (Pieters, 2013; Wallendorf & Arnould, 1988). Materialists generally do not to share well (Belk, 1985; Richins & Dawson, 1992), and Kasser (Kasser, 2008, p. 2) notes that, "materialistic values tend to oppose values such as being "helpful" and "loyal," obtaining "true friendship" and "mature love," and having close, committed relationships." Materialists tend to bring a competitive status orientation to their social relationships (Ahuvia, 2015). Even materialists marital relationships tend to be "cool" rather than "warm" (Claxton, Murray, & Swinder, 1995). And to add insult to injury, materialistic people are even seen as boring to talk to, at least about materialistic topics (Van Boven, Campbell, & Gilovich, 2010). It should not be surprising then that materialists are relatively less satisfied with their close personal relationships (Nickerson, Schwarz, Diener, & Kahneman, 2003).

Although purchases of experiences tend to directly produce more happiness than do purchases of objects, materialists tend to purchase objects rather than experiences. This is probably because materialists like to buy status symbols (Ahuvia, 2015; Hudders & Pandelaere, 2011; Hunt, Kernan, & Mitchell, 1996; Richins, 1994; Wang & Wallendorf, 2006) and publically visible physical objects are usually better than experiences at conveying high social status to others (Carter & Gilovich, 2010, 2012).

The finding that materialistic people tend to purchase physical objects rather than experiences raises an important issue about the nature of materialism. Some people understand the word materialism as referring to people who care a lot about material (i.e. physical) objects, in which case it would true by definition that materialists care more about objects than experiences. Elsewhere (Ahuvia, 2015) I have argued that this is a misunderstanding of the term materialism. The route word "mater" in "materialism" originally referred to *worldly* rather than *spiritual* concerns. By this earlier religiouslygrounded definition many purchased experiences (e.g. a massage) would be considered highly worldly/materialistic, whereas the purchase of some physical objects (e.g. a bible) would not be materialistic. As our culture has become more secular, this understanding that spiritual concerns are not materialistic (even if they involve physical objects) has broadened to include what our culture considers to be “higher,” more “elevated” concerns, such as the arts. So, ‘starving artists’ are widely seen as among the least materialistic members of society, even if they dedicate their lives to producing material objects. Therefore, it is incorrect to assume that *by definition* materialists are inclined to purchase material objects (Zhang et al., 2014). And this makes the finding that materialists do in fact tend towards purchases of objects all the more interesting.

Along with the discussion of materialism provided just above, the topic of materialism emerges again below as I discuss the relationship between income and happiness.

11.3.3 Non-interpersonal love

Brand love is not psychologically identical to interpersonal love (Batra, Ahuvia, & Bagozzi, 2012; Langner, Schmidt, & Fischer, 2015), yet it is still a deep love relationships that is far more complex than simply being a high level of liking (Ahuvia, 2005; Ahuvia, Bagozzi, & Batra, 2014; Ahuvia, Batra, & Bagozzi, 2009; Albert & Merunka, 2013; Albert, Merunka, & Valette-Florence, 2008; Bagozzi, Batra, & Ahuvia, 2015; Batra et al., 2012; Lastovicka & Sirianni, 2011). The relationship between brand love and happiness is intriguing because on the one hand, love has a strong positive relationship to happiness (Helliwell et al., 2012), yet brand love also looks a lot like materialism which we have just seen has a negative relationship to happiness.

Research to date on this question has been limited (Ahuvia & Rauschnabel, 2015), but the findings are interesting because they present a bit of a puzzle. This research is based on a representative sample of Facebook users in Germany and the US collected by the market research firm GfK, as well as numerous student samples. All data are consistent with past findings that materialism is negatively related to happiness, and also show that materialism is positively related to brand love. Yet, data also consistently show that brand love is *positively* related to happiness. Why we dependably see this pattern of results is still unknown, but Ahuvia and Rauschnabel (2015) suggest what they call the ‘sunshine people’ explanation; i.e. that some consumers may have a generally positive and cheery disposition that leads them to evaluate things in a positive way. This cheery disposition would lead them to evaluate their own life positively leading to high scores on happiness measures, and it would lead them to evaluate brands positively leading to high scores on brand love.

Whereas 'brand love' refers specifically to loved brands, products and services; 'non-interpersonal love' refers more broadly love of anything other than a person such as loved places and activities. A significant body of research by Vallerand and colleagues (for review see Vallerand, 2012) explores the relationship between passionate activities and happiness. While this literature uses the word "passion," the actual construct definitions are completely compatible with theories of non-interpersonal love (A. Ahuvia et al., 2009). This research shows that in general, being involved with activities one loves is positively associated with psychological wellbeing. But in some cases a loved activity can become an "obsessive passion" (Vallerand et al., 2003, p. 756) where the person feels out of control and emotionally dependent on the activity. These obsessive passions are associated with lower levels of happiness and overall psychological wellbeing.

11.4 Income and Happiness

Many readers look to the research on income and happiness with a question in mind: is striving for a higher income a good strategy for becoming happier? The short answer is, *if you are genuinely poor* and getting out of poverty is a realistic option, then yes, getting out of poverty is an excellent idea. But for the rest of us, treating a higher income as an important life priority is probably not an efficient strategy for becoming happier. Why? Ahuvia et al. (2015) distinguish between three types strategies for becoming happier: (1) *externalist strategies* such as increasing one's income in order to try to change one's circumstances, (2) *internalist strategies* such as therapy or meditation in order to try to change one's thinking, and (3) *interactionist strategies* (the advocated approach) looking for synergistic ways of combining internal and external changes. Many people have a habit of looking immediately to externalist strategies such as increasing one's income, without giving enough consideration to internalist approaches; or better still, considering how internalist and externalist strategies can interact with each other in a synergistic way to boost ones happiness. Furthermore, even looking within the various externalist strategies, for most people who are not poor, externalist approaches such as improving one's social relationships are going to have a higher happiness payoff than increasing one's income (for more applied advice see Ahuvia, Thin, Haybron, & Biswas-Diener, (2013).

That said, the relationship between income and happiness is one of the most widely researched topics in positive psychology, and studies almost invariably find a small, but statistically significant, positive relationship between income and happiness. For this correlation, how small is small? In the previous work (Ahuvia, 2012; Ahuvia & Friedman, 1998) I reported that typical studies in developed economies indicate that income explains only about 3% of the difference in happiness between individuals, give or take a point or two. This remains true, but more recent work has revealed a much more detailed and interesting picture of the relationship between money and happiness. So much so that if all you remember is the 3% figure you really will not have a very useful picture of the relationships between money and happiness. Therefore, we now turn to some of the more important factors.

11.4.1 Income and one's standard of living

Research on the relationship between income and happiness is mostly done through finding correlations in survey data. When positive correlations are found between income and happiness (and they almost always are weak, but present), it is tempting to interpret these as revealing the impact of a higher standard of living on happiness. But there are several very plausible rival explanations for these correlations.

High-paying jobs also tend to have other rewards such as autonomy and relatively interesting work, which are associated with SWB (Argyle, 1996). Unemployment is another likely cause of spurious correlations, since unemployment brings both a loss in income, and strong negative effects on happiness over and above the associated loss of wages (Clark, 2006). Like unemployment, heavy consumer debt it significantly reduces happiness regardless of income level (Ahuvia & Friedman, 1998), putting people in "a psychological 'debtor's prison' of constraint, guilt, and low self-esteem" (Tatzel, 2014, p. 177; citing Bernthal, Crockett, & Rose, 2005). And like unemployment, consumer debt is possible at all income levels but is more common among those with lower incomes (Lea, Webley, & Walker, 1995).

The case of consumer debt is particularly interesting because of what it implies about consumption and happiness. Imagine three people who have the same income and all start the month with no debt and no savings. However, by the end of the month person 1 is $1000 in debt, person 2 has broken even, and person 3 has put $1,000 away as savings. It follows that Person 1 has enjoyed $1,000 more consumption than Person 2 and $2,000 more consumption than Person 3. If consumption leads to happiness we would expect Person 1 to be the happiest and Person 3 to be the least happy. But if fact just the opposite is true; at any given income level debt is associated with less happiness and savings (i.e.

reduced consumption) is associated with greater happiness (Ahuvia & Friedman, 1998; Douthitt, 1992).

Finally, rather than wealth causing happiness, the causation could go in the other direction, as happiness "seems to foster success in the workplace" (Diener, 2012, p. 593). It seems intuitive to many people that of course, success leads to happiness more so than happiness leading to success. But evidence continues to mount that a significant portion of the observed correlations between income and happiness may be due to the fact that happy people end up having higher incomes. In a direct test of this idea, researchers found that college students who rated themselves as being cheerful upon entering college ended up having higher incomes 19 years later (Diener, Nickerson, Lucas, & Sandvik, 2002). Aspects of a happy personality, such as optimism, have been shown to lead to higher incomes (Argyle, 1996; Lucas & Diener, 2009; Myers & Diener, 1995). Other studies have found that "happy" workers are more productive (Oishi, 2012). The influence of these personality variables can be so powerful, as noted in Cummins (2000) review study, that when income is included in models, along with psychological variables such as optimism, control, and self-esteem, income does not show unique significance. However, a longitudinal study by Diener et al. (2013) found a cycle of causation in which both increased income led to happiness and increased happiness led to income.

One of the best ways to separate out the effects of income on happiness from many of these other confounding variables is to track individuals over time and see how changes in their income related to changes in their level of happiness. One such study used longitudinal West German data that tracked the income and life satisfaction of specific individuals every year since 1984 (Helliwell et al., 2012). Remarkably, this study found that "ceteris paribus, differences in income explain about 1% of the variance of life-satisfaction in the population" (p. 61) It should be noted though that West Germany is a wealthy country with a strong social safety net, so poverty of the type found in the developing world was not within the domain of the study.

11.4.2 Emotions vs. life satisfaction

Income has a different relationship to one's emotional experience than it does to one's life satisfaction. To understand why, suppose we took some typical happiness questions and changed them to focus on driving your car. Emotions questions would become something like "last time you drove your car, to what extent did you feel each of these emotions (frustration, joy, sadness, worry, excitement, happiness.)?" It is likely that the things that had the biggest impact on your emotional experience while driving included whether you were in a hurry, what the traffic was like, the behavior of other drivers, how long the drive was. Having more money would allow you to buy a better car that would probably also influence your emotional experience while driving, but not nearly as much as whether a driver suffering from road rage honked and yelled at you. This holds true when we ask not just about your emotions while driving, but about the emotions you experienced in all of your activities the day before. Having more money lets you buy nicer things, but this has only a very small relationship with the positive or negative emotions you feel throughout your day (Kahneman & Deaton, 2010).

Some recent research allows us to understand this relationship between our income and our daily emotional experience in a little more detail. True, a higher income allows one access to the finer things in life. But a higher income also has a downside in that it reduces one's ability to savor life's everyday small pleasures (Quoidbach, Dunn, Hansenne, & Bustin, 2015).

To the extent that having a higher income does improve one's day-to-day emotional experience, evidence suggests that it does so by reducing the severity of negative experiences rather than improving positive experiences (Kushlev, Dunn, & Lucas, 2015; cf. Diener, Ng, Harter, & Arora, 2010). The "pain of some of life's misfortunes, including asthma, divorce, and being alone, is significantly exacerbated by poverty; even the benefits of the weekend are less for the poor. Similar results apply to stress and positive affect" (Kahneman & Deaton, 2010, p. 16491). This is also consistent with findings that even controlling for income and investments, having enough cash on hand to buffer life's unexpected problems is significantly related to happiness (Ruberton et al., 2016). (This finding finally allowed me to understand what I had previously thought was an absurd aphorism from my grandmother: "rich or poor, it is good to have money.")

Now consider a 'car satisfaction' question that asked you to evaluate your car on a scale that ranged from 0 (worst possible car) to10 (best possible car). How much your car cost is probably quite relevant to your answer on this question. So too when respondents state where their current life would fall on a scale that ranged from 0 (worst possible life) to10 (best possible life), as respondents do in the most popular life satisfaction measure called Cantril's ladder (Cantril, 1966). In responding to this type of measure, a person steps back from their day-to-day experience and reflects on how their life compares to some standard they have for what constitutes a good life. Since most people see having an affluent lifestyle to be part of a good life, income has a much stronger relationship to life satisfaction than it does to one's daily experience of life as you live it (Diener et al., 2010; Kahneman & Deaton, 2010; W. Ng & Diener, 2014). For example, Diener et al.

(2010, p. 57) found that the relationship between income and life satisfaction was over six times as strong as the relationship between income and positive or negative emotions. And even these relatively strong correlations between life satisfaction and income are, in absolute terms, weaker than many people might expect. For example, the Diener et al. (2010) study found that 80% of the difference in life satisfaction between people was attributable to factors other than income.

Finally, it may be helpful to note that asking people 'on a scale of 1-10 how good is your life?' is similar to asking them how 'successful' they are. Thus we can summarize the finding here by noting that income above a moderate level has no further impact on how happy a person feels. But higher and higher incomes continue to increase people's view of themselves as being successful.

11.4.3 The less income you have, the more it matters

The strength or the relationship between income and life satisfaction is curvilinear; where the richer one is the less impact additional income will have on one's happiness. This curvilinear relationship holds for both affect and life satisfaction, although as stated above the relationship is much stronger for income and life satisfaction than it is for income and affect. We are now able to specify that the shape of the curve is roughly logarithmic, so that an extra dollar in the hands of a person earning $5,000 per year produces ten times as much happiness as a dollar in the hands of someone earning $50,000, which in turn produces ten times as much happiness as a dollar in the hands of someone earing $500,000 per year (Helliwell et al., 2012). This curvilinear relationship is consistent with the finding that people in extreme poverty report dramatically lower levels of life satisfaction than do the non-poor (Biswas-Diener & Diener, 2001; Diener, 2012; Diener & Biswas-Diener, 2002; Galinha, Garcia-martín, & Gomes, 2016; Thin, Haybron, Biswas-Diener, & Ahuvia, 2013). In the US, increased income stops producing any significant improvement in the emotional experience of living one's life at about $75,000 per year, although improvements in life satisfaction are still measurable beyond this point (Kahneman & Deaton, 2010).

It was once believed that the negative effects of poverty on life satisfaction would be ameliorated somewhat by the tendency of people to compare themselves to their neighbors. So, poor people living in poor neighborhood would mostly compare themselves to their also poor neighbors. And certainly, poor people living in poor countries would compare themselves to other typical people in their country. This may have been true in the past, but it is not true now. In today's global economy consumers judge their lifestyle against a 'world standard package of goods' (Ger & Belk, 1996), i.e. their idea of what people in first world economies have. In a major study, Diener, Tay, & Oishi, (2013, p. 267) concluded that "income standards are now largely global, with little effect of national social comparison." Similarly, Becchetti, Castriota, Corrado, & Ricca (2013) found that Europeans compared themselves to people in other more wealthy countries, generating negative feelings that were detectible in 30 years of Eurobarometer surveys. This international standard for what a person should have is influenced by international media and advertising (Diener, 2012; O'Guinn & Shrum, 1997). It is worth noting that Ger & Belk (1996) found that people in poorer countries tended to have the *highest* expectations for what goods they saw as necessities. This suggests that rather than comparing themselves to their immediate neighbors, people in lesser developed countries may be comparing themselves to the lifestyles they see on American television, as if reality was already bad enough.

11.4.4 Does money matter more than we formerly thought? A cautionary note

Looking at the scientific literature on income and happiness over the past 15 years it would be easy to reach the oversimplified conclusion that we used to think that income had little impact on happiness, but now we know it has a fairly strong impact. Fortunately, the points made above allow us to see more clearly what is actually going on.

First, we have seen that income has a much greater impact on life satisfaction measures than it does on one's emotional experience of life. Some of what looks like a difference between older and newer studies is really a difference between studies looking at emotions and studies looking at life satisfaction.

Second, we know that income matters a lot more to the poor. Newer studies have done a much better job than previous work at getting representative global samples that include poorer countries and poorer people within each country. Adding poor people to the sample increases the overall relationship between income and happiness, but it does not change the fact that for the non-poor, increased income has a weak relationship to increased happiness.

Third, older studies looked at the linear correlation between income and happiness, whereas newer studies tend to look at the relationship between log income and happiness. Because the underlying relationship is curvilinear, using log income is a more accurate way of modeling this relationship. But most readers are not accustomed to thinking in terms of logarithms and may not understand that even if we say there is a fairly strong relationship between log income and life satisfaction, if we translate this to the real world for someone earning, say, $80,000 per year, even getting a big raise to $110,000 per year would probably not be a large enough increase to make a noticeable difference in their life satisfaction.

11.4.5 If money does not buy happiness, why do we act like it does?

I began this section by noting that as a practical matter, if you are not poor, trying to become happier by increasing your income is probably not the most efficient happiness strategy. But knowing this often has little impact on people's behavior, as we frequently remain quite motivated to increase our incomes. Economists have long assumed that situations where people behave in ways that run counter to their own happiness are rare exceptions, not deserving of serious consideration. We are seeing here, though, that people make choices that do not maximize their happiness with great regularity and consequence. There are two main reasons why people might behave in ways at odds with their own happiness: biased processing and multiple goals. The biased processing approach maintains that consumers are trying to maximize happiness, but are bad at it due to various biases and heuristics (Layard, 2005). And indeed, people seem to be astonishingly bad at predicting how happy some turn of events will make them, and also seem unable to learn from their mistakes. For example, Van Praag and Frijters (1999) and Easterlin (2001), argue along the same lines in explaining why people think more money will make them happy, when in fact it does not. Essentially, people have a psychological bias that prevents them anticipating the way their aspirations will adjust to their improved circumstances. So, when they contemplate getting a raise in pay, they imagine how happy they would be with that income, if their material norm remained unchanged. Yet, time and time again, their material norm does change after receiving a raise, and we seem to have great difficulty in taking this into account when making decisions.

Frey and Stutzer (2014) further refine this view. They argue that several biases combine to cause people to overvalue extrinsic benefits (e.g. wealth and prestige) and undervalue intrinsic benefits (e.g. family time) when making decisions. (For a fuller discussion of the extrinsic/intrinsic dichotomy see (Kasser, 2002b). To illustrate this point, they use the example of making a choice to take a job that offers a higher salary, but requires a longer commute. The commute cuts into time needed to pursue intrinsically rewarding activities like building social relationships, but provides income which can easily be translated into extrinsic rewards like status. They suggest that decision making biases cause people to overvalue the income and undervalue the costs of the commute, thus leading them to accept the job when they should not. As empirical support for this hypothesis, they find that after controlling for a host of demographic variables, longer commute times are closely associated with lower life satisfaction among respondents to the German Socio-Economic Panel Study (GSEPS). This runs counter to rational decision making models, which suggest that commute times and life satisfaction should be uncorrelated, since people would only choose to take a job with a long commute if it offered other advantages that compensated for this lost time. As further evidence for the psychological mechanism that they propose to explain this phenomenon, Frey and Stutzer hypothesize that people with a more extrinsic values orientation are particularly prone to make the mistake of overvaluing income relative to the loss of free time. To demonstrate this, they divide GSEPS respondents into those who primarily value intrinsic rewards (family, friends, faith and religion) versus those who primarily value extrinsic rewards (income, influence on political decisions, and career success). They then show that the negative correlation between commuting time and life satisfaction, only exists in the extrinsically oriented group.

Advocates of the multiple goals perspective generally acknowledge that these cognitive biases exist, but question whether these biases represent the complete explanation for behaviors that work against happiness. The multiple goals perspective holds that while happiness is extremely important to people, it is just one of several goals underlying human action (Ahuvia, 2002, 2008). Examples of these other goals include gaining honor or prestige, complying with social expectations, being sexually attractive. In contrast to arguments that people only want these things because they hope to become happier, the multiple goals perspective holds that people sometimes value these things as ends in themselves, on a par with happiness. As Ahuvia (2002, p. 31) writes, for some people it is just as possible that they “seek social recognition with the ultimate goal of personal happiness,” as it is that they “seek happiness with the ultimate goal of getting others to think well of them for having such a pleasant affect.” Frijters (2000) looked empirically at this question, and consistent with the multiple goals perspective, found only weak and limited evidence that people try to maximize general satisfaction.

In the multiple goals perspective, then, part of the reason people do not always achieve happiness, is that they are implicitly trying to achieve goals that may conflict with happiness. If this is the case, people have multiple motivational systems that at times conflict with each other, rather than just one unified motivational system that maximizes a single goal such as utility. These motivational systems may have evolved at different times in our history and may operate through different neurological mechanisms. Which of these motivational systems eventually wins out and controls our behavior may be the result of factors like what mood we are in, if we feel threatened, whether social expectations are momentarily salient to us, or how much alcohol we have consumed; rather than a utility maximizing master algorithm.

11.5 Economic Growth and Happiness

Early studies on economic growth and happiness generally reached the conclusion that economic growth had no impact on people's long-term happiness. Newer studies using more comprehensive data sets are finding that economic growth can, under the right conditions, lead to increased happiness. Veenhoven & Hagerty (2006) found a very slight upward trend in happiness in both the US and in Europe, and a much larger upward trend in happiness in the lesser developed countries where data was available. This is consistent with Oswald's (1997) and Andrews' (1991) findings for the US, and Diener and Oishi's (2000) findings for Germany, Denmark and Italy. Frijters (2004) found that after unification, "East Germans experienced a continued improvement in life satisfaction to which increased household incomes contributed around 12 percent" (p. 649).

A more recent study by Diener et al. (2013) had access to seven years of annual data for 150 countries, allowing for a more comprehensive assessment than in older studies. Consistent with the earlier discussion, they found that economic growth often led to improvements in life satisfaction but not in day-to-day emotional experience. With regard to these improvements in life satisfaction, for these increases to occur three conditions must be met. First, the benefits of the economic growth must be spread around the society enough that many people feel their standard of living to be rising. Second, economic growth must lead to optimism about the future, because this optimism is a major mechanism through which economic growth leads to happiness. But third, the economic growth should not cause people's income expectations to increase so rapidly that they outstrip their actual income improvements, leading to decreased satisfaction with their actual income.

Ahuvia (2001, 2002) argues that to understand one of the key ways that economic development is linked to happiness, one needs to think *very* long run. Economic growth is important for meeting basic human needs. But beyond that, it also creates cultural changes that ultimately have a great influence on happiness. To see the impact of culture on happiness, consider that Helliwell (2003) found that the strong correlation between GDP per capita and average national levels of happiness is almost completely eliminated by controlling for region specific determinants of happiness, such as culture. Ahuvia (2002) argues that “cultures of happiness” are individualistic, not in the sense of selfishness, but individualistic in that they allow people to make major life decisions like whom they will marry, or what their career will be, based on what they will find most personally fulfilling, allow people to achieve higher levels of happiness. This type of individualism is very strongly correlated with happiness (Inglehart, Foa, Peterson, & Welzel, 2008; W. Ng & Diener, 2014; Verme, 2009; Welzel & Inglehart, 2010). Indeed, in a meta-analysis of studies covering 63 countries, (Fischer & Boer, 2011) found that cultural individualism and self-determination was a better than wealth at predicting well-being. Historically, this type of individualism has developed slowly through cultural changes linked to economic growth, occurring over hundreds of years. The rate of change in US happiness reported by Veenhoven and Hagerty (2006), where it would take 167 years to move the average happiness level up one point on a ten point scale, is in line with this type of slow historical transformation.

11.6 Future Directions

The previous discussion has revealed several large questions that remain top priorities for research. Questions about economic growth are high on the list. The need to deal with global warming may make it difficult to maintain high levels of economic growth. And the findings on the negative effects of materialism suggest that a culture less obsessed with economic growth would be not just ecologically healthier, but psychologically and healthier as well (Brown & Kasser, 2005). Many early studies found no relationship between economic growth and happiness, suggesting that low growth, or even zero growth economies might not be all that bad psychologically. However, more recent studies have found clear and lasting positive effects from economic growth (Diener et al., 2013). This increased happiness comes in part from reductions in poverty that allow more people to meet their basic needs. But economic growth also leads to happiness by increasing optimism about the future (Diener et al., 2013) and by creating cultures in which people have more choice about the big issues in their lives (Ahuvia, 2002). Along these same lines, a zero overall growth level means that for someone to increase their income, someone else must lose income. Given that people will still want to get ahead economically, what would the effect of a zero growth economy be on social trust and harmony (Bell & Mo, 2014)?

Much of the previous discussion revolves around peoples’ material aspirations and their link to both income and happiness. In this way, the literature on income is closely linked with people’s financial aspirations. But current work has often relied on very approximate proxy measures for these aspirations. The inclusion of good measures for material aspirations in large-scale longitudinal studies would help fill in one of the most problematic lacunae in this area. How material aspirations are set has implications for, among other things, tax policy. If one person's gain in consumption raises the material aspirations of those around him or her, then status consumption has negative externalities (Frank, 1999). Like any good with negative externalities, it will be over consumed. Thus, Frank (1999) advocates a consumption tax to shift resource allocation away from status consumption and towards leisure, health, education, and other less status focused pursuits. It is a simple argument, but it has yet to make real headway as a policy.

In future research, it would behoove us to develop effective personal and social strategies for living a happy life in a consumer society (Tatzel, 2014a). We have finally started to see a burgeoning of research in this area, as reviewed in the early sections of this chapter. But work in this area is still in its infancy.

Finally, quality of life is often looked at using a combination of objective (e.g. health, education, safety from crime) and subjective indicators. However, some proponents of subjective measures argue that ultimately, happiness is the only thing that matters. For example, Ng (1997, p. 1849) writes "We want money (or anything else) only as a means to increase our happiness", and Stutzer and Frey (2004, p. 1) write that "Economic activity is certainly not an end in itself, but only has value in so far as it contributes to human happiness". This position is an intellectual descendent of Aristotle's (Trans. 1999) view that eudemonia (roughly translated as happiness) is the proper ultimate goal for all human action (Ahuvia, 2008). Aristotle reasoned that every other goal, such as wealth or power, was only desired because it was hoped to lead to happiness; whereas happiness was desired as an end in its self and not a means to another end. Therefore, other goals were only valuable insofar as they produced happiness.

But is this the position we really want to take? As Veenhoven and Hagerty (2006) point out, at the very least we should be looking at longevity as well as happiness. And Cummins (2000) argues that both objective and subjective measures of quality of life are important to get a full picture of a good life. Diener and Diener (1995) start with the assumption that happiness is just one value among many, and therefore look at numerous measures, such as scientific achievement, which reflect achievement in different societies on a wide range of human values. I applaud the tremendous amount of research now being conducted on happiness, but that's not the same as saying all we should look at is happiness.

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