PNAS COMMENTARY

Money and happiness: A consideration of history and psychological mechanisms

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Can money buy you happiness? Looking within the United States, at least, the question has been surprisingly hard to answer. In this issue, Killingsworth et al. (1) report the findings of a reanalysis of prior data that helps to shine light on the question.

Existing research on the relationship between money and happiness in the United States has come to conflicting conclusions. Some have found that having a higher income is associated with a happier life, but only up to a certain point: After an American is earning about $90,000/y, making additional money does not seem to improve the emotional tenor of their previous day (2). Others, by contrast, find that those Americans who are making more money report that their present moments are happier and that this effect does not weaken across the income spectrum: Additional income continues to make everyone happier, both the poor and the rich (3).

In a reanalysis of a key dataset, Killingsworth et al. (1), the two sets of authors who originally reported these seemingly incompatible findings, joined forces to better understand the relationship between American income and American happiness. They found that both patterns seem to have some validity. For most Americans, higher incomes are associated with greater happiness in a straightforward way: The researchers report a clean log-linear relationship between income and happiness across the entire distribution of income. However, income does set a floor and raise a ceiling for just how happy a person can be. When you look at those who are making less than $100,000/y (which, adjusted for inflation, is close to the $90,000 threshold reported in the prior literature), the unhappiest Americans are more unhappy as income decreases, but once you cross the $100,000 threshold, misery is unrelated to income. The relatively wealthy seem protected against true despair. By contrast, while income does predict peak happiness across the income spectrum, once incomes cross $100,000/y, as people make more money, the level of peak happiness grows even faster. Money can be especially effective at buying happiness once you have enough of it.

So, both sets of prior findings have some support: For the majority of Americans, higher incomes are uncomplicatedly associated with greater happiness; but income stops ameliorating woe and enables even more happiness above incomes of $100,000. Across the full distribution of income, the intensified relationship between income and happiness among the most sad Americans making under $100,000 is just about as strong as the intensified relationship between income and happiness for the happiest Americans making over $100,000. By looking just at the big income picture, smoothing over any distributional differences, researchers missed that what they thought was a purely linear pattern was in fact disjointed.

As a work of scholarship, Killingsworth et al. (1) is an almost idealized model of the scientific process. Two sets of researchers with similar questions but opposing findings came together, worked through their unspoken assumptions, and managed to self-correct their own work, advancing our understanding of an important empirical regularity in the world and opening up important questions in turn. These so-called adversarial collaborations, in which teams agree to work together in order to resolve theoretical disagreements, are an important centering mechanism in a research literature that is tending, across all sciences, toward increased fractionalization (4). Without a rebraiding of theoretical and empirical findings, a discipline can break apart into many small mutually unintelligible subfields, ultimately inhibiting the further understanding of the phenomena of the world.

Historical Variation in the Power of Money to Buy Happiness

The point that Killingsworth et al. (1) make about the different emotional lives of the poor and the rich echoes similar work from cross-national research on the relationship between income and happiness. The link between higher incomes and increased happiness has historically been stronger in developing countries than in developed ones (5); in recent years, however, it appears that the trend has reversed, and now higher incomes are more strongly associated with happiness in developed countries than in developing ones (6). A recent meta-analysis found that in the United States and many European countries, the income–happiness correlation has strengthened since 1970, whereas in many Latin American countries, the income–happiness correlation has weakened over the same period (7).

Changing income inequality may be a major factor in explaining these shifts: In more unequal worlds, the benefits of higher incomes and the deficits of lower incomes are all the more extreme (8). As inequality has risen in Europe and the United States and has fallen in Latin America, the link between income and happiness has changed accordingly; strengthening as inequality rises and weakening as inequality falls. In fact,

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in the years when income inequality is particularly high in a country, so too is the link between higher incomes and increased happiness (7). Inequality falls differently on the poor than on the rich – being on the bottom of an unequal distribution increases mistrust and feelings that the system is unfair; and in years when inequality is higher in the United States, the lives of the poor are less happy, while the lives of the rich are largely unaffected (9).

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Money in the Lives of the Poor

In splitting out the psychological lives of the happiest and unhappiest Americans, the authors open up fascinating questions about why income may affect their lives so differently. What are the lacks that income can address among the unhappy and poor? What are the resonances provided by income to the happy and rich?

Research suggests, for example, that a well-functioning welfare state with high levels of progressive taxation and redistribution enhances the subjective well-being of its poorest citizens while not reducing the well-being of those at the upper ends of the income spectrum (10). These findings are consistent with research on how resource scarcity negatively affects the decision-making and well-being of those who do not have enough to get by (11). Further investigation into the social and structural factors underlying the pattern of happiness identified by Killingsworth et al. (1) will help to identify to what degree their findings are a function of basic cognitive factors such as relative comparison of income, and to what degree their findings are a function of a state and society that privileges the well-being of its most well-off over the well-being of its least well-off.

Why Do the Rich Get Happier?

Researchers have begun to explore the ways in which Americans use their money to purchase happiness. Initial studies suggest that some of the more powerful mechanisms, such as spending money on other people, are just as effective in bolstering well-being among the rich and the poor (12). The rich, however, have more material resources to spend. Additionally, the quality of social relationships is a strong predictor of happiness (13), and higher socioeconomic status (SES) individuals tend to be in better relationships than lower SES individuals (14). Finally, being able to choose how one spends their time is a predictor of happiness (15). Although rich Americans still work long hours, they likely have more control over how they spend their time than poor Americans. Higher-quality social relationships, plus a greater ability to spend money on others, plus greater autonomy in the use of one's time might together explain why higher income is associated with more happiness. Exploring these questions further will advance our understanding of the role of money in happiness.

The Causal Role of Money in Happiness?

Newly designed field studies are providing an important development for studying the relationship between money and happiness. Instead of looking observationally at the correlation between income and happiness, studies of cash transfer and Universal Basic Income experiments are allowing researchers to understand how randomly assigned increases in wealth causally affect the happiness of populations. The emerging consensus from this literature, meta-analyzing the programs that have been run to date, is that money does cause happiness (16).

Recent studies suggest, furthermore, that increases in wealth increase the happiness of both the poor and the rich, but that the poor gain far more happiness from the transfer than do the rich (17). So far, because the vast majority of cash transfer studies have been conducted in developing countries, we do not know yet how much income really increases the happiness of the already rich (17 being a notable exception). It will be an important theoretical direction to examine the causal role of money in happiness among different levels of wealth.

Income or Wealth?

Finally, it is important to note that the bulk of the research on the relationship between money and happiness has used income as its key variable, not wealth. While they are often related, when it comes to determining whether a person is truly rich, it makes more sense to look at their total assets than it does 1 y's worth of payment for labor (18). The existing focus on income as a predictor of happiness as opposed to total wealth may help to explain why the current literature finds such an unexpectedly weak relationship between money and happiness. By using just income, researchers may be missing generational support, investment portfolios, homeownership, medical and student debt, and other aspects that may affect one's ability to draw upon resources (not to mention the match or mismatch with actual costs of living in their local environments), and therefore the existing literature may be underestimating the relationship between material affluence and overall well-being. There is some evidence that wealth is more strongly associated with life satisfaction than household income (19), and that, in a recent study of wealthy individuals in 17 countries (20), wealth from earned income is more strongly associated with life satisfaction than wealth gained from inheritance, but far more work is needed to understand the relationship between wealth, its sources, and the well-being it can provide.

Conclusion

Our understanding of the relation between money and happiness has dramatically changed over the last 30 y. New data, new methodologies, and new theoretical perspectives have combined to push forward the state of the science. Placing the power of money in the contexts within which it is used—taking into account how historical, cultural, and structural factors affect the ways that individuals think about what money can and cannot do—will be a vital task in further working to increase well-being worldwide.

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