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Money might buy you love; NEWS

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When economist Richard Easterlin proposed the famous "Easterlin paradox" thirty-four years ago, he startled and comforted people at thesame time. On the one hand, although he punctured people's aspirations for lives of luxury, he also put an honored ethical precept--that material wealth cannot make you happy--on firm, scientific footing.

[ILLUSTRATION OMITTED]

In short, Easterlin examined people's self-reported happiness as they grew more affluent. He concluded that once people in poorer countries reached a certain income, which allowed them to meet basic needs, they were no happier than people in rich countries. Hence, the paradox. Even Horatio-Alger-like reversals of fortune didn't cheer peopleup much after the initial excitement. His and other scholars' work also implied that each person had an intrinsic "set point" of happiness, and that doubling people's salary only shifted expectations--putting them on a hedonistic treadmill. If anything mattered, it was relative income, how much they earned compared with neighbors.

Though by now social science dogma, Easterlin's work took some blows recently when two young scholars re-examined his theory and declared that it wasn't a paradox at all but just plain wrong.

Betsey Stevenson and Justin Wolfers, both economists at the University of Pennsylvania (where Easterlin also devised his ideas) sifted through decades of public opinion polls from different countries about people's moods, both now and in the past. Linking their data to each country's gross national product, they determined that income does matter, a lot. "There appears to be a very strong relationship," theywrite, "between subjective well-being and income, which holds for both rich and poor countries, falsifying earlier claims of a saturationpoint." It turns out that running on the hedonistic treadmill is good for your heart, after all.

Stevenson and Wolfers argue that Easterlin's work relied on scant data (since few people were conducting polls in poor countries back then) and that some questions in the polls he relied on had changed over time, which obscured results.

How would this finding square with the ancient belief that money cannot buy happiness? For one, Stevenson and Wolfers note that they measured only correlation, not necessarily causation. Perhaps gains in productivity, which boost people's economic standing, allow them to do more meaningful work with their lives as well, which makes them happy.

Or maybe what makes the difference is what--or more specifically, who--people spend their money on. A recent paper in the journal Science by Elizabeth Dunn, a psychologist at the University of British Columbia, indicates that spending money on another person leads to real gains in happiness.

For the paper, Dunn and her coauthors conducted two surveys. The first asked more than six hundred people what percent of their income they donate to charity or spend on gifts. The second asked the same question of people who received bonuses, inheritances, and other windfalls. In both cases, spending money on other people, called "prosocial behavior," made people happier than paying bills or upgrading theircable package.

In a related experiment, Dunn's team gave undergraduate students either $5 or $20 and instructions to spend that money on either a treat for themselves or on another person. Again, spending money on otherpeople brought the most satisfaction. In her own little paradox, Dunn said she was shocked at how little money it took to make a big difference.

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