Q&A

Betsey Stevenson and Justin Wolfers

It turns out money really does buy happiness. Uh-oh.

INTERVIEW BY DANIEL AKST

Betsey Stevenson and Justin Wolfers

FOR YEARS ECONOMISTS have puzzled over a beguiling paradox: Money is supposed to be a good thing, but beyond the income needed for a basically decent life, nations didn't seem to get any happier as they got richer.

This deeply subversive discovery, which was embraced by an academic world already prone to such views, implied that affluent countries shouldn't worry so much about economic growth because growth wouldn't really make people better off.

Now a pair of up-and-coming young economists are saying the so-called Easterlin paradox (named for economist Richard Easterlin), doesn't exist. Rich people and rich countries are happier in like measure. Money, in other words, really does buy happiness, which may account for why people almost invariably seek more of it.

These sensible-seeming assertions about money and happiness are from Betsey Stevenson and Justin Wolfers, both at the University of Pennsylvania's Wharton School of Business, who analyzed all the data on income and happiness they could get their hands on — and as a consequence have upset some longstanding ideas in economics and psychology. Contrary to the prevailing view in economics, Stevenson and Wolfers found that the higher a country's income, the happier it was, and the results held regardless of such factors as the age of its citizens or their number of children. Even more provocatively, the economists found no satiation point at which additional earnings failed to make wealthier countries happier.

If their study holds up, it could have serious implications. The notion that increased income doesn't bring greater satisfaction has been used to question whether affluent countries should bother to pursue economic growth. Some have even suggested that researchers develop new measures of national well-being that are less focused on economic output.

One especially interesting finding of the Stevenson-Wolfers study: while Europe and Japan have grown happier since the 1970s as incomes have increased, Americans have not. Why would that be? The economists responded to questions by e-mail, and chose to answer questions jointly, just as they had written their paper.

IDEAS: How is it that you came up with answers so different from your predecessors?
A: Our key finding is that rich people tend to be happier than poor people, and in roughly equal measure, rich countries tend to be happier than poor countries. Previously, people believed that there was strong evidence for the former proposition, but not for the latter.

The problem was that when comparing rich people with poor, economists typically relied on samples of thousands of people, and when sample sizes are this large, these differences are clearly statistically significant. By contrast, the early international comparisons involved only a handful of countries, and despite the richer countries being happier than the poorer countries, the sample size was small enough that this difference was not deemed statistically significant. With today's larger samples, it is clear that rich countries are in fact significantly happier than poor countries.

IDEAS: What are the social and policy implications of your results?
A: Our key finding is that income appears to be closely related to happiness. We find little evidence to support the competing notion that it is only *relative* income that matters. So policy directed at improving economic growth will likely have a powerful role raising happiness. Previous research has argued that the happiness gains from economic growth are limited, even zero in the wealthy countries. We find that this simply is not true. Most countries get happier as they get wealthier, and wealthy countries have citizens with greater happiness than poor countries.

IDEAS: But surely a dollar of extra income buys less happiness for the rich than for the poor.
A: Growth in happiness is proportional to the percentage change in income, so as income rises, an extra dollar buys a smaller and smaller amount of additional happiness. Redistributing income from the rich to the poor has the potential to raise the average level of happiness quite substantially.

IDEAS: I notice in your paper that Mexico and some other Latin American countries are only middling on income yet rank high on happiness. Why?
A: Happiness and GDP per capita are highly correlated across countries, but income is not the only important factor in determining happiness. There may be cultural, weather-related, social, or other factors that contribute to the rather consistent finding that happiness is higher than would be expected given income in Latin American countries. Similarly, Scandinavian countries appear to be happier than their income would predict, while Eastern European countries appear less happy than we would predict given their income.

IDEAS: Americans have grown richer but not happier in the past 35 years or so, and women's sinking happiness accounts for the difference. Why?
A: American women in the 1970s were happier than men. They've become less happy over the past three decades and are now slightly less happy than men. This is puzzling given the great achievements of women during this time period.

There are three possible groups of explanations. The first is that women are getting a raw deal. Here we might hypothesize either that the gains to women — greater wages, less discrimination, greater household productivity, fewer hours worked overall — have somehow yielded greater happiness for men. Or financial gains for women might have been offset by greater emotional and mental strain.

The second explanation is that women were exaggerating their happiness in the past, but since the feminist revolution have more scope to discuss it.

The third explanation is that women may be judging their happiness against a new frame of reference. For example, women may be assessing their happiness with greater expectations for their lives and are more likely to feel that they have come up short. Alternatively, a woman comparing herself to the man in the corner office may report lower well-being than her predecessor comparing herself to a fellow homemaker.

IDEAS: Unlike Americans, the Europeans and Japanese have grown happier. What are we missing that they get?
A: One reason growing incomes may not have yielded growing happiness in the US is simply that many of us did not have much income growth — a big chunk of America's income gains accrued to the rich. As the rest of us experienced little income growth, perhaps it isn't surprising they we experienced little growth in happiness. Now that we know the US is an outlier, we can get down to trying to understand what factors are dampening happiness here.

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UNCOMMON KNOWLEDGE

SURPRISING INSIGHTS FROM THE SOCIAL SCIENCES | BY KEVIN LEWIS

WESLEY BEDROSIAN FOR THE BOSTON GLOBE

How to get happier in a hurry

QUICK, READ THIS paragraph out loud as fast as you can! Feel better? You should, if a team of Princeton and Harvard psychologists is right. Motivated by the observation that euphoria is often accompanied by "racing thoughts" among manic individuals, the psychologists conducted a series of experiments — including one that had people narrate the famous "Job Switching" episode of "I Love Lucy," at fast or slow playback speeds — to test whether being forced to think faster results in a more positive mood. Not only was thinking faster significantly associated with positive mood, but there was some evidence that thinking faster inflated self-esteem and made it harder for people to stop talking. Other research by the authors even found that thinking fast about ostensibly depressing things can improve mood too. The authors conclude that "experiences that can succeed in making us think fast may have desirable consequences for affect (and, perhaps, for energy and self-confidence). In a world where we often could use an extra boost to our mood, simple manipulations of thought speed may have valuable practical importance."

Pronin, E. et al., "Psychological Effects of Thought Acceleration," Emotion (October 2008).

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The cost of daylight saving

UNLESS YOU'VE BEEN living life without clocks, you probably have some sort of opinion on daylight saving time. Now comes reason to hate the hassle. Historically, DST has been motivated by the desire to save energy. However, a new study on the statewide implementation of DST in Indiana in 2006 questions this assumption. According to the authors, the study provides "the first empirical estimates of DST effects on electricity demand in the United States since the mid-1970s," using household-level data, backed up by simulations from an engineering model. The study concludes that DST increases residential electricity demand by 1 percent overall, with an increase of as much as 2-4 percent in October. Although DST saves energy on lighting, it increases consumption for heating and cooling by a greater amount. The incremental cost of DST for each Indiana household is estimated at $3.29 per year, although the cost could be higher for southern regions with higher cooling costs.

Kotchen, M. & Grant, L., "Does Daylight Saving Time Save Energy? Evidence from a Natural Experiment in Indiana," National Bureau of Economic Research (October 2008).

Smokers on the prowl

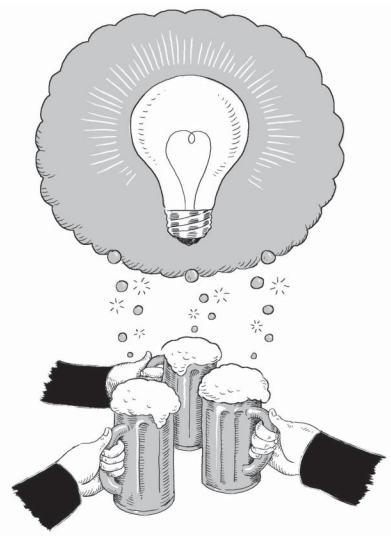
THE MARLBORO MAN is alive and well. Psychologists wanted to see if smoking might be associated with "mating effort" (i.e., how hard one tries to gain and retain access to sexual partners). In theory, people who exhibit more mating effort should be more willing to take risks to secure mates and, therefore, should be more willing to smoke in social situations, given that smoking — despite, but also *because of*, its risky and restricted nature — can still have an aura of cool. Students at the University of Arizona filled out questionnaires about their smoking history and their love lives. Students who were ranked as showing more mating effort were indeed more likely to smoke in social situations.

Jones, D. and Figueredo, A., "Mating Effort as a Predictor of Smoking in a College Sample," Current Research in Social Psychology (July 2007).

How credit cards play with your mind

IDEALLY, EVERYONE READING this column pays their credit-card balance in full every month. But, for those of you who don't, read carefully. Both survey and experimental data suggest that printing a (small) minimum payment on a credit-card statement leads people to reduce their payment. The low minimum acts as a mental "anchor," and the credit card company then earns more interest down the road.

Stewart, N., "The Cost of Anchoring on Credit Card Minimum Payments," Psychological Science (forthcoming).



Four tipsy friends are less stupid than one

DOING ANYTHING THAT requires attention would seem to be incompatible with being drunk. However, a recent study found an exception to this rule: a group effort. Researchers broke college students up into groups, giving some of them beverages with alcohol, and some without. The students were asked to count the number of times they heard the word "the" in a 300-word passage and individually record an estimate. As would be expected, students were less accurate when they were drunk. However, when the students were told to decide, as a group, on an answer, they didn't do nearly as badly: The consensus was nearly as accurate in the alcohol condition as in the placebo condition! The authors conclude that the evidence is consistent with a model of group behavior that doesn't just average individual inputs, but instead tries to zero in on areas of agreement — which allows the group, as a whole, to see past the more wild individual estimates.

Frings, D. et al., "Groupdrink: The Effects of Alcohol and Group Process on Vigilance Errors," Group Dynamics (September 2008).