



**Does Money Buy Happiness?
A Brief Summary of "High Income Improves Evaluation of Life
But Not Emotional Well Being"**

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1. There are two aspects of well being: emotional well being and life evaluation.
 - Emotional Well Being = the quality of a person's everyday experience such as joy, fascination, anxiety, sadness, anger, and affection.
 - Life Evaluation = a person's thoughts about his or her life (on a longer time scale).

These measure *different* things; they are not just measures of the same thing.

2. To measure each, the Gallup Organization and the Healthways Corporation surveyed a large number of people in the Gallup-Healthways Well-Being Index (GHWBI) asking them to report on both emotional well being and life evaluation. The authors analyzed the responses of the 450,000 residents who responded in 2008 and 2009.
3. Questions asked for this survey (among other things):
 - Income (with the top category being \$120,000 and above).
 - Emotional Well Being: Asks people about how they felt the day before. Authors collapsed responses into 3 categories: a) positive affect (average of happiness, enjoyment, and frequent smiling and laughter; b) blue affect (average of worry and sadness); and c) stress.
 - Life Evaluation: Cantril Ladder Measure (officially Cantril's Self-Anchoring Scale) which asks people to imagine a set of rungs on a ladder numbered 0-10 from bottom to top; top is the best possible life for the individual and bottom is the worst; person is asked "on which step of the ladder do you feel you stand at this time?"

4. Results

- Most people are happy and satisfied with their lives: For emotional well being, 85% had a positive affect each day; 24% had a blue affect; and 39% reported stress.
- International comparisons are interesting: compared to about 150 other countries with corresponding data from Gallup World Poll, U.S. is high on the Cantril Ladder Test (9th after Scandinavian countries, Canada, Netherlands, Switzerland, and New Zealand); 5th in terms of happiness; 33rd in terms of smiling; 10th in terms of enjoyment. But the U.S. is worse on worry (89th from best); sadness (69th from best); and anger (75th from best). The U.S. is very stressed – 5th worst out of 151 countries.
- Overall findings: People's life evaluations rise steadily with income. That is, using a scale—the ladder-- that measures someone's broad view or evaluation of his or her life, evaluation steadily goes up with income. Importantly, the same percentage increase in income has the same effect on evaluation for everyone, rich or poor alike even though the absolute dollar amounts differ. For example, a ten percent increase in income moves everyone up the same number of rungs, so someone earning \$20,000 a year who experiences a \$2,000 increase would move up the rung at the same rate as someone earning \$100,000 a year who experiences a \$10,000 increase. (This is in accordance with "Weber's Law" that says that the value of money is relative and so a change in income should be measured in percentages rather than absolute terms.) So if life evaluation "goes straight up" with income, which is what the authors find, it means that doubling income has approximately the same effect on life evaluation, whether people are rich or poor.
- However, emotional well being leveled off at \$75,000/year. In other words, the quality of the respondents' everyday emotional experiences did not improve beyond an income of approximately \$75,000 a year; above a certain income level, people's emotional wellbeing is constrained by other factors, such as temperament and life circumstances.
- For both life evaluation and emotional wellbeing -- as income decreased from \$75,000, people reported decreasing happiness and increasing sadness and stress. The pain of life's misfortunes, including disease, divorce, and being alone, is exacerbated by poverty. In other words, being divorced, being sick, and other painful experiences have worse effects on a poor person than on a rich.

- Life evaluation and emotional wellbeing are differently affected by life's circumstances. For example, emotional wellbeing, although not life evaluation, is better at weekends. College graduates have higher life evaluation, but do not have better emotional wellbeing.
- For a precise analysis of these findings, please see Figure 1, Table 1, and Table 3 from the publication, reprinted at the end of this summary.

5. Policy Implications

- The authors decline to take a position on policies that might result from these findings, except to say that while not everyone would agree that policies to make already happy people happier make sense, many more might agree that reducing suffering for those very unhappy people merits some consideration. Beyond \$75,000, money is important for life evaluation, but does nothing for happiness, enjoyment, sadness, or stress. Both factors are important; it is good to have high emotional wellbeing, but it is also good to think your life is going well. However, the authors do not know which of those should get the most weight.

6. Take Home Message: High incomes don't bring you happiness, but they do bring you a life that you think is better.

See Tables and Figures, Attached

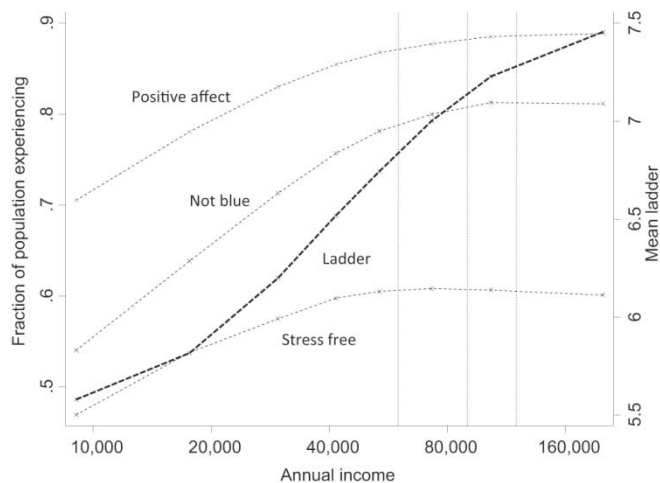


Fig. 1. Positive affect, blue affect, stress, and life evaluation in relation to household income. Positive affect is the average of the fractions of the population reporting happiness, smiling, and enjoyment. "Not blue" is 1 minus the average of the fractions of the population reporting worry and sadness. "Stress free" is the fraction of the population who did not report stress for the previous day. These three hedonic measures are marked on the left-hand scale. The ladder is the average reported number on a scale of 0–10, marked on the right-hand scale.

Table 1. Life evaluation, emotional well-being, income, and the income-normalized effects of other correlates

	Positive affect	Blue affect	Stress	Ladder
Regression coefficient				
High income	0.03	-0.06	-0.03	0.64
Ratio of coefficient to log income coefficient				
High income	1.00	1.00	1.00	1.00
Insured	0.40	0.92	1.19	0.59
Old	0.79	0.93	6.28	0.50
Graduate	0.03	0.01	-1.93	0.48
Religious	1.16	-0.02	1.21	0.35
Female	0.16	-0.60	-1.89	0.29
Married	0.66	0.45	0.66	0.32
Weekend	1.13	0.72	4.83	0.01
Children	0.08	-0.37	-2.47	-0.11
Caregiver	-0.49	-1.02	-2.99	-0.25
Obese	-0.38	-0.14	-0.42	-0.31
Divorced	-0.38	-0.27	-0.88	-0.32
Health condition	-1.36	-1.22	-3.15	-0.48
Headache	-4.45	-3.41	-9.82	-0.78
Alone	-7.13	-2.10	-3.73	-0.75
Smoker	-1.01	-0.84	-2.85	-0.70

Table 3. Poverty exacerbates the effect of adverse circumstances: Average percentage of people reporting a lot of sadness and worry yesterday, by income group and condition

	Income <\$1,000/mo			Income ≥\$3,000/mo		
	No	Yes	Difference	No	Yes	Difference
Weekend	46.6	44.5	-2.1	22.3	17.1	-5.2
Divorced	44.3	50.5	6.2	20.5	24.4	3.9
Alone	44.0	58.9	14.9	20.5	31.5	11.0
Headache	38.0	69.5	31.6	18.9	38.4	19.5
Asthma	33.1	40.8	7.8	18.0	21.6	3.6