



Daniel Kahneman

Does Money Buy Happiness?

High income improves evaluation of life but not emotional well-being



Principle

Emotional well-being increases with income, but then flattens out after about \$75,000.

Money doesn't buy happiness
Quote

"More money does not necessarily buy more happiness, but less money is associated with emotional pain."

"We infer that beyond about \$75,000/y, there is no improvement whatever in any of the three measures of emotional well-being."

So What - Application

The obvious conclusion is if you don't make 75K, then figure out a way to. If you do, quit trying to make more.

If increased income can alleviate some of the emotional distress of being poor, then the results of this study could inform policy discussions of minimum wage levels and basic income.

On a personal level, it's something we might want to teach our kids so they are aware of it. The only other decision these results seem to inform is whether or not to put effort toward an increase in pay.

The Research Story

Two researchers from Princeton studied data from 450,000 Americans who took a Gallup poll between 2008 and 2009 to see whether money buys either of two different kinds of happiness or well-being.

They distinguished two kinds of well-being. Emotional well-being is your everyday frequency and intensity of emotions like joy, sadness, anger, affection, anxiety, etc. Life evaluation is what you think about your own life. Emotional well-being was measured by asking about their emotional experiences yesterday. Life satisfaction was measured by having them imagine a ladder with steps numbered from 0 as the worst possible life for you to 10 as the best possible life for you, and then asked where they would say they stand now.

They warn us to be careful of some previous research that uses real dollars instead of percentage change. If your income goes up by \$100 it will mean different things if you started at \$100,000 or minimum wage. However, if you double your salary, both people would be equally happy about it.

Overall they found that people are generally pretty happy and satisfied with their lives. There were some general statistics about how happy, but stressed Americans are and an interesting table showing what affects emotions, stress, and life satisfaction. For example, being sick, alone, or a caregiver really impacted emotional well-being. And weekends put people in a good mood with less stress. They also found that being poor makes life's misfortunes like asthma, divorce, or being alone worse. Even weekends weren't as good for the poor.

Does money buy life satisfaction? They found that income is correlated with how you assess your life. As income goes up, life satisfaction goes up.

Does money buy emotional happiness? They found that emotional well-being goes up as income goes up, but only until you reach about \$75,000, where it flattens out. Beyond that, emotional happiness does not increase.

In essence, "more money does not necessarily buy more happiness, but less money is associated with emotional pain." The measures they used were averages of existing income, not change in income. A significant change in income up or down for an individual would certainly provoke emotions.

It's interesting the difference between how people judge their lives when they think about them and the feelings they experience as they live them.

Kahneman, D., & Deaton, A. (2010). High income improves evaluation of life but not emotional well-being. *Proceedings of the National Academy of Sciences*, 107(38), 16489-16493. <https://doi.org/10.1073/pnas.1011492107>

