Miriam Tatzel *Editor*

Consumption and Well-Being in the Material World

Springer

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Contents

1 **Consumption and Well-Being, An Introduction** 1
Miriam Tatzel

Part I Money and Consumption for Well-Being

2 **Money for Happiness: The Hedonic Benefits of Thrift** 13
Joseph Chancellor and Sonja Lyubomirsky

3 **Getting the Most for the Money: The Hedonic Return on Experiential and Material Purchases** 49
Travis J. Carter and Thomas Gilovich

4 **Loneliness, Material Possession Love, and Consumers' Physical-Well-Being** 63
John L. Lastovicka and Laurel Anderson

Part II Individual and Cultural Variations

5 **Value Seekers, Big Spenders, Non-Spenders, and Experiencers: Consumption, Personality, and Well-Being** 75
Miriam Tatzel

6 **Money, Materialism, and the Good Life: Cultural Perspectives** 109
Christie Napa Scollon and Derrick Wirtz

Part III Consumption and Sustainable Well-Being

7 **Happy Planet, Happy Economy, Happy Consumers?** 129
Charles Seaford

8 **Measuring What Matters** 153
Eric Zencey

9 Epilogue-Confessions of a Closet Materialist: Lessons Learned about Money, Possessions, and Happiness 175
Miriam Tatzel

Index 195

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Chapter 1
Consumption and Well-Being, An Introduction

Miriam Tatzel

1.1 Introduction

What would be your ideal lifestyle as a consumer? What do you envision? It is not hard to conjure up the exciting and lovely things money can buy. The advertisements, the wealth of goods that are out there, so many wonders, so much to delight us. We are embedded in opportunities to buy. Still, when it comes to what matters most for happiness in life, money and possessions are likely to take a backseat compared to more central human needs like good relationships and meaning and purpose in life. We may even condemn consumer culture, its excesses, wastefulness, and spiritual emptiness. All the same, it might be nice to have more money and more goods. We absorb the messages, and maybe we believe them: that the more and better things we have the happier we will be, that what we are working for and educating ourselves for, is so that we can get more and better, and ultimately, that our success in life is seen in our material accomplishments. Even as we may dispute this point of view, it is hard not to be touched by it, to be innocent of these values, or to not judge others by material markers.

The three values I described—that possessions are the route to happiness, that acquiring them is a central life activity, and that a person's worth is seen in material accomplishments—are values that define the materialistic mindset. In 1992, Marsha Richins and Scott Dawson (1992) developed a scale to measure these values, and in the 20-plus years since then, a large amount of research has shown, consistently and strongly, that the more someone ascribes to these values, the unhappier they are and the more dissatisfied they are with their life. Other measures of materialism (Belk 1985; Kasser 2002) likewise show that materialism and lower well-being seem to go together.

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The consumer domain takes in our material lifestyle and how we spend our money. As materialism is a trait of the individual, consumerism, the belief that economic prosperity and social well-being grow along with growth in consumption, is a trait of the culture. As consumer culture expands, people have more and more options for spending their money, and their spending fuels the economy. Yet consumer culture is implicated in a host of social and environmental ills: the degradation of the earth's resources in order to produce consumer goods, the fallout in pollution and global warming, the exploitation of cheap labor, and more. Movements to tame consumerism and counteract the negatives are not new: working less and spending less (downshifting and simple living), environmental conservation, and green energy. But what if we start from the opposite end, instead of asking what is good for the environment and a sustainable future, what if we ask, what contributes to human happiness? Could we possibly arrive at the same end? Maybe there are ways out of materialism and consumerism that are better for the consumer and better for the planet.

Enter positive psychology, the study of psychological health, happiness, and well-being and how to use that knowledge for human betterment. When positive psychology is applied to the consumer domain, we consider how consumption may support psychological needs. In our dealings with money and possessions—earning, shopping, spending, saving, owning, and using—are we furthering our well-being? Psychological needs have been described variously, for example: competence, good relationships, and autonomy (Ryan and Deci 2000); meaning, engagement and pleasure (Seligman 2002). High financial aspirations and material values seem to lead away from such needs, and instead of fostering intrinsic growth motives, the foregrounding of extrinsic drives can alienate us from more enduring satisfactions. Of course there are also joys in consuming. We can think of the novelty, fun, gifts, and the pleasantness and functionality of our material surroundings. And we can think of the detractions too, that we may be working too long hours to buy things we do not really need, running up debt, and taking time away from social and non-material pursuits.

The task is to find happiness in our lives as consumers. We have already noted that being materialistic is a negative for well-being. Wanting what you do not have and are unlikely to get makes for disappointment and dissatisfaction. Thus, toning down one's avidity for consuming should move one toward greater contentment.[1] If materialism does not bring happiness, what about money? Striving for wealth and not attaining it is similar to having unmet material wants, a poor prospect for well-being. Money surely improves many domains of life, but research shows that having more money adds little to one's happiness, once basic needs are met (for a review, Diener and Biswas-Diener 2002). We cannot ignore money and possessions, and probably do not want to, so how can we best maximize their contribution to happiness and well-being?

[1] We recognize that there are other sorts of imperatives that may make it hard to step back from materialism quite aside from one's personal ("selfish") desires for things, for example, the felt need for consumption to bolster one's social standing and to meet familial and in-group expectations.

1.2 Finding Well-Being in the Material World

The overriding issue addressed in this book is how we can find happiness and well-being in the material world. We have a personal search for well-being as consumers, and a collective search as citizens of the world, and this book attempts to address both levels.

There are many fine volumes that show the harmful effects of materialism, that material values diminish personal well-being, while consumerism in general contributes to the degradation of the environment. We have seen, too, how widespread debt can engender economic crises. By contrast, the messages from marketing and advertising paint a rosy picture of a material cornucopia that promises pleasure, beauty, success, and fulfillment. Certainly the marketplace has brought us many wonders of technology, convenience, and aesthetics. This book looks toward a middle ground: finding pathways to well-being that can accept the positive contributions of the marketplace to our lives, while avoiding the negatives of materialism, consumerism, and environmental degradation.

1.3 The Chapters Ahead

We are learning more and more about well-being in the consumer domain, and the chapters in this book present a good amount of what we are learning. The topics range from money and spending, to individual and cultural differences, to economic and environmental contexts. Along the way we discover that what is good for our well-being in the consumer domain, may not be what consumers think, not the easy bounty of possessions and money. And there may be more rapprochement between consumer and environmental well-being than it first appears.

1.3.1 Money for Happiness: Thrift

Although there is little evidence that money is the answer for happiness in life, there are ways of dealing with money that can support our well-being. Joseph Chancellor and Sonja Lyubomirsky in Chap. 2 make the case that we get more happiness from money when we spend less of it; they make the case for thrift.

We may not usually think of it this way, but happiness increases when unhappiness decreases. While, a pain averted does not seem to be the same thing as a pleasure gained, when all is said and done, less pain is a happier state of being. Furthermore, negative events have a greater impact on well-being than equal positive events; the bad outweighs the good. Negative events, whether loss of money, an illness, or a criticism, can capture our attention unpleasantly more than do the pleasures of gaining an equal amount of money, feeling fine, or getting a compliment (i.e., we are "loss averse," (Kahneman 2011)). All the more reason to avoid the miseries of debt and poverty. Less misery is equal to more happiness. For many people, a likelier road to wealth is through money conservation rather than through monetary gain.

Being thrifty is a way of life that counters the materialistic mindset. Chancellor and Lyubomirsky not only show the many reasons why thrift is a good, even necessary alternative, but also give methods for how to be thrifty. Thus, thrift is not an abstraction or sentiment; rather it's a practice. All the practical advice, like "Don't borrow. Buy it outright" and "Learn the thrill of saving" is grounded in research. They call for rehabilitating thrift, an out-of-fashion virtue. From a materialistic point of view thrift smacks of stinginess and inhibition, but from the alternative perspective, thrift is a pleasurable competence that supports one's autonomy. Thrift means not only spending less, but conserving resources and paring down consumption.

1.3.2 Money for Happiness: Experiences

On what should we spend our money to get the most happiness? If you are thinking of what you might own, think again. The answer lies in what you might experience. People report more happiness and satisfaction, and feel that the money was better spent, when it goes for events and happenings than when it goes for things. In Chap. 3 Travis J. Carter and Thomas Gilovich explore the underlying dynamics by which experiences give us more for our money. In this way, an objective from the chapter on thrift is furthered: using money wisely and getting good value.

Research probing into why experiential purchases are more satisfying, comes down to their meeting basic psychological needs. Experiences involve us personally. The experience we had at the concert, at the resort, or at the workshop depends in part on our participation. Thus, experiences are more singular than objects, and unlike objects, they cannot be readily compared side-by-side. Although experiences are transient and objects are more or less permanent, experiences live on in memory and can become cherished over time while possessions tend to fade into the background of our lives. Significantly, we often share experiences with others. We go places and do things together, thus strengthening social ties. Experiential purchases can contribute to learning, self-development, and building relationships. Such experiences become literally part of our life story.

1.3.3 Possessions for Well-Being

So far, in the discussions of materialism, thrift, and spending on experiences, the positives of material objects and possessions have gotten short thrift. In Chap. 4 John L. Lastovicka and Laurel Anderson particularly address how material objects can meet basic psychological needs. Loneliness is surely among the most adverse of psychological states, the opposite of the good close relationships that are fundamental to well-being. Should those close relationships be lacking, people can become attached to special possessions—a car, a computer, a firearm—and thereby find an alternate form of positive emotional connection and interaction.

Material objects accompany us through life, and from babyhood onward some possessions can be especially meaningful, treasured, comforting, and even loved. This chapter proposes that we can have genuine relationships with objects, relationships that can help overcome loneliness. For whatever reasons—whether unsuccessful in love or finding oneself as a stranger in a strange land—possessions can help compensate. Furthermore, finding other people who share one's "love" (other hobbyists or enthusiasts) can eventually lead to real human relationships, perhaps via a "consumption community."

This chapter breaks new ground in showing that relationships with objects can improve not just subjective well-being but actual physical well-being. The chapter presents the case of robotic dogs, which can interact and learn and can function as companions for the lonely elderly. Positive social interactions with the robots (comparable to pet therapy with real dogs) leads to increased levels of the stress-reducing "social" hormone, oxytocin.

A profound implication of this perspective for contemporary times, as people are displaced from community for a variety of reasons, and as interactive technologies are on the rise, is that these gadgets offer a means for ameliorating the diminished human contact. (Samsung's 2013 Smartphone has the tagline, "life companion.")

1.3.4 A Consumer Taxonomy

When it comes to money, we have seen that being thrifty furthers well being, and when it comes to possessions, we have seen that being materialistic augurs poorly for well-being. What if we combine these two, such that we can think of people as being thrifty and materialistic (a Value Seeker), or thrifty and not materialistic (a Non-Spender), etc.? This is what I attempt in Chap. 5. By using measures of frugality (Lastovicka et al. 1999) and materialism (Richins 2004), the model is tested against a series of consumer attributes such as impulse buying, credit card misuse, and price expertise. Both frugality and materialism matter as relevant contributors to consumer attributes and together they map out an array of consumer types.

The ultimate question concerns the well-being of the different consumer types. The research reported here finds that overall, well-being is predicted by low materialism and high frugality. Consuming is an aspect of the whole person and how people consume likely reflects their underlying motivation and sense of self. Intrinsic and extrinsic motivation and independent and interdependent self-construal are personality dimensions that have been related to materialism. In this research, intrinsic motivation and independent self-construal are positively associated with well-being. Among the findings: the frugal Value Seeker, although materialistic, is more intrinsically motivated than the Big Spender. The Experiencer type, despite being low in frugality, is low in materialism and scores high in well-being, but the Big Spender, materialistic and not frugal, scores lowest in well-being.

1.3.5 Materialism, Culture and the Good Life

So far, we have considered money and how to be thrifty; the advantages of spending on experiences over objects; the benefits, psychological and physical, that possessions can facilitate; and variations in consumer styles. The emphasis has been on how consumption can promote well-being. On the down side, it seems that materialistic attitudes do not support well-being, and money does not bring as much happiness as one might suppose. But what do people really believe about money and materialism?

In Chap. 6, Christie Napa Scollon and Derrick Wirtz, look at lay (folk) theories of what constitutes the "good life." They look at the importance of wealth as compared to meaningfulness and happiness, among other attributes, in judging quality of life. It turns out that people in the USA (a country regarded as a prime mover of consumerism) are not particularly materialistic. Americans tend to believe that unless one is poor, the difference between getting by and getting rich matters little for having a good life. It does matter that one enjoy one's work and feel it is meaningful, but income is not that important. Western societies tend to be individualistic in contrast to East Asian, more collectivistic societies. For East Asians, wealth does matter in their conception of the good life, however, it is far less important than meaning and happiness. Asian cultures also emphasize viewing the self from other people's perspective, which these authors argue enhances the importance of objective standards such as material wealth in judgments of a good life.

This chapter helps clarify what materialism means in a collectivistic, East Asian society. While in the West, we may think of materialism as selfish, as getting what one wants without regard for others, in a collectivistic culture, materialism may be more of a duty, an obligation to fulfill one's role expectations, to display the success and esteem of one's in-group, and perhaps more importantly, avoid shame and failure. Does the negative relationship between materialism and well-being hold cross-culturally? Apparently, yes.

1.3.6 The Consumer in the Economy and the Environment

Charles Seaford, in Chap. 7 thinks through how it can be possible to have a healthy environment, a successful economy, and a satisfied populace given that (to simplify) consumerism is bad for the environment but good for the economy. The goal of a "happy planet" sets the criterion of reducing carbon emissions sufficiently to effectively halt global warming. Achieving this goal will require redirecting the productivity of the economy away from consumer goods and toward a more carbon neutral infrastructure. For consumers, the changes in the economy translate into changes in the work-and-spend cycle toward less working (more leisure, lower income) and less spending. Is it technically possible? Is it politically acceptable? Is it humanly livable? The answers are a tentative yes.

Using the UK as the example, Seaford offers hypothetical scenarios based on differing degrees of economic change. He works out the numbers for what the scenarios would mean for consumers in reductions in consumption and in working hours, and he presents various practical steps that can be taken to shift the economy toward a greener infrastructure.

The potential negatives for the consumer include a shorter work week and lower income. To ensure that income is adequate at all levels some redistribution of wealth would be needed. There would be less money to spend and less to buy with it. People would need to adapt to a future of greater leisure. From what we have seen so far, changes away from consumerism and materialism are by no means undesirable for consumers. People are happier when they are less materialistic and when they are more thrifty than spendthrift. We have seen that people get more happiness from consuming experiences than buying things, and more leisure means more time for personal and social experiences that need not be resource intensive. Money is not that important for happiness, so a lower income could be acceptable. Thus, there are ways in which what is good (or not bad) for the consumer is also good for the environment.

1.3.7 Toward Sustainable Well-Being

In Chap. 8 Eric Zencey takes on the measurement of economic well-being in a comprehensive way that includes social and environmental well-being. The current, standard measure is the GDP (Gross Domestic Product). The GDP is critiqued as a flawed and misleading indicator of economic well-being; it measures the volume of monetary activity and treats volume as a “good,” even when the cause of increased spending was a disaster, a loss. The GDP in effect assumes growth is always good and that the planet is infinite in its bounty of natural resources. This chapter reviews, evaluates, and proposes measures of economic well-being that can supplant the GDP.

What gets measured reflects what is valued and also directs behavior; we aspire to what we measure. Thus, “measuring what matters” will not only give us a truer picture of macro-level well-being, but also direct us to improve the outcomes that do matter. Missing from the GDP are “ecosystem services.” In our finite planet, natural resources are not “free” but have economic value than can be calculated, for example, the value of the water purification services of a watershed. Some measures of well-being are inherently subjective, such as personal and civic well-being, but these too can be validated. Zencey proposes a “dashboard” of measures, building on work that is ongoing, that would for example subtract ecosystem losses and add well-being gains. “Outcome based budgeting” in the public sphere too calls for measurement; the costs need to be justified relative to the benefits.

If indeed we were to “measure what matters,” husband our resources, and temper growth, where would this leave the consumer? Perhaps, similar to Seaford’s chapter, consumerism would cool down, which, as we have seen, need not mean a psychological or material loss in well-being. Among the gains would be a healthy environment, good for our own health and enjoyment.

1.3.8 Living and Learning Consumption

As one learns about consumption and well-being, it seems natural to ask, where do I stand? Am I consuming in ways that support my well-being? Do the research findings offer advice that I might adopt? This is the sort of self-questioning that led me to write Chap. 9. I had not thought of myself as materialistic, far from it, but after studying the subject I came to recognize some of those leanings in myself. In the overall profile of my consumption, there are ways in which I meet, and other ways in which I fall short of, what the research recommends.

But this chapter is not primarily a case study; it is an attempt to pull together a good deal of what we know about well-being in the consumer domain and to reflect on the findings, not only in a personal sense but in terms of their implications. Thus, the chapter explores some of the byways that are not usually emphasized, such as the importance of extrinsic motivation and why it sometimes supersedes intrinsic motives. And, given the weight of evidence against materialism, the psychological benefits of the material in our lives can be overlooked. This chapter (along with the chapter on loneliness and possessions in this book) redresses the imbalance. Then, too, individuals deviate from the aggregate. The reader can ask, along with me, how true is this in my life?

1.4 Adding It Up: Less Is More

We come back to the original query of what an ideal consumer lifestyle might be. Granted that there is considerable latitude for many ways of consuming, and variations in what is desirable, still we can discern some general principles from which individuals and collectives can construct ways of living in the material world that would support well-being.

It seems that, when it comes to consuming, "less is more." It is better to spend less and conserve more, it is better to not be materialistic, and it is better not to care too much about money since money does not matter that much for happiness anyway. It is better for one's well-being and also for the environment to approach consuming in resource-conserving ways. The pursuit of experiences versus possessions too can be part of the solution (out of the malls and into the parks).

Consumerism is culpable in environmental crises, global warming, and the depletion of natural resources. What would happen if there were indeed a shift in economic activity away from consumption? What if indeed we were to work less and spend less? Working less and consuming less means more leisure time and this could be a mixed blessing. More leisure is an opportunity to cultivate personal, social, and civic interests but it also challenges one to structure meaningful and engaging activities. For those with a strong career focus, extra leisure may be an unwelcome challenge.

What would such a shift in the economy mean for the pleasures of consumption? Are we peering into a dreary, gray future? Would we still have fashion? Could we furnish our homes, drive our cars, find the shelves stocked in the supermarkets? Could we pay for what we need? But "less" is far from "none." Maybe we can get off the "consumer escalator" (Schor 1998) by which material standards keep rising, and we do not need to heed the advice I heard on a home-and-garden TV station that home decor needs to be updated every 5 years. And finally, recall that those who actually make do with less are happier than those who want more and more.

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Part I
Money and Consumption for Well-Being

Chapter 2
Money for Happiness: The Hedonic Benefits of Thrift

Joseph Chancellor and Sonja Lyubomirsky

In Tolstoy's "How Much Land Does a Man Require?" Pahóm, a nineteenth century Russian peasant, aspires to be a landowner. Yet, after a small plot fails to satiate his hunger, he begins chasing larger and larger acquisitions. Eventually, a wealthy man offers him an unusual "all-you-can-eat" real estate buffet: Pahóm can own as much land as he can circle on foot while the sun is shining. Although Pahóm stakes an enormous claim, after hours of overexertion, he unexpectedly drops dead. As a servant digs a grave for Pahóm's body, Tolstoy concludes, "Six feet from his head to his heels was all he needed."

If Tolstoy's Pahóm had lived in the early twenty-first century, he might have been feverishly flipping houses during the property bubble, carelessly trading stocks on his iPhone while driving, and unexpectedly dying at the wheel of his Mercedes. Whatever the time period, success in commercial business does not always translate into success in the business of life. As preachers, poets, and philosophers throughout history have cautioned, the breathless pursuit of material wealth may leave one disappointed, depressed, or yes, even dead (Kasser and Ahuvia 2002; Kasser and Ryan 1993; Eckersley 2006).

Furthermore, overconsumption is not only deleterious for the individual: the resultant consumption of scarce resources and pollution of the environment harms the collective. As global economic progress affords millions' entry into the middle class, the world can only hope their possessions do not overflow their garages as do those of middle-class Americans (Arnold et al. 2012).

The virtue of thrift, a lifestyle of strategic underconsumption, offers an intriguing alternative: living richly, without being rich. In this chapter, we present the benefits of practicing thrift, a relatively neglected construct in consumer psychology. First, we summarize decades of research on the surprising relationship between money and happiness. Next, we investigate three chief reasons that more money fails to produce more happiness (and can actually detract from it). Then, we discuss the meaning and history of practicing thrift, with an emphasis on how it contrasts with

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modern mindsets and habits. Finally, we draw from decades of research in social and consumer psychology to suggest ten ways that individuals can practice thrift in their daily lives—spending and consuming less, but becoming happier in the process.

2.1 What Money Buys

Money is essential for living, but insufficient for thriving. Hundreds of investigations conducted in almost every country in the world support this simple truth. Altogether, research over the past several decades reveals six major findings, described later, about the nuanced relationship between objective indicators of prosperity (e.g., income and wealth) and subjective measures of well-being (e.g., positive affect, negative affect, and life satisfaction).

2.1.1 Money Buys (Some) Happiness

The first major conclusion from the money and well-being literature is that money matters. Income relates to numerous beneficial outcomes throughout a person's life. Children born to wealthier families are less likely to die as infants (Kramer et al. 2000) and more likely to start kindergarten with better academic performance, even before instruction begins (Lee and Burkam 2002). Richer people are relatively more likely to have good physical health (Furnée et al. 2011; Lynch et al. 2000), and less likely to experience stressful life events (Brady and Matthews 2002), suffer from mental health conditions (Hudson 2005), and be the victims of violent crimes (Levitt 1999). The rich even benefit at the end of life, living longer than everyone else, a finding that persists after accounting for preexisting differences in health behaviors and chronic conditions (Bassuk et al. 2002).

Considering the numerous benefits of extra income, the biggest surprise is that these advantages do not always translate to greater happiness. Although income does correlate with happiness (see Diener and Biswas-Diener 2002, for an exhaustive review), the magnitude of the relationship is relatively weak. Surveys across 19 nations, for example, show that the poor are only 20 % less likely to report being satisfied with their lives than the rich (Diener and Biswas-Diener 2002). Although money buys entrance into better schools, more lucrative careers, and safer neighborhoods, it brings less happiness than people assume.

2.1.2 Earning More but Mattering Less

The second major finding from the money and well-being literature is that income most strongly correlates with happiness when one is poor, but the size of the relationship wanes as income rises (Deaton 2008; Diener et al. 2010; Eckersley 2005;

Howell and Howell 2008; Inglehart 2000). In other words, the money that makes a person happiest is that which keeps her out of poverty. Looking at the data another way, as income increases, the relative amounts matter more than their absolute values (Kahneman and Deaton 2010). Researchers have even calculated the dollar amount above which salary ceases to matter: a modest $ 75,000 in the USA (Kahneman and Deaton 2010), which is a surprise to those aspiring to "six-figure" incomes.

2.1.3 Not All Types of Happiness Require Money

Psychologists measure the components of well-being in several different ways, and not all of these measures correlate highly with income. When asked to evaluate their lives as a whole, people often base their answers on their salaries or their savings accounts. As a result, money is more strongly correlated with overall life satisfaction (Diener et al. 2010; Tay and Diener 2011). A moderate income also means not experiencing the misery of lacking basic necessities and freedoms, reflected in its association with less negative affect (Tay and Diener 2011).

But, do the wealthy feel happier than everyone else at every minute of the day? Hardly. Moment-to-moment feelings, especially positive ones, are less strongly related to people's incomes and more strongly related to the extent to which their psychological needs are being met through their daily activities and their immediate context (Diener et al. 2010; Lyubomirsky et al. 2005b; Schwarz et al. 2009). In other words, if researchers picked an individual off the street at random, they could infer more about his present feelings from what he is doing and whom he is with than from rifling through his wallet.

2.1.4 National Prosperity May Not Trickle Down

Political leaders can be forgiven for believing that building a strong economy inevitably breeds happy constituents: A nation's changes in prosperity (as measured by growth in Gross Domestic Product [GDP] or income) correlate with changes in its citizens' life satisfaction. However, as prosperity rises and falls, corresponding shifts in positive or negative emotions fail to materialize (Diener et al. 2011; but see Easterlin et al. 2010; Easterlin and Angelescu 2010; Stevenson and Wolfers 2008, for alternative perspectives). Even when income or GDP does increase, a number of barriers make surges in life satisfaction less likely. For example, GDP makes less of a difference if household material wealth remains unchanged (i.e., the nation's wealth does not "trickle down" to ordinary people; Diener et al. 2011). Additionally, extra income only benefits citizens when they are satisfied with their incomes and optimistic about their futures (Diener et al. 2011).

Intriguingly, in special cases, subjective and objective indicators can even diverge. When the Berlin Wall fell, for example, the economic fortunes of East Germans increased over time along with their life satisfaction. However, West Germans grew less satisfied with life over time, despite the fact that their incomes were also rising (Easterlin and Zimmerman 2006).

Modern economic development brings its citizens a mixed bag of blessings and curses (Easterlin and Angelescu 2010). National prosperity may mean more jobs and rising incomes, but also increasing urbanization, obesity, job obsolescence, various kinds of pollution, and social upheaval. Also, although the fortunes of many may rise, their relative standing often remains intact. Relative standing matters a great deal to well-being because after positive improvements in their lives, human beings are inclined to increase their expectations (e.g., "My new house needs new furniture") and make social comparisons (e.g., "Everyone else has an iPhone"; Boyce et al. 2010; Clark et al. 2008; Clark and Oswald 1996; Ferrer-i-Carbonell 2005; Luttmer 2005)—two tendencies that serve to undermine such improvements.

2.1.5 Happiness Attracts Wealth

An important caveat about the relationship between money and happiness is that this relationship is not solely explained by the fact that money makes people happy. A number of longitudinal studies document that happier people at Time 1 proceed to earn higher incomes at Time 2. For example, self-reported happiness predicted subsequent increases in income in Australians (Marks and Fleming 1999), and higher income and lower unemployment in Russia (Graham et al. 2004). Similarly, cheerfulness in undergraduates was found to predict their incomes 16 years later, even after controlling for parental income (Diener et al. 2002). Optimistic insurance agents (who tend to be happier) sell more insurance (Seligman and Schulman 1986), and optimistic CEOs garner better performance ratings and produce bigger returns on investment for the companies they lead (Pritzker 2002). Although many assume that possessing money precedes and therefore causes subsequent happiness, happiness often precedes the procurement of wealth and explains at least part of the relationship between the two.

2.1.6 Chasing Possessions but Missing Happiness

A significant downside of money, however, is the danger that arises from fixating on it. Studies show that materialism means floundering, not flourishing (Kasser 2002). Materialistic individuals report less satisfaction (Richins and Dawson 1992), more unhappiness (Belk 1985), and lower levels of relatedness, competence, autonomy, gratitude, and meaning in life (Kashdan and Breen 2007). Materialists enjoy their relationships less (Kasser and Ryan 2001), an opinion their friends and families share (Nickerson et al. 2003; Solberg et al. 2004). Furthermore, high financial aspirations are associated with lower social functioning and more antisocial behavior in young adults (Kasser and Ryan 1993). Low income materialists report particularly high distress, but even as their incomes rise, wealthy materialists never reach the happiness of everyone else (Nickerson et al. 2003). Even in places that revere financial achievements, such as business schools, students with strong, internalized materialistic values are more anxious, less happy, and have poorer physical health (Kasser and Ahuvia 2002). In experiments, participants exposed to materialistic cues—such as viewing luxury products or playing the role of a consumer in a game—feel worse, display less social involvement, and act more competitively (Bauer et al. 2012). Altogether, the evidence suggests that an overly strong focus on acquiring money and possessions negatively impacts well-being across a broad number of life domains.

2.2 Why Dollars Disappoint

Why does money matter less than people think? Psychologists have identified at least three reasons why possessions and money fail to translate into greater happiness, and can in certain cases even undermine it.

2.2.1 We Choose Poorly

Although a Yiddish proverb holds that "the heart is half a prophet," people's accuracy in prophesying what will make them happy routinely disappoints. Individuals often mispredict what pursuits will make them happy, how large of a hedonic boost they will earn, and how long the rewards will last. For example, many suppose that winning the lottery is a ticket to perpetual happiness, but studies suggest that the effects are relatively short-lived (Brickman et al. 1978). To nonmillionaires, the downsides of wealth are hard to imagine, yet they exist—endless appeals for money, worries about children becoming spoiled, and constant suspicions of others' motives (Wood 2011). In general, people overestimate the happiness they can garner from any isolated event, like the purchase of a new home or a raise in salary (Wilson and Gilbert 2005), and underestimate their ability to adapt to negative events, like a financial downturn (Bonanno 2004; see Wilson and Gilbert 2003, for a review). When pursuing happiness, especially by purchasing it, forecasting errors increase the likelihood of feeling buyer's remorse.

2.2.2 We Adapt Promptly

No blessing brings perpetual bliss. People quickly reach a point where, as B. B. King memorably belted, "the thrill is gone." Hedonic adaptation, the psychological term for this phenomenon, explains how the happiness that comes from owning a new widget or securing a pay raise erodes via two key pathways: decreased pleasures and increased aspirations (Lyubomirsky 2011; Sheldon and Lyubomirsky 2012; Wilson and Gilbert 2008). As time passes, the pleasures of a positive change evaporate. One enjoys a newly remodeled bathroom for a season, but over time, it becomes less noticeable and produces fewer positive feelings. Eventually, the change becomes unnoticeable, fading into the psychological background. Furthermore, positive changes often increase one's expectations and desires, impeding the full effect of the next positive change. After remodeling the bathroom, one begins noticing the drabness of the den.

Hedonic adaptation explains why constant luxury becomes banality. Faced with chronic surpluses, aspirations can ultimately become so high that they choke off all of life's pleasures, leaving one miserable even in the midst of favorable circumstances. After achieving success in every military campaign he led, Alexander the Great resolved to conquer the entire known world. However, after marching to India, his soldiers almost mutinied and forced him to return home, and he died shortly thereafter. An epitaph summarized his brief, ambitious life: "A tomb now suffices him for whom the whole world was not sufficient" (Benham 1907, p. 686). Only by accounting for rising aspirations is it possible to grasp why continuing positive changes lead to diminishing hedonic returns; and when outcomes fall short of one's expectations, disappointment is the price of presumption.

2.2.3 We Spend Profligately

Left unchecked, poor choices and fleeting thrills can drive people to overconsume—provided that their pocketbooks can keep up. Fully 20 % of wealthy American households owning assets of $ 1–10 million spent all of their incomes or more in 2004 (Frank 2008). In 2006, the American personal saving rate, already low by worldwide standards, went negative for the first time since the Great Depression (Danger time for America 2006).

Psychologists call the endless cycle of acquisition and adaptation the *hedonic treadmill* (Brickman and Campbell 1971), and its function provides insight into why people continue to purchase and possess, never reaching a point when their life is sufficiently pleasurable and satisfying. The consequence is runaway materialism, in which more and more money is spent and less and less happiness is derived from it.

In sum, at least three human tendencies—choosing poorly because of affective forecasting errors, adapting quickly to positive experiences, and chronic overspending—conspire to nullify or reverse the hedonic benefits of extra wealth. Given the limited resources of our planet and how easily these resources are wasted, we argue that the practice of thrift offers a unique opportunity to simultaneously reduce consumption while boosting fulfillment.

2.3 Thrift and Frugality: Definition and Brief History

Thrift is an ancient virtue that alludes to the curbing of consumption and boosting of fulfillment (Chancellor and Lyubomirsky 2011). It is highly relevant both in times of scarcity (when resources must be conserved) and in times of surplus (when temptations for unsatisfying pursuits abound). Although many associate *thrift* with being miserly or stingy, the word actually originates from the term *thrive* (Skeat 1993). We define thrift as “a voluntary lifestyle choice involving the careful stewardship of finite resources, such as time, money, and possessions, with optimal long-term material and psychological gain.” Thrift has close associations with the virtues of industry (as the harder one labors for benefits, the less likely one is to squander them), generosity (to use one’s surplus to benefit others), temperance (consuming in moderation), and wisdom (to avoid wasting resources on frivolous pursuits).

In the consumer literature, thrift is often called frugality, which researchers define as consumer restraint in the acquisition of goods, and resourcefulness in using them to achieve long-term goals (Lastovicka et al. 1999). Voluntary simplicity, a related concept, is an intention to reduce expenditures to focus on nonmaterialistic satisfaction and meaning (Craig-Lees and Hill 2002). Thrift is conceptually distinct from tightwadism (the reluctance to spend money at all, even on the necessities; Rick et al. 2008) and hyperopia (a tendency to overwork and deprive oneself of any enjoyable experiences; Kivetz and Simonson 2002). Throughout this chapter, we use the terms thrift and frugality interchangeably, but always in the sense of managing time, money, and possessions with optimal long-term results.

The practice of thrift spans history and cultures. Almost 2,500 years ago, Socrates saw his life mission as persuading people to pay less attention to the pursuit of money, reputation, and honors and more attention to seeking truth, wisdom, and self-improvement. King Solomon, the richest man of his day, noticed that people who loved money were never satisfied with their incomes and lost sleep because they worried about losing their wealth (Ecc. 5:10, 12). Buddhist texts recount how monks practiced extreme thrift by squeezing maximum utility out of their meager possessions: they recycled old robes into quilts, old quilts into covers, old covers into rugs, old rugs into dusters, and eventually, old dusters into a mixture of clay and cloth to repair the monastery’s walls (de Silva 2010).

Thrift arose as a key virtue in North American culture, arising from a combination of religious tradition and practical circumstances (Witkowski 2010). The survival of early colonists, for example, depended entirely on their own competence in managing scarce resources. Puritan and Quaker communities encouraged hard, productive labor for the common good and strongly discouraged wasteful and excess consumption (Shi 1985; Witkowski 2010).

As American history unfolded, thrift and frugality came in and out of fashion depending on the economic, political, and social climate (Witkowski 2010). For example, during the American Revolution, the Civil War, World War I, and World War II, frugality campaigns redirected scarce resources to the war effort. At these crucial moments in history, governments sanctioned thrift, citizens widely practiced it, and it contributed to wartime success. In the modern era, however, due to the overdependence of the American economy on consumer spending, government leaders often steer citizens away from the widespread practice of thrift. For example, following the terrorist attacks of September 11, 2001, President Bush, fearing an economic recession, encouraged Americans to “go shopping” instead

(Kasser 2011). In fact, according to Keynesian economic theory, which enjoyed a resurgence during recent global recessions and drove policy decisions in both the Bush and Obama administrations (The Keynes comeback 2009), excessive saving actually prolongs depressions, and governments can spur growth by discouraging thrift in favor of consumption and investment (Tucker 1990). Ironically, those feeling the sting of economic depressions come to the opposite conclusion; they wish they had been better prepared for tough times by having saved more and spent less (Tucker 1990).

In times of scarcity, thrift ensures physical survival. But even in times of plenty, thrift aids in psychological survival, by helping individuals avoid unfulfilling distractions and orient their lives toward need-satisfying pursuits. However, even when shunned by the masses, a wealth of research suggests that under the right conditions, thrift provides a number of financial and psychological benefits to its practitioners.

2.4 Practicing Thrift to Earn Hedonic Dividends

How can people manage to squeeze more happiness out of less money? The consequences of practicing thrift have not been well documented in extant psychological research, and the few studies that do exist report conflicting outcomes (see Kasser 2011, for a brief review). Thus, whether individuals derive benefits from conserving more or spending less depends on a number of intervening factors, such as their motivation, goals, expectations, specific practices, and social support. We survey a broader literature on well-being, emotions, economics, and consumer psychology to offer ten psychologically and financially sound principles on how to increase happiness without spending much money, and in many cases substantially less.

2.4.1 Cure Ills Before Seeking Thrills

In one of Aesop's fables, a pair of mice samples each other's lifestyles. Although the country mouse subsides on crumbs, the city mouse serves fine wines and cheeses stolen from his homeowners' cupboards. But their sumptuous dinner ends abruptly when the drunken homeowners return and ravenous dogs give chase. As the country mouse heads home, he confesses to his friend, "I'd rather have a crust in peace and safety than all your fine things in the midst of such alarm and terror."

Happiness is not just about feeling good—it is also about seldom feeling bad (Diener et al. 1999). Hence, one can become happier by either increasing positive affect or decreasing negative affect. Although maximizing positive affect is the most obvious strategy, minimizing negative affect has one strong but overlooked advantage: pain is much more potent than pleasure. As the country mouse discovers, even bland is better than best with bad.

Decades of research supports that, indeed, bad is stronger than good (Baumeister et al. 2001; Taylor 1991). All else being equal, preventing or halting a negative experience provides a three- to fivefold return on investment over adding a positive one (Fredrickson and Losada 2005). Negative experiences and emotions affect people more than do positive experiences and emotions when they perform different kinds of tasks, including being subconsciously primed with photos (e.g., Smith et al. 2006), memorizing information (e.g., Bless et al. 1992; Ohira et al. 1998; Porter and Peace 2007), filtering information (e.g., Pratto and John 1991), and detecting emotions (e.g., Oehman et al. 2001). Also, negative information attracts more attention and relative importance in interpersonal interactions (e.g., Gottman and Krokoff 1989), first impressions (e.g., Peeters and Czapinski 1990), and when decoding nonverbal messages (e.g., Frodi et al. 1978). Daily diary studies demonstrate that positive changes are weaker than negative changes, and that their effects also evaporate more quickly (e.g., Nezlek and Gable 2001; Sheldon et al. 1996; see also Oishi et al. 2007). In a daily diary study of college students, a bad day lowered well-being on the following day (Sheldon et al. 1996); the effects of a good day, however, did not transfer to the next.

Likewise, pleasure fades, but misery lingers. Humans adapt to positive stimuli more quickly and completely, but to negative stimuli more slowly and partially. For example, lottery winners were no happier from less than 1 month to 18 months after news of their prize than those who had experienced no such windfall (Brickman et al. 1978). During an unprecedented economic expansion in the USA lasting over 50 years, mean happiness levels barely budged (Lane 2000)—if anything, they slightly decreased. In prospective longitudinal investigations, those who marry receive a boost in their happiness, but revert to their baseline after 2 years on average (Lucas et al. 2003; see also Lucas and Clark 2006), and high-level managers who purposely change jobs experience a burst of satisfaction immediately after the move, but bounce back within a year (Boswell et al. 2005). By contrast, studies of negative experiences such as disability, unemployment, widowhood, and divorce indicate that their levels of well-being take a “hit” from the negative occurrence and, on average, never fully rebound (Lucas 2005; Lucas et al. 2003, 2004).

When shopping, people err when they fixate only on thrilling or life-enhancing products. However, the relative strength of bad over good suggests that a product that relieves pain or discomfort could be a more hedonically potent purchase. For example, a troubled couple might try counseling before cruising, or when shoe shopping, a wise consumer might consider bunions first and fashion second. Although less suffering and more pleasure both lead to greater happiness, the pain-relieving path offers the biggest payoff. Thomas Fuller observed that “one cloud is enough to eclipse all the sun.” If clouds do appear, a most satisfying purchase could be an umbrella.

2.4.2 Meet Needs Before Indulging Desires

“Our necessities are few,” wrote George Bernard Shaw, “but our wants are endless.” Because of the finitude of human needs, the meager financial cost of meeting them, and the misery of doing without, utilitarian products, more than luxurious ones, garner the most happiness for the dollar. Mindful of these reasons, thrifty people prefer products that meet practical needs, rather than superfluous ones (Craig-Lees and Hill 2002).

Studies have enumerated a set of limited but important biological, psychological, and social conditions necessary for optimal human functioning (Hill and Buss 2008; Sheldon et al. 2001; Kenrick et al. 2010; Maslow 1954; Ryan and Deci 2000; Ryff and Keyes 1995). Physically, people need food, water, clothing, shelter, and safety. Psychologically, people need to feel competent, autonomous, and fulfilled. Socially, people need to feel respected and connected with others. Altogether, the fulfillment (or deprivation) of this short list of human needs explains 10–23 % of variation in happiness across countries and cultures (Tay and Diener 2011). Spending money to meet a need offers an immediate benefit to happiness because human needs are neither mysterious nor insatiable. In fact, Kasser (2011) proposes that the degree to which thrifty behavior meets core psychological needs likely explains differences in the outcomes of apparently thrifty practices.

A necessity is generally more effective at boosting well-being because of the subjective strength of bad over good. A utilitarian purchase, by definition, meets a practical need, without which one presumably would be wanting, whereas a luxurious purchase aims for extra (but nonessential) enjoyment. Thus, a utility prevents continual suffering, while a luxury only bestows a momentary pleasure. For example, a polio vaccine prevents paralysis. A Botox shot removes fine lines and wrinkles (ironically, through paralysis). Even if both injections are later taken for granted, by preventing the more negative outcome, the vaccine is of greater objective benefit. Similarly, although a five-course meal at a trendy restaurant makes an enjoyable evening, even rice gruel eliminates the pangs of hunger. The poor spend the highest percentage of their income on basic necessities, needs that are most strongly related to life satisfaction and negative affect (Tay and Diener 2011).

Utilities are also the best bargains. The difference between the lowest and highest price offerings of the same kind of product can be 10–1,000-fold. A bowl of soup can cost pennies (in Africa) or $ 215 (at a tony restaurant in London). The world's cheapest mass-produced car (from India's Tata Motors) retails for $ 2,500, while the world's most expensive (the Bugatti Veyron from Germany's Volkswagen) sells for $ 2.4 million. Despite the differences in cost, feature-for-feature drivers obtain more hedonic benefit from the motor than the moon roof. In sum, buyers benefit more when they direct their dollars to no-frills utilities rather than frivolous purchases.

However, two caveats should be mentioned. First, the distinction between utilities and luxuries is not clear-cut and abounds with ambiguities (Alba and Williams 2013). Luxury cars can commute and economy cars feature stereos. Real-world purchases are subtle gradations of utility and luxury. Also, two people may buy the same product with different motivations: a fisherman buys a boat for labor, but the yuppie for leisure. Complicating matters further is the tendency of people to conflate their needs and desires. Ask a materialist or spendthrift about a recent purchase, and he/she may overstate the utility of his/her acquisitions. Conversely, a tightwad may even forgo necessities to the detriment of his own well-being.

Second, a few (but not all) of today's luxuries are tomorrow's necessities, especially in the realm of new technologies. Charles Fay, General Manager of the Chicago Telephone Exchange, argued in 1887 that, "the telephone, like the telegraph, post office, and the railroad, is only upon extraordinary occasions used or needed by the poor" (Lasar 2011). But today, people of all classes depend on former luxuries such as cars, cell phones, and computers to participate in the modern economy. New technologies have a way of becoming ubiquitous and essential. Although frugal billionaire Warren Buffett routinely decried the wastefulness of corporate jets, he eventually bought a used airplane in 1986 (Bianco 1999). Trading up to a more expensive jet in 1989, he named it The Indefensible. "Whether Berkshire will get its money's worth from the plane is an open question," Buffett later wrote to shareholders, "but I will work at achieving some business triumph that I can (no matter how dubiously) attribute to it." Although his humility made it difficult to admit, if any CEO could justify such an expense on purely economic grounds, Buffet could. The happiest shoppers are likely those who can set their preferences aside and approach such matters rationally.

In sum, our happiness and wallets are generally best served by seeking utilities and shunning luxuries. A need-meeting product saves people from suffering and can often be obtained at a bargain, provided that one honestly considers all the options. Frugal shoppers happily visit thrift stores, garage sales, and used car lots to buy functional products at a fraction of the original cost. Benjamin Franklin wrote, "Poverty wants some things, luxury many things, avarice all things." Heeding needs shortens shopping lists, but without sacrificing happiness.

2.4.3 Do Not Borrow. Buy It Outright

The Book of Proverbs warns, "The borrower becomes the lender's slave" (22:7). How an individual pays for a purchase can affect how much he enjoys it, especially if he goes into debt to procure it. The thrifty boost their happiness and build their wealth by paying in advance, avoiding long-term financing, and profiting from their financial acumen (Rick et al. 2008).

Spending hurts. When shoppers say "Ouch!" after finding the price tag, they are feeling the activation of their insula (Knutson et al. 2007), the same brain area associated with noxious odors (Wicker et al. 2003), being treated unfairly (Sanfey et al. 2003), and experiencing social exclusion (Eisenberger et al. 2003). Of course, retailers know that spending hurts and scheme to sell more by lessening the pain of paying. Two common techniques are postponing a payment or financing it over time. For example, consumers brandishing credit cards, the most popular way of postponing payments, spend more than they would if they were paying by cash or check (Prelec and Loewenstein 1998; Prelec and Simester 2001; Soman 2001).

Shrewd shoppers use credit cards to accrue perks like cash rebates, points, or airline miles, and then promptly pay off the balance. In general, financing only becomes advantageous when the loaned capital produces more than the premium paid to obtain it. Frugal shoppers may borrow money because they can use it cheaply (e.g., taking out a zero-percent auto loan), while investing their own money at a higher rate of return (e.g., in a money market fund). Although these shoppers borrow money, they are actually earning rewards, and undoubtedly enjoying them. Any pain they may feel parting with their cash is offset by the product and the perks. For this class of disciplined and savvy shopper, debt is not distressing. Any borrower who can pay off a debt instantly has little reason to worry. Even if frugal shoppers do pay upfront (most likely while procuring a discount for using cash), they finish the unpleasant, painful part of the transaction at the beginning (i.e., decoupling payment and enjoyment, see Prelec and Loewenstein 1998), and are now free to fully enjoy their purchase.

Impulsive shoppers, however, borrow because they covet the goods, but cannot otherwise currently afford them. Financing lessens the immediate pain of paying, but with accumulating long-term consequences (Brown et al. 2005). Debtors live in financial servitude. Borrowers who owe more than they own worry constantly about keeping up with payments and the disastrous implications of losing their jobs (Price et al. 2002). When they do miss payments, penalties proliferate and creditors call. An actual default on a loan can lead to further unpleasant—unpleasantly variable and unanticipated (cf. Lyubomirsky 2011)—experiences, such as having one's credit ruined, utilities shut off, automobiles repossessed, or homes foreclosed. Altogether, 48 % of US residents confess worrying some of the time or most of the time about the debts they owe (GfK Roper Public Affairs & Media and Associated Press 2010), and, in 2010, almost 13 % of all mortgages in the USA were behind on payments, seriously delinquent, or in the process of foreclosure (Comptroller of the Currency and Office of Thrift Supervision 2010). Debt also adds stress and conflict in families (Conger and Elder 1994). Dollar for dollar, debt has a higher psychological cost than saving has a psychological benefit (Brown et al. 2005).

Troublingly, over many decades in the USA and other Western nations, financing options that were once reserved for shrewd investments (e.g., a business loan, a college education, or rental property) have become the norm for all kinds of frivolous and fleeting purchases (e.g., cars, furniture, jewelry, vacations, and fancy dinners). Ironically, debt and reoccurring payments can drain the enjoyment out of a hedonic purchase (Prelec and Loewenstein 1998). In some cases, governmental policy actively encourages the accumulation of debt (e.g., mortgage interest tax deduction), while punishing savers with low interest rates and fewer tax benefits for having planned ahead.

Some intriguing studies suggest that debt, by itself, is not psychologically harmful. Instead, one's dissatisfaction with debt may be the culprit that actually engenders stress, anxiety, and emotional instability (Kasser 2011). This line of thinking implicates thrifty attitudes in working *against* well-being in cases where accumulating debt is unavoidable (e.g., financing a university education or purchasing a house). Along the same lines (but at the opposite end of the spectrum), satisfaction with one's level of savings predicts higher well-being and less stress in samples of Germans and among women (Barnes et al. 1999; Berger et al. 1988; Bergermaier et al. 1984). Taken together, these findings suggest that greater well-being arises as one's financial aspirations match one's present financial circumstances. However, given the real stress posed by people facing financial problems (Addler et al. 1994) and that simply lowering one's aspirations in response to money problems predicts lower well-being across the lifespan (Wrosch et al. 2000), we hesitate to simply advise debtors to "be happy and not worry." Financial difficulties are probably best solved by setting realistic goals and working to achieve them (Wrosch et al. 2000).

Debt is a powerful financial tool, and much like a circular saw, it requires expertise and an abundance of caution. Used correctly, a saw can build a house, but placed in the wrong hands, it may sever them. If a purchase price is higher than the available funds, one would do well to consider a cheaper alternative in lieu of borrowing or reexamine whether the purchase is truly necessary. Those carrying debt would gain far more happiness by reducing or eliminating it (Prelec and Loewenstein 1998) rather than spending money on new purchases. Although crawling out of a financial hole is not glamorous, the benefits of living life without the crippling weight of debt cannot be overemphasized. A brief frolic in the sunshine is no substitute for complete financial emancipation.

2.4.4 Postpone Pleasure

"One-half of the troubles of this life can be traced to saying yes too quickly," noted H. W. Shaw, "and not saying no soon enough." Frugal shoppers resist the temptation for instant gratification—they are less impulsive, more self-controlled, and deliberate in their shopping habits (Lastovicka et al. 1999). Delays can actually increase happiness by allowing us time to gather crucial information, consider our future, practice self-control, and experience the joy of anticipation.

When deciding on ostensibly pleasurable purchases, our impulsiveness may lead us to overlook minor but consequential details. As humorist Dave Barry (1992) recounts, only after a hasty boat purchase did he learn the many ways to die on the ocean. After he tired of scrubbing the hull after every voyage, his boat became a permanent fixture in his driveway. Similarly, a study on regretful purchases confirmed that buying impulsively predicted later unmet expectations and social embarrassment when using the product (Trocchia and Janda 2002).

Unless one is an experienced sailor, boating fantasies rarely include shoals, docking fees, or barnacles. In fact, the more distant any event is, whether in time or space, the more abstract and ideal one tends to imagine it (Fujita et al. 2006; Liberman et al. 2002). People also overestimate how much happiness they can squeeze out of any single solitary event (Wilson and Gilbert 2005). Once the boat becomes theirs and the thrill of acquiring it fades, seamanship's mundane details become much more consequential to their enjoyment.

Altogether, happiness is less about life's great peaks and valleys and more about small pleasures and hassles (Diener et al. 1991; Kanner et al. 1981). One's immediate environment, more so than our enduring circumstances, drives moment-to-moment feelings. Enduring circumstances do leave their mark, but only when one is conscious of them (Schwarz et al. 2009). Patriotic Americans may feel happy when pondering the fortune of living in a stable, democratic country. But these thoughts mostly occur while watching *Saving Private Ryan* or grilling burgers on Independence Day. On a normal day, we may be fuming about the driver who just cut us off in traffic, worrying about the next electric bill, or beaming because of saving 50 cents on granola. The little things matter, and individuals ignore them at their peril.

Even when recognizing all the drawbacks does not change a decision to buy, people are better off knowing them in advance. While salivating over a new riding lawn mower, one may not want to read the disappointing *Consumer Reports* reviews. But receiving negative information after buying makes a person more dissatisfied with a purchase than if he/she had simply known beforehand (Cooke et al. 2001). Short on pertinent facts, impulsive buying may leave one more regretful than grateful.

A delay can also boost happiness by bending one's judgment toward virtue and away from vice. For example, when choosing between snacks, participants pick unhealthy treats to eat now, but healthy ones for the future (Read and Van Leeuwen 1998). In choosing between high-brow and low-brow movies, participants tend to select a low-brow movie to watch immediately and high-brow movies for a later time (Read et al. 1999). The movie *Schindler's List*, for example, was selected 13 times when picked days ahead of time, but for immediate viewing only once. St. Augustine, expressing his own mixed feelings about virtue, asked in his memorable prayer, "Grant me chastity … but not yet." By simply distancing the decision from the delivery, one can employ more intellect and less id.

People vary in how they experience and process the flow of time, especially the present and the future. Some people view the world through a microscope—completely focused on the present moment, while the future seems distant, fuzzy, and irrelevant. Other people, by contrast, see the future through binoculars—magnified, prominent, and close. One's time perspective greatly affects decision making. For example, overly present-oriented people tend to make relatively poor short-term decisions that carry negative long-term consequences, such as using drugs (Keough et al. 1999; Wills et al. 2001). Conversely, the frugal, who are more future-focused (Bearden et al. 2006; Lastovicka et al. 1999), use relatively fewer cigarettes (Kasser 2005) and are less likely to abuse alcohol in college (Rose et al. 2010). When buying, present-oriented people want to consume the product now, but pay later (Amyx and Mowen 1995). Future-oriented people, however, are relatively more willing to pay immediately. Developing future-mindedness, therefore, can lead to wiser financial choices and greater long-term happiness.

Another quality relevant to postponing pleasure, the ability to delay gratification, leads to many positive outcomes for children, adolescents, and adults. Adolescents who could delay gratification as children earn higher SAT scores, are more socially competent, and better manage stress (Mischel et al. 1989). Similarly, adults who were better able to delay gratification as children are relatively happier, more socially competent, better goal setters, and more capable of coping with frustration and stress (Ayduk et al. 2000; Mischel and Ayduk 2002).

Fortunately, research suggests that people can learn patience and self-control (Muraven et al. 1999; Oaten and Cheng 2006; Schnitker 2012). The ability to self-regulate, like a muscle, can be strengthened through effortful practice (Muraven et al. 1999; Oaten and Cheng 2006). Strategies that appear to increase patience include perspective taking, practice in emotional regulation, mindfulness exercises, and cognitive reframing (Schnitker 2012). Although resisting an impulse is tiring in the moment, regular practice builds a greater capacity for self-regulation in the future (Muraven and Baumeister 2000). The more one practices waiting, the better at it one gets.

Finally, postponing pleasure offers an underappreciated, but pleasurable side benefit—the joy of anticipation (Dunn et al. 2011). People who practice anticipation are happier than those who do not (Bryant 2003). In a longitudinal study, vacationers wrote more positively in their diaries about their vacations before the trip than during it (Mitchell et al. 1998). As discussed earlier, people tend to hold overly abstract and general views of future events, and most construe upcoming vacations quite positively. However, people often find that the actual trip does not live up to their rosy expectations. They still enjoy their vacations, of course, but they enjoy them slightly less positively and in a more nuanced way than they initially expected (Mitchell et al. 1998). Anticipation, therefore, is a free and enjoyable ride, "unsullied by reality" (Dunn et al. 2011, p. 15).

As Carrie Fisher (1987) bemoaned in her semiautobiographical novel, "instant gratification takes too long." For those without self-control, even brief delays are excruciating. Conversely, by using time to our advantage, we can spend money wisely, armed with relevant facts, resolute future-mindedness, stronger self-control, and more anticipatory pleasure.

2.4.5 Learn the Thrill of Saving

When Nathan Engels, an "extreme couponer," buys groceries, he boasts of his 90 % discount (Jervis 2011). Though hyperfrugal shoppers have risen to prominence through reality television, gleeful frugality is as old as bartering and commerce. The Bible records how ancient buyers disparaged products as a bargaining tool, and then bragged about their acquisition to others (Proverbs 20:14). Nonthrifty people, by contrast, do not enjoy frugal practices. Instead, they may feel self-conscious when asking for a discount, whipping out a stack of coupons, or perusing a thrift store. Frugal shoppers, on the other hand, are happier precisely because they obtain such a rush out of scavenging for bargains and saving money.

Shoppers can be classified on the spendthrift–tightwad scale according to the pain they feel when spending money (Rick et al. 2008). Spendthrifts feel less purchasing pain. They are captivated by the prize and not dissuaded by the price. They buy more luxuries, break more budgets, and carry more debt. By contrast, tightwads are oversensitive to the pain of paying, and desperately avoid spending, even on what they need or might enjoy. Frugal shoppers are like tightwads—they also spend less—but for an entirely different reason: while pain motivates a tightwad, the thrill of saving drives a frugal shopper (De Young 1996; Jin and Sternquist 2004; Rick et al. 2008). Misers mope, but savers smile.

Frugal shoppers describe saving money as “a hobby,” “a treasure hunt,” or “playing a game” (Bardhi and Arnould 2005). They enjoy searching for good deals (Babin et al. 1994; Mano and Elliott 1997; Price et al. 1988; Schindler 1989) and describe stumbling upon a one-of-a-kind bargain as “thrilling” and “surprising” (Bardhi 2003; Wergin 2009). Unlike a tightwad, they can enjoy spending money on trivial pleasures. But unlike a spendthrift, they are deliberate and controlled in their extravagance. Frugal shoppers can indulge their fantasies precisely because they spend so carefully everywhere else (Bardhi and Arnould 2005). Because they also carry less debt, they feel freer than consumers with highly leveraged lifestyles (Bernthal et al. 2005). Ironically (and distressingly), spendthrifts find saving money more painful than spending it (Rick 2008). To a spendthrift, every penny saved is a lost consumption opportunity—a meal that cannot be ordered or a gadget that cannot be acquired. Tightwads also do not find spending to be especially enjoyable. They find all spending painful, and thus holding on to money is simply the least painful option.

In sum, the practice of thrift can be pleasurable and profitable. Although wanton spending surely has its own short-term pleasures, frugality involves feeling the rush of both spending and saving. The name of a popular extreme couponing website, The Grocery Store Game, aptly captures the thrill of frugal shopping. Bargain hunting can be as engrossing and enjoyable as a board game, but the advantage of thrift is that when the game is finished, one can keep the winnings.

2.4.6 Do Not Impress. Enjoy

Some people show up for the feast, but fill up on the garnish. Modern life is like an endless buffet overflowing with alternatives, but what people actually chose determines how much (and how long) of a boost they enjoy. Psychologists make a distinction between two types of goals that produce radically different outcomes—intrinsic and extrinsic pursuits (Kasser and Ryan 1993, 1996; see Ryan and Deci 2000, for a review). Intrinsic goals involve activities that are personally rewarding and meaningful, such as spending time with friends or taking a ceramics class. They are “soul food”—activities that satisfy our core psychological and social needs for competence, connection, and autonomy. When one’s life is full of activities that meet these needs, one feels happy and fulfilled—in other words, psychologically satiated.

By contrast, extrinsic goals, such as strivings for fame, money, or favorable outward appearances, are merely food-like substances. Like a bowl of wax fruit, extrinsic goals look edible, but offer no nutritional value. In fact, some may even be harmful. Just as a junk food addict starves his body of proper nutrients, extrinsic goals lead to ever-increasing desires for psychologically unfulfilling commodities (Myers 2000). The relentless pursuit of wealth or fame, for example, appears to be fundamentally incompatible with close relationships. People may spend so much time and money chasing fame and fortune that they neglect intrinsic pursuits altogether owing to limits on their attention, time, energy, and money (Vohs et al. 2006). An entrepreneur investing in a new company with the aim of striking it rich might neglect his true interests and hobbies to invest all his energy into his business, and thus miss the need-satisfying personal growth, flow, and joy derived from more authentic pursuits. Finally, any overreliance on external contingencies such as becoming famous, wealthy, or attractive may lead to having a fragile self-worth (Sheldon et al. 2004), rendering one psychologically feeble and frail.

Research suggests that positive events generated by the fulfillment of intrinsic goals produce more happiness than those generated by extrinsic goals (Dunn et al. 2008; see also Kasser 2002; cf. Dunn et al. 2011). Even simply reflecting on intrinsic values can boost happiness 1 month later (Lekes et al. 2012). Building close relationships, making new self-discoveries, and investing in the community directly activate feelings of satisfaction and contentment. Intrinsic goals can also trigger "upward spirals"—for example, streams of positive moods and prosocial behavior that gain momentum and reinforce one another as they unfold (Aknin et al. 2011; Lyubomirsky et al. 2005a; Norton et al. 2009; Otake et al. 2006). Also, intrinsic pursuits are likely to be cheaper. Learning a new skill or spending time with others costs little or nothing.

When people simply pursue what they enjoy, regardless of what is trendy or popular, their pocketbooks may also benefit. For example, social pressure drives a majority of purchasing decisions among young adults (Penman and McNeill 2008). Thrifty people can resist spending money to follow expensive trends because they are less subject to social influence (Bearden et al. 2006; Lastovicka et al. 1999) and care less about how they appear to others (Stammerjohan and Webster 2002). Happy people also use social comparisons very selectively, in adaptive ways that make them feel better (e.g., Ahrens 1991; Buunk et al. 1990; Gibbons 1986; Lyubomirsky 2001; Lyubomirsky and Ross 1997; Lyubomirsky et al. 2001; Taylor and Lobel 1989). They are less negatively affected when others do well and tend to rely on their own personal, internal standards.

Conversely, chronically unhappy people monitor others carefully and are especially sensitive to relative comparisons (Lyubomirsky 2001; Lyubomirsky and Ross 1997; Lyubomirsky et al. 2001). In one study, unhappy people felt better after receiving poor personal feedback than after receiving favorable feedback, provided that a peer's evaluation was even worse (Lyubomirsky and Ross 1997). Relative comparisons are a pernicious trap because one can always find someone else who appears better off. A notorious New York tabloid editor confessed that he was "part of that strange race of people aptly described as spending their lives doing things they detest to make money they don't want to buy things they don't need to impress people they dislike" (Gauvreau 1941).

In sum, evidence suggests that when looking to spend money, the most satisfying pursuits involve learning new skills (e.g., mastering a new instrument or learning a foreign language), spending time with others (e.g., taking out one's family to dinner or having coffee with a friend), or doing something good for someone else (e.g., buying Christmas decorations for an elderly neighbor or sending a care package to a sick friend). Fortunately, many of these kinds of activities are inexpensive and can satisfy several needs simultaneously. Donating time and money to a local nonprofit, for instance, is a service to the community, but is also an opportunity to make new friends. A trip can be a social activity, but is often educational—especially the further one ventures from home and the more one wanders off the beaten path.

2.4.7 Do Not Hoard. Share

"The true source of cheerfulness," wrote William Goodwin "is benevolence." Generosity can be both enjoyable and inexpensive. Prosocial behavior is associated with a number of positive outcomes, such as well-being, life satisfaction, and positive affect. For example, in studies of adolescents and university students, helping behavior toward siblings, parents, and friends correlates with higher well-being (Deci et al. 2006; Telzer and Fuligni 2009; Weinstein and Ryan 2010). Similarly, adults who volunteer or help their families are happier than those who do not (Piliavin and Siegl 2007; Stevens 1992). Philanthropic acts even activate brain areas associated with euphoria and pleasure (Moll et al. 2006).

Controlled, experimental studies of generosity reveal that generosity not only accompanies happiness but also produces it. In one study, participants received either $ 5 or $ 20 to spend on themselves or on others before the end of the day (Dunn et al. 2008). Those who spent the money on others, such as buying a toy for a sibling or purchasing a meal for a friend, reported feeling happier than those who spent the money on themselves. The actual amount of money did not actually matter—the benefits of generosity were the same regardless of the amount spent. Also, helping others does not only mean spending money but also spending time or performing a service. In two studies, college students who practiced different acts of kindness, for example, holding doors open for strangers or doing a roommate's dishes, became happier as a result (Lyubomirsky et al. 2005b; Sheldon et al. 2012).

The benefits of kindness even linger past the activity's conclusion to its recollection. Individuals who simply kept track of their kind behaviors for 1 week became happier up to 1 month later (Otake et al. 2006), and the more kind acts they reported, the greater benefit they received. These results suggest that one way acts of kindness boost happiness is by helping people gain more confidence in their ability to enact positive changes and improve their relationships with others (Lyubomirsky et al. 2005b; Otake et al. 2006). Similarly, generous children maintain a more internal locus of control (Fincham and Barling 1978) and higher self-esteem (Miller et al. 1981), and preadolescents prompted to be kind to friends and family become more popular with their peers (Layous et al. 2012).

A simple act of kindness could be to share something one has enjoyed but is not using—a book, novel, or movie—with another. Sharing a known pleasure with a new person draws on social interaction and empathy to overcome hedonic adaptation. For example, even though one has watched *A New Hope* dozens of times, seeing it with a *Star Wars* neophyte feels like a first-time experience. When shared with friends, things already owned, but adapted to, become doorways to new and pleasurable experiences.

Finally, sharing with the less fortunate is not just a moral good but also a shrewd investment in the well-being of others. Given that money impacts happiness less as wealth increases, directing money downward increases its hedonic "purchasing power." For example, to a middle-class family in America, $ 100 buys an enjoyable dinner at a favorite restaurant. But to a rural family in a developing country, $ 100 buys a semester of school or the launch of a microenterprise. Investing and improving the lives of other people builds happiness in others that may ultimately spill over to us.

In sum, the benefits of generosity show that people can live on less, but enjoy their earnings more. According to Andrew Carnegie, the second wealthiest man in history, "The man who dies rich … dies disgraced." Rather than hoarding his enormous wealth, he funded libraries, schools, and universities. By the time of his death, Carnegie had already given away over $ 4 billion (in today's dollars)—almost 90 % of his wealth. Sharing from our abundance—whether it is money, time, or skills—to those who lack it means multiplying the impact of what one gives and boosting one's own happiness in the process.

2.4.8 Do Not Have. Do

Although his lavish later years appeared to diverge from his earlier puritanical simplicity, Benjamin Franklin always maintained that "wealth is not his that has it, but his that enjoys it." Happy people are happy from the abundance of their experiences, not their possessions (Carter and Gilovich 2010; Howell and Hill 2009; Howell et al. 2012; Van Boven 2005; Van Boven and Gilovich 2003), a finding that even holds for highly materialistic people (Millar and Thomas 2009).

The potency of experiences over possessions is simultaneously obvious and counterintuitive. Straightforwardly, when most people look back on their lives, they value their life experiences—even the difficult ones. Lying on their deathbeds, few pine for a final look at a luxury car. Instead most yearn for more time—more experiences—with people and causes that they care about. And yet when shopping, people underestimate how satisfied they will be with having spent money on an experiential purchase (Pchelin 2011). People gravitate toward buying possessions, even though in the end, they will be less happy about them.

Why do experiences eclipse possessions in producing happiness? Psychologists posit seven major reasons why experiences are superior.

A possession is a potential pleasure, but an experience is active enjoyment. People can only experience something when they actually use it, by touching, seeing, hearing, tasting, and smelling. A Rembrandt inspires no one if never beheld. A tennis racket serves no purpose buried in the closet. Enjoyment arises as one squeezes positive experiences out of possessions. The best possessions to own, undoubtedly, are those that foster the greatest quantity and variety of positive experiences. Rather than constantly buying new possessions, a thrifty strategy is taking what one already owns and doing something new with it. For example, one could take along family and friends in an adventure in one's car, throw a party on a new deck, or download a new app for one's smartphone.

Possessions are predictable, but experiences are full of surprises. In general, people adapt to possessions much more quickly than to experiences (Nicolao et al. 2009). A key reason is that variable stimuli resist adaptation longer then unchanging ones (Leventhal et al. 2007; Wilson and Gilbert 2008). Variety, in both thoughts and behaviors, appears to be innately stimulating and rewarding (Berlyne 1971; Rolls et al. 1981). An ocean cruise to the same island varies substantially each time, but a decorative vase only manages to accumulate dust. Of course people can add variety to possessions, too. Simply rearranging the furniture makes it stand out again, just like when it was first acquired, if only for a short time.

Possessions break, but memories keep getting better. In the same way that a family story gets more exaggerated and funny each time grandpa tells it, memories become more positive as time passes—a phenomenon known as "rosy recollection" (Mitchell et al. 1997). When recalling college, people may fondly remember cherished friends and zany weekend adventures, but not the homesickness or the stress of term papers. When replaying experiences in our mind's eye, like a zealous movie editor, we often leave the boring and forgettable scenes on the cutting room floor to produce a more enjoyable flick. But possessions, such as cars and gizmos, just accumulate scratches and dents, until they end up in a junkyard or landfill.

Many experiences are free. Nearby historical markers, hiking trails, city parks, and beaches cost practically nothing to visit. Enjoying the view from a beachside hotel lobby requires no room reservation. Browsing an ethnic grocery store feels like a jaunt to a foreign country. Creative people can make an adventure out of almost anything. Of course, frugal people can acquire possessions cheaply too, by shopping at thrift stores, garage sales, and online websites. But even then, the thrill arises as much from the experience of bargain hunting as the bargain itself.

Possessions do not satisfy our deepest needs, but the right experiences do. Even when basic physical needs are met, people still crave competence, autonomy, and connections with other people. An experience, rather than a possession, is more likely to address one or more of these needs. For example, even the most mundane activity, such as buying groceries or visiting the doctor, becomes fun when a friend comes along. Activities are more naturally shared, anticipated, and relived with others, and doing so can build and strengthen relationships. Experiences often involve unexpected challenges or adventures, which can help us learn and build competence. Conversely, once bought, continuing to possess something is rarely a challenge, unless one has overspent and a creditor is repossessing.

Products invite comparisons, but experiences stand apart. No sooner does one buy a 30 GB iPod than a 40 GB version hits the market at the same price. But trips, adventures, and excursions, because they are richer, more variable, and more individualized, resist comparisons to a larger degree. One pair of newlyweds explores a California beach, while another jets to a Costa Rican rainforest. Unless one works as a travel agent, equating the two vacations takes a good deal of effort and imagination. Also, the crucial aspects of any memorable experience may be the most difficult to compare. Even if Sally had gone scuba diving like her roommate, she would not have had the same awe-inspiring glimpse of a whale shark. Although Ben's honeymoon was shorter than that of his friends, only he enjoyed the company of his wife.

We are the sum of our experiences, not our possessions. People identify with their experiences far more than their possessions (Carter and Gilovich 2012; Van Boven and Gilovich 2003). Possessions always remain apart from us—tucked away on a shelf or in storage. But experiences are encoded into our existence and our "affective endowments" (Liberman et al. 2009; Tversky and Griffin 1991). They become a part of us—in our minds and memories. One cannot help but carry them everywhere.

For all of these reasons, experiencers are happier than collectors. With a little creativity, pleasurable experiences can be obtained without spending much money. However, experiences have one major disadvantage: They can be easily forgotten. Forgetfulness, of course, is why travelers take snapshots and collect souvenirs. A physical reminder increases the likelihood of triggering pleasant memories. Active remembering, as we are about to see, is a critical part of maintaining happiness.

2.4.9 Do Not Forget. Focus

"Every blessing ignored becomes a curse," wrote novelist Paulo Coelho. Rather than spending money on something new, gratitude and reminiscence allow people to continue to enjoy what they already have longer. William James noted that "My experience is what I agree to attend to." When one focuses attention on something, it becomes something one remembers, feels, and factors into one's judgments and decisions (cf. Wilson and Gilbert 2008). By contrast, when something fails to attract attention and fades into the background, one has adapted to it. Therefore, attention can be intentionally focused to forestall adaptation to any positive changes. For example, owners of luxury sedans are no happier during car trips than owners of compact two-door coupes, unless their cars' attributes are on their minds while driving (Schwarz et al. 2009). Similarly, people who continue to be aware of a positive activity change in their lives have been shown to be less likely to adapt to that change (Sheldon and Lyubomirsky 2009).

Another term for focused, positive attention is appreciation or gratitude, which aims to extract the maximum possible satisfaction from positive circumstances. Grateful people are happier, more hopeful, more self-actualized, and maintain more fulfilling interpersonal relationships (Emmons and Shelton 2002). The practice of gratitude helps practitioners relish the good aspects of their lives and keep them from being taken for granted. Furthermore, experiments have demonstrated that the regular practice of gratitude can boost happiness (e.g., Boehm et al. 2011; Lyubomirsky et al. 2011; Seligman et al. 2005).

Even when positive experiences, such as family trips, memorable vacations, wedding days, or very first homes, have long since passed, one can still extract positive feelings from them rather than perpetually anticipating (and paying for) the next adventure. When people reflect and reminisce, perhaps while flipping through a photo album or watching smartphone videos, they relive the positive experience and the associated positive feelings (e.g., Havighurst and Glasser 1972; Pasupathi and Carstensen 2003). As they reminisce, a photo might remind them of a pleasant detail that they had forgotten, such as how much they liked the lobster at the seaside restaurant or a funny misunderstanding that happened along the way. Reminiscing allows the past to enhance the flavor of the present.

Another cognitive exercise that directs attention toward existing positive changes or events is counterfactual thinking. This strategy involves mentally subtracting a purchased positive experience from ever having taken place and enumerating all the subsequent blessings that also would have disappeared (Koo et al. 2008). For example, a happily married man who met his wife while studying abroad might contemplate how a minor change (such as missing the university's deadline) would have kept him from ever encountering her. After imagining all the rewarding experiences he would have missed (e.g., romantic dates, memorable vacations, births of children, and other special moments), his return to reality will be accompanied by newfound appreciation for having spent the money on a semester in a foreign land and how things actually worked out.

2.4.10 Do Not Binge. Savor

"If you taste something, you're not at the maximum of your ability" advises world champion hot dog eater Takeru Kobayashi, who derives his satisfaction from competing and not consuming. Although few have swallowed a frankfurter without chewing, most have scarfed down a sweet desert in a few bites. Kierkegaard observed that "most men pursue pleasure with such breathless haste that they hurry past it." Savoring means slowing down, focusing on the present moment and taking breaks to more fully enjoy what one has.

Speed is a saboteur of savoring. Slowing down a positive experience naturally heightens enjoyment of it and slows satiation (Galak et al. in press). One experiences little of Germany by flying over it in a 747, seeing only what flashes by an airplane window. A train ride is better, allowing extended views of the countryside. But to really experience Germany, one must walk the streets, taking in the sights and smelling the fragrances. In the same way, savoring life means slowing down, living in the moment, and consciously focusing on the pleasure one is experiencing in order to heighten and prolong it (Bryant and Veroff 2007). Multiple studies have now shown that the practice of savoring promotes happiness (Bryant 1989, 2003; Bryant et al. 2005; Jose et al. 2012; Meehan et al. 1993; Quoidbach 2009; Tugade and Fredrickson 2007), and does so economically, because it squeezes more pleasure out of what one already has.

Interestingly, unlimited access to positive experiences actually undermines the enjoyment of any one of them. Why make the most of a single experience, when the next one is around the corner? Wealth is negatively correlated with savoring, and even being primed with money reduces the enjoyment of a simple pleasant experience, like consuming a chocolate bar (Quoidbach et al. 2010). People's awareness of the ease of attaining things—through past experiences or the expectation of future ones—makes them treat the present as though it is less precious. Savoring helps combat this tendency, by treating every bite as though it is one's last.

"Sleep, riches, and health, to be truly enjoyed, must be interrupted," wrote novelist Jean Paul. Who would actually want to stop something they were enjoying? Counterintuitively, however, interrupting a positive experience actually increases its enjoyment. Research supports the idea that breaks are beneficial for positive experiences, such as being amused by a television program, but detrimental for negative experiences, such as enduring a dental drill (Nelson et al. 2009). While in the midst of a movie, mystery novel, or massage, hedonic adaptation has already begun working to undermine pleasure. What began as an extra boost has quickly become the norm. Taking even a short break resets adaptation so that when people return to their activity, they enjoy it more than they did before they left it.

Similarly, because the frequency of positive experiences boosts well-being more than their intensity (Diener et al. 1991), segregating pleasurable experiences is a simple, thrifty strategy that can reduce consumption and increase pleasure. When relishing a positive experience—whether it's a thrilling movie, a sensuous massage, or a delicious piece of lemon cake—"the banquet is in the first bite" (Pollan 2009). Dividing doses over time multiplies such "first bites," and subsequently, one's enjoyment. But watch out for oversegregation: a cookie divided into too many pieces becomes a pile of crumbs (Morewedge et al. 2007).

Fasting heightens feasting—or so say its practitioners. Consider that five of the world's major religions, Judaism, Christianity, Islam, Buddhism, and Hinduism, all promote temporary abstinence from food, sex, or other common pleasurable activities for periods of time. In the month of Ramadan, for example, during daylight hours, adherents abstain from eating, drinking, and sexual relations in order to cultivate humility, enhance spiritual strength, practice self-control, identify with the poor, and express devotion to God (Tamney 1980). In Orthodox Judaism, married couples abstain from even touching while the wives are menstruating. To accomplish this unnatural feat, couples must take careful, deliberate steps to avoid inadvertent touching while eating, doing housework, and otherwise going about their day. To modern readers, voluntarily abstaining from any natural desire may appear hopelessly antiquated. However, considering the benefits of interrupting positive experiences, building anticipation, exercising self-control, and practicing gratitude, fasting may be an ancient practice with special relevance in cultures of abundance.

2.5 Limitations and Future Directions

Thrift is comparatively understudied in consumer psychology (Chancellor and Lyubomirsky 2011; Kasser 2005, 2011; Lastovicka et al. 1999). Consumer psychologists often apply their craft to selling products, refining pitches, and increasing profits. Although many consumer research findings have implications for improving consumers' welfare, researchers often overlook those implications. For example, an oft-cited study on self-limiting purchases found that when consumers buy unhealthy products (e.g., potato chips, alcohol, or cigarettes), they purposefully reduce the quantity they buy as a way of exerting self-control (Wertenbroch 1998). If one cannot muster the willpower to quit smoking altogether, buying a pack instead of a carton shrewdly limits the damage. Regrettably, the article's practical applications reflect the themes of consumerism: Charge a premium price for small quantities of unhealthy products (i.e., earn more profit) or offer price discounts instead of quantity bonuses (i.e., spur more consumption). Despite the weighty life-and-death implications of smoking, alcoholism, and obesity, only three sentences in the 30-page article (winner of the American Marketing Association Dissertation Award) discuss ideas for limiting consumption: easily tempted individuals should carry less cash and policymakers might consider protecting consumers from being price gouged for self-rationing. In sum, consumer psychology could benefit from a broader aim to improve the well-being of consumers, even if getting there means less consumption rather than more.

Toward this lofty goal, consumer research would do well to target life improvement by measuring and predicting more global outcomes (e.g., life satisfaction instead of product satisfaction) and tracking participants over longer periods of time (e.g., months instead of minutes). A great deal of consumer research takes place in laboratories where participants sample music or morsels (Alba and Williams 2013). Although such controlled approaches are valid for specific research questions, they may have limited generalizability to naturalistic settings and may neglect broad domains that are relevant to ordinary people (Rozin 2006).

We envision future naturalistic longitudinal studies employing a more macro level of analysis. For example, what consumer choices affect the enjoyment of a summer vacation? Is a faraway cruise actually better than a staycation (i.e., not venturing far from home)? What is the best way to spend a hundred dollars? When purchasing a car, what factors affect one's quality of life 5 years later? What are the implications of radically simplifying and de-cluttering one's life (e.g., cleaning out the garage and divesting oneself of unneeded possession)? Questions such as these are on the minds of consumers, and consumer psychologists have the tools to answer them.

Lest we sound like naïve do-gooders, we expect answers to these broader research questions to also have enormous product, pitch, and profit implications. For example, if a tennis racket bestows more happiness than a decorative vase, sporting goods stores will want to know. If a staycation confers 80 % of the relaxation of a visit to a faraway land, but at a fraction of the cost, consumers will be hearing from their neighborhood hotels. As individuals cope with rising rates of depression, obesity, and continuing economic uncertainty, they need (and will reward) companies who are looking out for their customers' best interests. Consumers and corporations can thrive together, and the right kinds of consumer research can spur these mutually beneficial relationships.

Finally, is thrift a personality trait or a learned skill? Can anyone learn to save more and enjoy it and, if yes, how? Research into the practice of thrift remains in its embryonic phase and has not progressed far past the preliminary stages of refining measures, investigating differences between known groups, and identifying correlates. Future researchers should aim to develop relevant theoretical models and, ultimately, well-designed longitudinal interventions to increase thrift and thrifty practices. Much of the extant research on thrift has been purely descriptive, and no experiments to promote thrift have been conducted. An open question remains about the extent to which differences in individuals' spending habits reflect static dispositions or practices that are amenable to change. Given the success of interventions aimed at increasing happiness and self-control (for reviews, see Baumeister et al. 2006; Lyubomirsky and Layous 2013) and the considerable overlap in the practices of happy, self-controlled, and frugal individuals, we feel confident that thriftiness can be implemented with success by those wishing to practice it.

2.6 Concluding Remarks

Although income and happiness are related, a large proportion of happiness is independent of wealth. Even considering the influence of both genetic and circumstantial factors, a large portion of the differences in individuals' levels of happiness are unexplained and thus potentially amenable to change (Lyubomirsky et al. 2005b). The virtue of thrift in particular holds special relevance to the modern era. In a world of unlimited resources, the choice to consume or conserve might be strictly philosophical. However, in an increasingly populated and interconnected world, one's lifestyle choices not only affect neighbors down the street but also across the ocean. Promoting sustainable happiness means helping people transcend set points and setbacks to live more rewarding lives. Thrift can complement this endeavor by extending the meaning of sustainability, ensuring that the collective can flourish as well as the individual.

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Chapter 3
Getting the Most for the Money: The Hedonic Return on Experiential and Material Purchases

Travis J. Carter and Thomas Gilovich

3.1 Introduction

Over the past few decades, behavioral scientists have learned a great deal about what makes people happy. Some things that increase happiness come as no surprise, such as having strong social and romantic relationships (e.g., Diener and Seligman 2002; Myers and Deiner 1995). But others are less obvious, especially those having to do with how people use their money. One of the most surprising findings about the relationship between money and happiness is that people in developed countries like the USA, Japan, and most of Europe have not become much happier despite a massive increase in wealth (Easterlin 1995; cf. Diener et al. 2012). Many explanations have been offered for this result (e.g., Easterlin 1995; Frank 1999; Myers and Deiner 1995), one being that perhaps people are not using their wealth as wisely as they could. Indeed, there are many well-documented examples of people making systematically poor, or at least suboptimal, purchase decisions (see Hsee and Hastie 2006) and researchers have begun to identify a variety of specific ways that people can spend their money more wisely (see Dunn et al. 2011; Dunn and Norton 2013). The basic question from a consumer's standpoint is straightforward: how do I get the biggest hedonic bang for my buck?

There are many answers to this question (see also Chancellor and Lyubomirsky, this book), but we are going to focus on just one. It is a very simple guiding principle that is easy to follow, has potentially positive consequences for the planet (see Brown and Kasser 2005), and has been shown to yield substantial hedonic gains in a large (and growing) number of studies. That is, research shows that people derive

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more enduring satisfaction from experiential purchases—intangible experiences such as vacations, concerts, and nights out with friends—than from material purchases—tangible goods such as jewelry, clothes, furniture, and electronic gadgets (e.g., Carter and Gilovich 2010, 2012; Nicolao et al. 2009; Van Boven and Gilovich 2003). In this chapter, we discuss the evidence behind this claim, elucidate the multiple mechanisms underlying it, and explore some underlying connections that tie the different mechanisms together.

It is worth noting at the outset that experiences and possessions are fuzzy categories. There are plenty of purchases that are not so easily assigned to one category or the other. For instance, to what category does an mp3 player belong? On the one hand, it is a physical object that remains in one's possession for some time. On the other hand, its primary use is to provide a way to listen to music—a strictly experiential purpose. Is this fuzziness a problem? When we argue that people would be well advised to spend more money on experiences over material possessions, do these sorts of purchases count? Several considerations are important here. First, a great many categories are fuzzy and yet people find the categorical distinctions useful (e.g., Armstrong et al. 1983; Wittgenstein 1966). People tend to think they are either "awake" or "asleep," but wakefulness is a continuum, not a dichotomy, with different brain wave patterns associated with different levels of sleep/wakefulness. Second, we have surveyed thousands of participants in our efforts to explore the satisfaction people derive from experiential and material purchases, and no subject has ever balked at or expressed confusion about the distinction. Participants in one study, for instance, were asked to recall either a recent material or experiential purchase and to provide a brief description of it (Carter and Gilovich 2010, Study 1). Independent coders were then asked to take those descriptions, without any knowledge of the category the original participants had been asked to draw from, and to rate on a 7-point scale the extent to which the purchases were experiential or material in nature. As can be seen in Fig. 3.1, which depicts the distribution of the ratings color-coded by their original condition assignment, the coders had little trouble categorizing the vast majority of purchases, with only a small number inhabiting the murky region between the two poles. Thus, given minimal instruction, participants could easily recall a purchase that fit—in both their own minds and those of uninformed third parties—the assigned category.

Finally, any ambiguity about the proper assignment of a given purchase can be resolved by noting the intention behind it. Was an mp3 player purchased out of a desire to own the object itself, or because of a desire to listen to music on the go? That is, what is the primary source of the pleasure provided by the purchase? Is it from the fact of ownership, having it available as a possession, or is it from the experiences it affords? A 1957 Gibson Les Paul Special that never leaves its climate-controlled display case would be considered a material possession, since it is the ownership of such a treasure that provides the primary satisfaction. Someone else might consider that same guitar an experience, however, provided that the pleasure it provides comes mainly from plugging it in and making it sing.

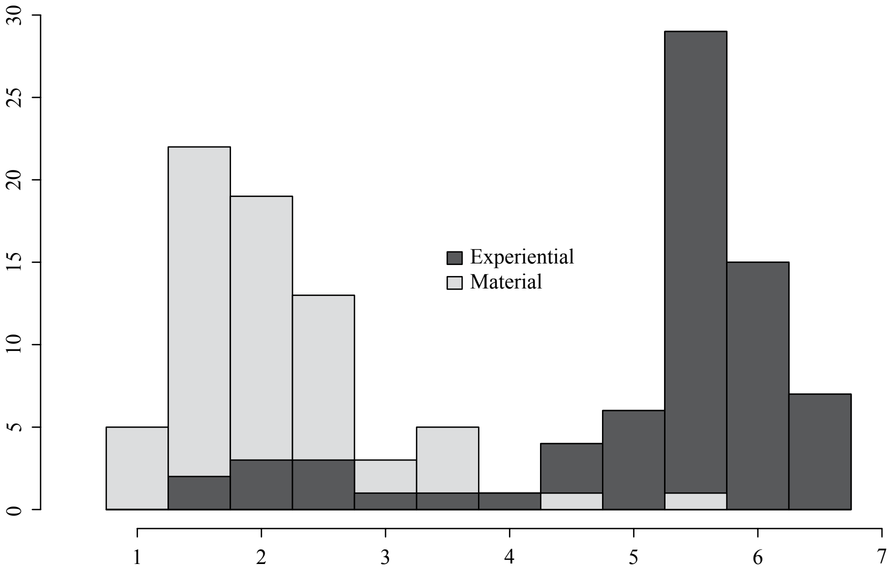

Fig. 3.1 Distribution of independent coders' ratings of participants' purchase descriptions (*1* definitely material, *4* does not fit either category, *7* definitely experiential; data from Carter and Gilovich 2010, Study 1)

3.2 The Hedonic Return on Material and Experiential Investments

At first glance, the claim that people tend to get more satisfaction, and more enduring satisfaction, from experiential purchases than material purchases can seem odd. After all, once an experience has been consumed, it is gone forever. Material goods are much more durable, staying with us until they wear out, break down, or are thrown away or traded in. Although that is certainly true in a material sense, the picture can be quite different psychologically. One of the most robust findings in the well-being literature is that people have a remarkable capacity for adaptation (Brickman et al. 1978; Gilbert et al. 1998; Riis et al. 2005). Initially, the onset of terrible illnesses and disabilities are often traumatic; but with time, people who have suffered such misfortunes end up nearly as satisfied with life as those who been spared such trauma (cf. Diener et al. 2006; Lucas 2005; Lucas et al. 2003). The same is true for positive events. A salary increase, a new car, and a larger house all bring joy, but the joy is often short-lived. With time, we come to believe that we are "just getting by" with the higher salary, that the new car is just a means to run errands or get to work, and that the larger house is just as cluttered as the old one.

Psychologically, then, material goods may not be more enduring than experiences. Although they may continue to be around physically, they tend to get tuned out and disappear from the psychological landscape. As a consequence, people's experiential purchases may, paradoxically, be more enduring. They may live on longer in the stories we tell and the memories we cherish, thereby generating a more enduring sense of satisfaction.

Indeed, quite a few studies, using a variety of methods, have shown that experiential purchases tend to yield more enduring satisfaction than material purchases in the same price range (e.g., Carter and Gilovich 2010, 2012; Van Boven and Gilovich 2003). In the most straightforward demonstration, participants in a broad national sample who were asked to recall a material and an experiential purchase reported that thinking about the experiential purchase made them happier (Van Boven and Gilovich 2003). Thinking about a recent experiential purchase, rather than a recent material purchase, has also been shown to put people in a better mood (Carter 2010; Van Boven and Gilovich 2003).

Supporting the idea that people habituate more readily to material goods, the differential utility people get from their material and experiential purchases tends to be especially pronounced with the passage of time. In one study, participants were asked to think about a significant experiential or material purchase and to rate how much enjoyment it brought them just after it was purchased and how much enjoyment it continues to bring them. There was no difference in participants' ratings of their initial enjoyment, but participants indicated that they got much more current enjoyment from their experiences.

The greater hedonic value that people tend to derive from experiential purchases is also reflected in satisfaction's flip side, regret. That is, people tend to have very different types of regrets when it comes to experiential and material purchases (Rosenzweig and Gilovich 2012). Although people can have regrets of action or inaction for either type of purchase, the nature of material and experiential purchases is such that action regrets ("buyer's remorse") tend to be more common for material goods and inaction regrets ("missed opportunities") tend to be more common for experiences. Imagine, for example, that Tom Waits is one of your favorite artists. Because he tours so rarely, your opportunities to take in a live show will be few and far between, and every show will be different—a different set list, a different crowd, a different energy, maybe even a different backing band. If you pass on an opportunity to see him perform, choosing to spend the money on something else, you will not ever be able to go back and make a different decision. The relatively unique nature of such experiences makes it more likely that a sense of having missed an opportunity, or a regret of inaction, will be evoked.

Possessions, on the other hand, are not typically so limited. A new television model will be available for some time, with each set mass-produced to be virtually identical and hence entirely interchangeable. If you decide not to buy it one day, you can simply change your mind and go back the next. For material goods, then, the sense of having missed an opportunity is rare, and so regrets of inaction are swamped by the action regrets that result when the product does not perform as well as anticipated, or does not fit with one's other possessions. Support for this differential pattern of regret for material and experiential purchases was obtained from a study in which participants were asked to recall any regrets they had about previous material or experiential purchases. Those asked to recall past material purchases reported significantly more regrets of action and significantly fewer regrets of inaction than those asked to recall previous experiential purchases (Rosenzweig and Gilovich 2012). This pattern, furthermore, was traced to the tendency for experiences to be more unique and less interchangeable than material goods. The more interchangeable a purchase was, the more likely participants were to report feeling buyer's remorse; the less interchangeable a potential purchase was, the more likely they were to report regretting a missed opportunity.

The implication of these findings is clear: For every instance of buyer's remorse over a material purchase, that same money might have gone toward an experience that was otherwise missed. There is certainly no guarantee that choosing an experience would have turned out to be an unmitigated delight, but the research indicates that even if it turns out badly, you are less likely to regret having made the purchase.

The research on experiential and material purchases thus leads to a very simple prescription for those looking to maximize the hedonic benefits of their purchases: spend more money on experiences and less on possessions. But putting this simple, easy-to-implement bit of advice aside, the research findings also spark the interesting psychological question of why experiences tend to yield more enduring satisfaction than possessions. What psychological processes, related to satisfaction, regret, and general well-being, do experiences seem to arouse more than possessions? In the following sections, we describe research that explores the mechanisms responsible for the greater hedonic boost provided by experiences over possessions, and discuss what these different mechanisms have in common.

3.3 Why Experiences Are More Satisfying

As with many robust relationships, the tendency for experiences to contribute more to well-being than possessions appears to be multiply determined, with each of the different mechanisms resulting from some of the inherent differences between the two types of purchases. We discuss each of the three most important mechanisms in turn.

3.3.1 Compare and Contrast

By their very nature, material goods are tangible and experiences are more ephemeral. One consequence is that it is often much easier to make direct comparisons between different possible material purchases than between different experiences. As an example, imagine that you have decided to buy a new cell phone. Even if you have narrowed it down to a smartphone from a particular carrier, you still have your work cut out for you. Smartphones come in different sizes, colors, wireless technologies, amounts of onboard storage, and different operating systems. The task is daunting, but because they are tangible objects, you can hold two of them up side by side and compare them directly (see also Hsee et al. 2009). Experiences, in contrast, tend not to lend themselves as easily to such direct comparisons. In many cases, to experience a purchase is to consume it. You might be able to see all of the different options on the dessert cart, but the comparisons are remote and rather hypothetical. Short of taking a bite of each dessert, something most restaurants frown upon, you would be missing the most important dimension of comparison: taste. And even if you could distract the wait staff long enough to pull it off, you still would not be able to compare them simultaneously and independently. Taking two bites at once would make it difficult to tell them apart and would likely diminish the taste of both.

This difference in the ease of comparison has consequences. First, because it is easier to make direct comparisons among different possessions, people are simply more inclined to do so, leading to rather different decision-making strategies when it comes to choosing among a set of possessions or a set of experiences (Carter and Gilovich 2010). When participants in one study were asked how they went about making a recent material purchase, they tended to report having used a maximizing strategy—comparing all of the available options on all possible dimensions and choosing the very best one. This process is time-intensive, and has been shown to have a variety of negative psychological consequences (Schwartz et al. 2002). When participants were asked how they made a recent experiential purchase decision, however, they reported having used more of a satisficing strategy, or choosing the very first option that meets an acceptable standard of quality (Simon 1955). Although satisficing might not yield the best possible option, it is considerably easier, it results in outcomes that consumers remain happy with down the road (Iyengar et al. 2006), and it seems to "fit" well with the nature of experiential purchases. For instance, the rigorous comparisons required for maximizing might be impossible (or force you to endure a stern lecture from the maître-d), so it is often better to simply select the first option that seems appealing. What's more, compared to participants who chose from a set of experiential options (different types of vacations), participants who chose from a set of material options (different types of electronic gadgets) were more likely to continue examining the unchosen options from the same category and remembered more of the various unchosen alternatives (Carter and Gilovich 2010).

Each one of these comparisons, furthermore, creates an opportunity for regret, as unchosen options that were superior on a given dimension are likely to linger in the mind and sow the seeds of dissatisfaction (Carmon et al. 2003). Indeed, when participants in another study were given a material object (a pen) as a prize in an experiment with other superior prizes nearby (also material objects, such as mugs and notebooks), the spontaneous comparisons they made between what they had and what they might have received led them to evaluate the pen less favorably. This did not occur, however, for participants who received an experiential prize (a bag of chips) in the presence of better experiential prizes, such as gourmet chocolate bars (Carter and Gilovich 2010). The opportunity for comparison was the same in both cases, but only participants facing an array of tangible prizes actually made the comparison, and their happiness with the prize they received suffered as a result.

Even when potentially damaging comparative information is made salient to consumers, it has a smaller effect on their enjoyment of experiences than on their enjoyment of possessions. For example, participants who imagined that the price of a recent experiential purchase (e.g., a vacation package, a show in New York city) had just dropped were much less bothered by this information, and indicated that it would impact their satisfaction to a much lesser degree, than participants who imagined that the price had just dropped on a recent material purchase (e.g., a laptop, a wristwatch). The differential impact of comparative information also applies to social comparisons. When participants were asked to imagine that a rival of theirs had recently made some of the same purchases that they had (one experiential and one material), and that in both cases the rival's purchases turned out to be better than the participant's own, they thought the rival's superior material purchase would be much more troubling, and have a greater impact on their own satisfaction, than a rival's superior experiential purchase. Knowing that someone else's vacation was better than yours is by no means pleasant, but it tends not to be as troublesome as knowing that someone else has a better version of the same material good you have just purchased. After all, you have still got your memories of your hike in Yosemite, your weekend in New Orleans, or your chance to see your favorite band—and you would not trade those memories for someone else's even if their hike was more exciting, they stayed at a better hotel, or there were notable guest artists at the concert they saw.

The Color of Money Money, of course, is the ultimate fungible good. It has no value in and of itself; it is value lies in what it can be exchanged for. The more connected a given purchase is to money, then, the more tempting it can be to think about other purchases one might have made instead. It turns out that people associate their material purchases more readily and more closely to money than their experiential purchases—a connection that further encourages the tendency to compare different possessions more than experiences. When participants were asked to sort words related to money, experiences, and possessions into various categories in an Implicit Association Test, the speed of their responses revealed a significantly tighter associative connection between material goods and money than between experiential goods and money (Mann and Gilovich 2013, Study1). In another study, participants listed their top ten experiential purchases from the recent past or their top ten material purchases and then ranked them based on how satisfying they were and how much they cost. The correlation between the two rankings was significantly higher for the material purchases (mean $r=.56$) than for the experiential purchases (mean $r=.26$; Mann and Gilovich 2013, Study 3). The phrase, "You get what you pay for," is likely to be generally true for the purchases people make, but it appears to be significantly more true for material purchases. Indeed, the things that determine how much an experience is enjoyable are less connected to the amount of money paid for the experience than is the case for material goods. In support of this idea, participants in one study were asked to list the three most satisfying elements of a set of experiential purchases they had made or a set of material purchases. They then rated how much their satisfaction with each of these elements was influenced by the amount of money they spent on the purchase. Their responses indicated that how much they got out of a material good was related much more strongly to what they paid than was the case for experiential goods (Mann and Gilovich 2013, Study 2). Because thinking about money has been shown to have a variety of effects that disconnect and isolate the self from others (Liu et al. 2011, 2012; Molinsky et al. 2012; Vohs et al. 2006), which is likely to have negative downstream consequences for well-being, the relatively tight connection between material goods and money is likely to further diminish the satisfaction people derive from their material purchases, over and above the tendency for people to make more invidious comparisons when it comes to their possessions.

Aging and Aging Gracefully Another consequence that follows from the differential tangibility of experiences and possessions is how they age. Most possessions, being physical objects, tend to be seen as increasingly diminished with age. Clothes wear out or fall out of fashion; electronic gadgets break down or become obsolete. Even the best-built machines require maintenance that only becomes more costly over time. The invidious comparisons that undermine the hedonic value of possessions become more pronounced with the passage of time and the toll of frequent use. Every little scratch on a car can be seen in the reflection of the shimmering finish of the new models. Even if your clothes are not worn out, they inevitably go out of style and are easily and readily compared to the sophisticated (and well-stitched) new outfits on display in the department store window. The rarity of material objects that do seem to maintain their value over time, such as finely crafted instruments or antique jewelry (whose worth is quite fragile), only helps to prove the point.

Experiences, being intangible, suffer no such decline. Seeing an ad for a new vacation package will not cause you to think that your previous vacation is now obsolete and in need of "replacing," even if that were possible. Because experiences live on in our memories and our stories, which often get romanticized over time (Mitchell et al. 1997), they tend to increase in value, not diminish. Past experiences that were pursued to enhance well-being tend to elicit nostalgia—powerful yearnings to return to and re-experience the past, not the desire to replace it (Kundera 2002; Wildschut et al. 2006). The fact that experiences live on as cherished memories has another consequence: it causes them to become a bigger part of one's identity.

3.3.2 We Are What We Do

What defines who we are—our essential or "true" self? Although this question has engaged philosophers for centuries, most recent psychological accounts emphasize the role of autobiographical memories in defining the self (e.g., Grice 1941; James 1890; Kihlstrom et al. 2003; Locke 1690/2000; McAdams 2001; Wilson and Ross 2003). We develop self-knowledge (semantic memory) through activities and experiences (episodic memory) that explore and deepen our sense of self. Our memories of these activities and experiences are the building blocks of our self-concept. In contrast, however much we might like our material possessions, they always remain "out there" and are less a part of the self. What's more, because experiences are intangible, they offer greater leeway than more concrete possessions do for how they are interpreted. That leeway is likely to be exploited to maintain positive (if not entirely accurate) self-views in much the same way that all sources of ambiguity are used to bolster a person's self-image (e.g., Dunning 2005). This ambiguity, for example, helps to explain why people's memories of their experiences tend to become rosier over time (Mitchell et al. 1997), but their memories of their possessions do not.

Recent research supports the contention that experiences are more important in forming, defining, and representing the self-concept (Carter and Gilovich 2012). In one study, participants who were asked to write out their life story were twice as likely to mention experiential purchases they had made than material purchases (e.g., "I love traveling and being with friends and family. I am essentially a compilation of everyone that I have met and everything that I have done."). They were stating, in effect, that their experiences had helped them become the people they are today, but their possessions had not. Similarly, participants in another study were asked to literally map out the centrality to the self of their most important material and experiential purchases. Specifically, they were asked to construct a sort of Venn diagram, with the circles representing individual purchases drawn near or far from a central "self" circle to depict the extent to which the purchase in question was an important part of the self. As predicted, participants plotted their experiential purchases much closer to their "self" than their possessions, even when controlling for the cost of the purchase. In another study, when asked to imagine owning a new 3D television, participants indicated that it would be closer to their sense of self, as represented by overlapping circles in a modified version of the Inclusion of Others in the Self Scale (Aron et al. 1992), when it was described in terms of its experiential qualities than when it was described in terms of its material qualities.

Experiences also constitute a more important part of a person's identity in the eyes of others. In several studies, participants were asked whether knowing about a person's possessions or experiences would give a stranger more insight into that person's "true self" (Carter and Gilovich 2012). In one study, they were asked whether a stranger would know more about them by knowing about their experiential or material purchases; in another, they were asked what they would prefer to know about another person with whom they were about to start a new project for work. In both cases, they indicated by overwhelming margins that knowing about experiences would be more informative than knowing about possessions.

Is the fact that people's identities are more tied to their experiential purchases than to their material purchases related to the fact that people derive more enduring enjoyment from the former? In yet another study, participants were asked to recall either an experiential purchase that they had made at some point in their life or a material purchase that was no longer in their possession (Carter and Gilovich 2012). They were then asked to imagine that they had the power to go back in time and, instead of making that particular purchase, choose something different. Because the experience was just a memory and the material purchase was one they did not currently possess, any such change would have them right back in their current circumstances and all that would change would be the memories of the purchase in question. Participants were asked several questions about how willing they would be to exchange their current memories for the implied new ones, and how much it would change who they are. If memories of previous experiences are indeed crucial to the self-concept, then swapping out an experiential memory would, in effect, change a part of oneself, something people are disinclined to do (Gilovich 1991). Our participants were no different. In addition to being happier with their experiences than their possessions, replicating the prior work, they reported being much less willing to exchange their experiential memories than their material memories. Importantly, the relevant mediation tests revealed that participants' greater happiness with their experiences stemmed from their tendency to cling to them as cherished parts of the self.

3.3.3 Experiences, Possessions, and Social Capital

It is commonplace for behavioral scientists and other observers of the human condition to utter such statements as "We humans are a very social species" or "Life is about people." To the extent that these statements are true, it should be the case that anything that enhances social connection should enhance well-being. What about experiences versus possessions? Is one type of purchase more likely to foster social connection than the other?

To be sure, both types of purchases can enhance social life. You would be reluctant to invite anyone over for dinner if you did not have a dining room table or if your living room furniture was embarrassing. Having clothes that are wildly out of style might cost you some friends. But it is probably a safe bet that, on average, we connect more with others through our experiences than our possessions. Most experiences directly involve other people. And even if an experience did not involve others, it is also a safe bet that you would be more likely to talk about it at the dinner table or around the water cooler than, say, a new piece of furniture or a new sweater. It is also likely that you would have a more receptive audience if you did so. Support for the latter idea was obtained from a simple study in which two participants were asked to have a get-acquainted conversation, but with a slight twist (Van Boven et al. 2010). Half of the participants were confined to talking about recent material purchases they had made and half were confined to talking about recent experiential purchases. When later asked to evaluate the session, those who had talked about experiential purchases reported liking the conversation more, and liking each other more, than those who had talked about material goods. Experiences provide better grist for the conversational mill and, as a result, they draw people together more than material goods.

The ability of experiences to bind people together more than material goods is also reflected in the sense of commonality we feel when we learn that someone else also, say, climbed Mt. Rainier, dined at Tetsuya's, or saw Santana at the Fillmore. Knowing that someone else has the same sofa, the same overcoat, or the same automobile also enhances perceived kinship, but not as much. In one study that speaks directly to this point, participants were asked to recall a significant experiential or material purchase and then to rate how similar they would feel and how much kinship they would feel toward someone who had made the very same purchase. On both measures, participants indicated that they would feel closer to someone with whom they shared the same experiential purchase (Kumar et al. 2013, Study 1). This effect occurs, furthermore, even when people are outgunned with respect to the purchase in question: Participants in a follow-up study indicated that they would also feel closer to someone who made a similar but "upgraded" experiential purchase that was 20% better on all the relevant dimensions than someone who made a similar but upgraded material purchase (Kumar et al. 2013, Study 2). We seem to be less troubled being one-upped in our experiences than being one-upped when it comes to our possessions.

Does this greater kinship we feel toward those who have shared a similar experience extend to people in general, even those who have not had the same experience? That is, do rewarding experiences, more than rewarding material goods, make us feel more expansive and more connected to others at large? In one study, participants were asked to reflect on a significant material or experiential purchase and then fill out the Social Connectedness Scale (Lee and Robbins 1995). Those who reflected on a recent experiential purchase indicated that they felt more connected to people in general than those who reflected on a recent material purchase (Kumar et al. 2013, Study 3). This feeling of greater kinship with others is then reinforced as it leads people to seek out more social activities. Participants who had been asked to recall a significant experiential purchase expressed more of a desire to engage in social activities over solitary activities compared to participants asked to recall a significant material purchase (Kumar et al. 2013, Study 4). This feeling of connection, furthermore, has notable social consequences. In still another study, participants who had been asked to reflect on a significant material or experiential purchase were then assigned the role of allocator in the dictator game and asked how much of a $ 10 stake they wanted to keep and how much they wanted to give to another participant. Having thought about an experiential purchase made participants more generous: those who had earlier been asked to reflect on a significant experiential purchase made more generous offers than those who had been asked to reflect on a significant material purchase (Kumar et al. 2013, Study 5).

3.4 The Experiential Nexus

It is clear that the greater satisfaction people derive from their experiential purchases results from three distinct processes—experiences are "consumed" and appreciated more on their own terms and less in comparison to previous experiences or the experiences of others; experiences contribute more than possessions to the sense of self; and experiences connect people to others more readily and deeply than possessions do. Although these processes are distinct, they are not independent. They feed on each other and they often operate in concert to boost satisfaction and well-being.

As many scholars have recognized, the self is a fundamentally social construct, with a person's self-image inextricably linked to his or her relations with others (Brewer 1991; Leary et al. 1995; Mead 1913). The tendency for experiences for foster social connection and build social capital more than possessions is therefore likely to cement or enhance the tendency for experiences to contribute more to one's sense of self. And to the extent that the self is a social entity, the desire to actualize the self will lead to increased efforts to develop and nurture social connections. And the fact that experiences are more central to the self also means that they will be thought of as less exchangeable with other possible experiences, making them less subject to diminishment by invidious comparisons to what others have or what might have been obtained on a road not taken. Given the tight interconnections between these three processes, it is clear that the greater satisfaction people derive from experiential rather than material pursuits rests on a very sturdy three-legged stool.

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Chapter 4
Loneliness, Material Possession Love, and Consumers' Physical-Well-Being

John L. Lastovicka and Laurel Anderson

We consider the physical well-being consequences of consumers who treat beloved possessions as emotional partners in consumer–object relationships. Such consumers often blur the distinction between a person and an inanimate object and readily anthropomorphize, animate, and otherwise attribute human or living qualities to material objects (Aggarwal and McGill 2007). These smitten consumers tend to be lonely and invest their emotional and financial resources into asymmetric and one-sided love affairs with consumption objects ranging from automobiles to computers and guns (Lastovicka and Sirianni 2011, 2012).

We review both the positive and negative physical well-being outcomes of consumer–object relationships. From this review, we offer both insights about apparently contradictory sources of evidence as well as some modest direction for future research on this topic. We pay particular attention to the compensatory functions made by the consumer when pursuing a consumer–object relationship, recent thought on the evolutionary basis of loneliness, and the methodological limits of current research.

4.1 Review

We begin with a brief description of loneliness framed as an evolutionary mechanism. We then tie loneliness to consumer–object relationships before considering the maladaptive versus positive aspects of such relationships. Subsequently, we introduce the ideas of using consumer–object relationships in a compensatory manner as either a distraction that may be maladaptive or as an adaptive means for restoring social and psychological homeostasis.

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4.1.1 Loneliness

Loneliness is a complex and painful set of feelings that refers to the perceived discrepancy between the desired and the actual level of an individual's own social relationships (Russell et al. 1980). Loneliness is distinct from, but related to, the number of social relationships and ties possessed by a given individual. Loneliness thus reflects the quality, rather than the quantity of social relationships. Loneliness has often been treated as a disorder without benefit (Weiss 1973), but is more recently viewed through an evolutionary lens as a biological signal which has developed to prompt a change in behavior so as to help avoid damage and encourage survival (Cacioppo et al. 2006). Thus, comparable to the signal of physical pain which evolved to prevent tissue damage, loneliness enhances sensitivity to social threat. Given the social-threat-alarm that loneliness sounds, this may encourage repair of extant social connections and the forging of new and more meaningful social alliances. In the resource-poor times of our evolutionary past, our hunter-gather ancestors who positively responded to the signal of social threats were more likely to have the social connections, shared food, and shared defense that permitted survival and reproduction.

4.1.2 Deactivation, Material Possession Love, and Compensatory Consumption

Shaver and Mikulincer (2006) portray innate human motivational systems, like attachment and social-proximity-seeking behaviors, as adaptive within each individual's lifetime, with learned adjustments rooted in individual success when an innate motivation system is activated and either succeeds or fails to attain a desired goal. Adaptive changes in a motivation system's enactments can include, for example, disengagement after repeated failure to meet a goal, such as an adult heterosexual obtaining intimate proximity to an attractive adult of the opposite sex. Shaver and Mikulincer view such repeated failures as a major source of human frustration and pain that adaptively may lead to deactivation. Consequently, some of life's most rewarding interpersonal experiences are forgone so as to avoid the anticipated pain of frustration and disappointment. However, with the deactivation of interpersonal proximity-seeking, a likely outcome is social isolation and loneliness. In addition, because of societal changes in today's world—which include smaller family sizes, large-scale geographic mobility, repeated household relocations, the rise of single-person households, and a growing elderly population without life partners—such deactivation leads to the increasing proportion of lonely individuals (McPherson et al. 2006).

Hence, in contemporary consumption cultures, a not uncommon adaptation may be to remedy loneliness by seeking safer one-sided relationships in the marketplace, where—as just one example of the advantage of a one-way relationship over a two-way relationship—being jilted is less likely. Indeed, lonely consumers' one-way para-relationships with beloved media personalities have long been recognized (Horton and Wohl 1956). More recently, Rosenbaum et al. (2007) show that those with social deficits are more likely to become attached to third places—like restaurants—to form commercial friendships. Likewise, Sirianni and Lastovicka (2011) report mediated regression models providing support for their contention that lonely consumers—without success in romantic relationships—are more likely to feel love toward their personal possessions such as automobiles, guns, and computers. Love for a material object refers to the nature and degree of consumers' emotional attachment to specific material objects—and not brands—and such possession love can take on many forms, including enduring love, romantic love, companionate love, and spurious love (Lastovicka and Sirianni 2011).

Love affairs with consumption objects that stem from loneliness and deactivation are examples of a long-recognized phenomenon that consumer researchers call compensatory consumption in which consumers acquire and use consumption objects from the marketplace in order to alleviate self-threats (Mandel et al. 2012). Such compensations are fluid and often rely upon symbolism, in which threats in one domain (e.g., social status) can be compensated by boosts in another domain (e.g., luxury products). For example, socioeconomically disadvantaged racial groups tend to spend more on conspicuous jewelry and expensive alcoholic beverages so as to signal wealth as a means to compensate for lower social status (Charles et al. 2009). In a similarly compensatory manner, participants who have been subjected to social exclusion in laboratory experiments are more likely to prefer nostalgic products like cookies or television shows from childhood, as they apparently restore a sense of belongingness with close others from one's past (Loveland et al. 2010).

4.1.3 Negative Well-Being Aspects

When consumers attach strong bonds to material things rather than to people, it is possible that consumers risk becoming cut off from broader participation in the social world with numerous negative outcomes. The consumer research scholar Russell Belk (2001, p. 151) considers consumers obsessed with collections of all manner of mass produced material objects—such as Mickey Mouse watches, beer steins, matchbooks, transistor radios, antique cars, and so forth—and characterizes the most obsessed collectors as having a "malignant" relationship with their collections.

Numerous case studies reviewed by Belk (2001) provide evidence for his negative assessment, namely: consumers' obsessions with collections of material objects divert attention away from friends and family life. For example, Gelber (1991) documents collectors, whose children and spouses resent the time and money spent on collections of things. Likewise, Goldberg and Lewis (1978) describe fanatic hobbyists who progressively alienate themselves from others, friends and family and—in extreme cases—become virtual recluses. But what is the result of loneliness and social isolation?

Epley et al. (2008) review a range of sample surveys and panel studies showing that social isolation and loneliness can decrease physical well-being. This includes linking loneliness to increased incidence of depression and suicide ideation (Heinrich and Gullone 2006), increased blood pressure (Hawkley et al. 2006), increased levels of stress hormones (Adam et al. 2006), and compromised immune systems responses (Caccioppo et al. 2003). While this work empirically links measures of loneliness to subsequent negative consequences, these sample surveys and panel studies did not include measures of involvement in consumption–object relationships or assessments of consumption–object interventions. Thus it is not known empirically if consumption–object relationships act as a moderating or causal variable that may either accelerate or potentially even suppress the influence of loneliness on negative well-being.

The work reviewed in this section clearly suggests a darker side of some consumers' love affairs with material objects. In particular, these case studies portray consumers who have squandered their once existing social and family relationships via the distraction of collections of things. None of this research, however, directly empirically examines the causal linkages between consumer–object relationships, subsequent potential loneliness, and then ultimately, possible decreased physical well-being.

4.1.4 Positive Well-Being Aspects

Another body of empirical research recorded in the medical and information technology literature reports well-being benefits for consumers with attachments to one special class of material things, namely: robot companion dogs. As reviewed by A. Sharkey and N. Sharkey (2012), this work is comparable in many ways to the good that living therapy pet animals can do for the elderly in long-term-care facilities (LTCF) like nursing homes and retirement homes. The most investigated robotic dog is Sony Corporation's Artificial Intelligence Robot (AIBO). AIBO is able to walk, run, and "perceive" its environment via camera and microphone sensors and is considered autonomous, as AIBOs are able to learn and mature based on external stimuli from their caregivers; see Fig. 4.1.

Kanamori et al. (2002) show improvements in loneliness and Quality of Life assessment scores among elderly with sustained interaction with Sony AIBO robotic dogs. Tamura et al. (2004) reported that elderly dementia patients increase their social communications subsequent to AIBO robot dog interactions. Likewise, Banks et al. (2008) found that elderly LTCF residents reduced their loneliness self-reports with an AIBO dog as much as interacting with a living therapy dog in their 8-week-long study.

The research with robotic dogs offers some reason for promise in positive physiological outcomes. Heinrichs et al.'s (2009) review article concludes that the stress protective effects of social support may be from oxytocin released by pro-social interactions and the stress-reduction effects of oxytocin. Consequently, the possible

Fig. 4.1 A long-term-care resident and her Artificial Intelligence Robot (AIBO; reprinted from Banks et al. 2008, with permission from Elsevier)

physiological benefits of playing with, and the nurturing of, material objects may include increased levels of oxytocin. Nurturing has been reported in consumer–object relationships outside of robotic dogs. In particular, Lastovicka and Sirianni (2011) describe love-smitten consumers engaging in nurturing behaviors insofar as they give of their time, energy, and financial resources, or otherwise of themselves, to enhance a special possession or to enhance the emotional relationship with the possession.

The limited range of empirical comparisons employed in the robot-dog evaluations is an important reason to be cautious in interpreting these studies (Sharkey and Sharkey 2012). For example, while Banks et al. (2008) found both robotic dogs and real dogs equally beneficial for elderly LTCF residents relative to the condition of being without either real dogs or robotic dogs, their empirical work did not compare those treatments to a social-interaction treatment such as club participation or visits from friends or relatives. While elderly LTCF residents may benefit from a robot dog relative to a solitary existence, they may benefit far more from friendly social interactions. Thus future experimental assessments of the value of consumer–object relationships would benefit from comparing a wider range of conditions, including a condition rich in real human-to-human social interaction.

However, from a pragmatic perspective, the range of empirical comparisons issue is a reminder that when questioning whether consumer–object relationships are deemed as beneficial or not, it is important to take into account the feasible alternatives. While having a human–pet relationship is admittedly only a shadow of a human–human relationship, only exceptionally distressed groups (such as the bereaved who were without any close confidants) were found to obtain relief from depression from human–pet relationships (Garrity et al. 1989). Thus while an emotional attachment to an inanimate object is not ideal, it may better than being without any social network–such as the bereaved who were without any close confidants.

4.2 Discussion

The contradictory evidence we present raises more questions than it answers. This paradox can only be resolved by further empirical research and richer conceptualization of the relationships between loneliness, material possession attachment, and consumers' physical well-being. Because of both the potential downsides and the potential benefits that material possession attachments offer, we believe this research is well worth pursuing.

We note that no research has empirically considered all three sets of variables simultaneously. For example, the research that we have reviewed suggesting negative effects is based on either qualitative case studies rich in data on consumption attachment and interpersonal outcomes, or another set of cross-sectional and longitudinal studies examining loneliness and health outcomes. Likewise, the work suggesting positive effects has examined object attachment and loneliness, but has stopped short of examining physical well-being outcomes. We encourage future research that fills this empirical gap.

In what follows, we offer two speculations to help move such research forward. We suggest that insights about how, if at all, material possession attachment moderates loneliness' negative impact on consumers' physical well-being may be obtained by considering both (1) the potential scaffolding effects of material possession and (2) an evolutionary perspective. Let us look at each of these perspectives.

4.2.1 Scaffolding and Short-Term Versus Longer-Term Effects

Given that the drive to form social relationships and attachments is hardwired and that physical well-being suffers with diminished social relationships, what part does material possession attachment play? We suggest that the role and the length of time that material possession attachment endures may play a part. The obsessed collectors who cut themselves off from broader participation in the social world had done so only after years of obsessions. In contrast, robot-dog interventions were found to benefit nursing home residents in studies lasting weeks.

Here we extrapolate from the concept of scaffolding (Wood et al. 1976; Vygotsky 1978) to distinguish between short- and long-term effects. Scaffolding is usually applied to children as they learn tasks and skills aided by a more expert accomplice who assists them in mastering these skills until they are able to do them on their own (Benson 1997). Thus scaffolding is a temporary bridge used to move from one state to another. However, it can act either as an enabler or as a disabler.

Noting that scaffolds are temporary devices, we propose that when attachment to inanimate objects is short-term, then such attachments offer a soothing and safe condition from which to rekindle social connections. From this perspective, then material possession attachment acts as an enabling bridge to a positive social outcome.

Given the widespread existence of consumption communities (Schau et al. 2009), such as hot rod clubs, Mac users groups, *Star Trek* Trekkies, and so forth, the company of other consumers with comparable obsessions can lead to the valued social attachments that many lonely consumers are seeking. For example, Fournier et al. (2000) describe an across-the-country motorcycle ride sponsored by the Harley-Davidson Owners Group (HOG). This week-long ride began with 300 strangers gathering near the Mexican border in Texas on their bikes from all parts of the globe. A week later at the Canadian border, dozens of life-long friendships had been forged. Whereas, HOG members were diverse with respect to their age, gender, social class, and occupations, a group of 300 strangers was brought together by a common love for Harley-Davidson motorcycles. The discovery of a shared self (Lastovicka and Fernandez 2005) between strangers can be made manifest by a common consumption obsession and this can lead to strong social bonds. Rosenbaum et al. (2007) show that communities rooted in so-called third places (neither home nor workplace) such as gyms like Gold's and coffee shops like Starbuck's, provide social and emotional support that is equal to or stronger than family ties. While brand consumption communities do benefit the businesses who facilitate such consumption communities (Fournier and Lee 2009), these communities also appear to contribute to social well-being.

Such consumption communities often have online and virtual components. Some researchers (Turkle 1995; Anderson and McCabe 2012), propose that scaffolding occurs in obsessive computer gaming and online relationship and that online social skills can be built and transferred into social contexts and attachments off-line. Given, that the anonymity of web encounters often emboldens antisocial behaviors and that online-only interactions can be shallow and transient, the value of consumption communities that are exclusively online in developing strong social ties remains to be examined by future empirical research.

However, an alternative and clearly disabling outcome can occur when consumers' relationships with material objects is sustained over a long period of time and acts as a total diversion or distraction from the social world. Such behaviors may be soothing and effective in treating symptoms for a time, but they can also be counter effective in treating the underlying condition of social deficit. Indeed, staying home alone and watching favorite old movies and eating ice cream may be comforting after an interpersonal loss (Loveland et al. 2010); however, such behaviors work against creating new interpersonal attachments. So if, for example, participation in a consumption community is not part of the object-attachment experience, then object attachments are likely disabling. Likewise, Whitty and McLaughlin (2007) report that online computerized obsessions can work either way, by either enriching or by ignoring a social network.

4.2.2 An Evolutionary Perspective

Given that loneliness can be viewed through an evolutionary lens as a biological signal which prompts a change in behavior so as to help assuage social threats (Cacioppo et al. 2006), there is some reason to believe that material possession attachments will increasingly be used in response to the signal of loneliness in today's world. Considerable insight about the contemporary human condition can be obtained from an evolutionary perspective. In particular, humankind's innate psychological and behavioral systems were developed by evolutionary forces over hundreds of thousands of years (Buss 2005). However, what was adaptive and functional for human survival and prosperity in prehistoric times, is often maladaptive in today's world. For example, over the overwhelming majority of the course human evolutionary history, dependable food sources were nonexistent. Consequently, the evolved and culturally universal human preference for fatty and sweet foods (which are densely packed with calories) facilitated human survival in prehistorical times. However, such relentless Darwinian drives prove maladaptive in the current environment of abundant and cheap food that is frequently both fatty and sweet, with the resulting contemporary public-health crisis of obesity and diabetes (Saad 2011).

Because of the social nature of today's world—which include smaller family sizes, large-scale geographic mobility, the rise of single-person households, and a growing elderly population without life partners—there is an increasing proportion of lonely individuals (McPherson et al. 2006). We are no longer hunter-gathers spending our lives in intimate small tribes; rather, today we have become alone together. Moreover, attributes that were once only reserved to describe people, e.g., speech, interaction, reason, personality, and relationship, are increasingly now appropriate for material objects. This is especially the case for younger generations and their obsessions with technology and social media. As Sherry Turkle points out, computers are now included in a category that includes people and pets as "fitting partners for dialogue and relationship … [and] undermine the machine/person distinction" (Turkle 1995, p. 85).

Accordingly, little of this is lost on those who supply the marketplace. For example, automobile manufacturers design cars with headlights and grilles that mimic a smiling face (Aggarwal and McGill 2007) and other marketers gain insights for their advertising plans from consumers who have developed interpersonal-like insights with brands (Fournier 1988) Consequently, nonsentient beings—who are without consciousness and volition and who offer the lonely a controllable and one-sided relationship—are being intentionally crafted and sold successfully in the retail marketplace.

Because humans feel increasingly alone and are turning more to the world of things and less to the interpersonal world of friends and family, then this is even more reason for better understanding the physical well-being outcomes of material possession attachments. Whether this change is for the better or for the worse, awaits future research.

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Part II
Individual and Cultural Variations

Chapter 5
Value Seekers, Big Spenders, Non-Spenders, and Experiencers: Consumption, Personality, and Well-Being

Miriam Tatzel

5.1 Introduction

We inhabit phenomenological "money worlds," worlds where money is easy to come by, or hard, where possessions are in the foreground of life or where they are mere backdrops, where exact amounts of money are carefully attended to, or where "nickels and dimes" go by unnoticed. Are our money worlds happy places? I suggest that we can gain insight into these worlds and their satisfactions by considering the interplay of feelings about money on the one hand and material desires on the other. Here are vignettes of how people may regard money and what to spend it on (drawn from descriptions by adult college students):

> My high paying job let me fulfill my desire to be fashionable and to get compliments from others on my constantly rotating stock of accessories and shoes. My mother asked how I got all this stuff into my tiny house, which was her way of asking how I spent so much money on stuff that I didn't need. I traded in my little sporty coupe for an SUV when I realized my car stood out in the parking lot. I said it was because I wanted the better height with the snow and all wheel drive, but I wanted to fit in with my colleagues' high-price vehicles and so that when it was my turn to drive to lunch those in my car would comment positively. There was really no need to trade in my car since I wound up taking on debt.

> My father-in-law doesn't believe in frivolous purchases. He actually has quite a bit of money saved through the years of making the right financial moves. It doesn't matter though. He will still yell at the hotdog vendor at the ballpark because he can get the same hotdog for $ 3 cheaper from a street vendor. He hates feeling like he's being ripped off and could care less about name brands. One afternoon we were in an upscale department store. He entertained himself by telling the salespeople that he could buy six shirts at Wal-Mart for the same price as a pair of socks here!

> My neighbor puts in a great amount of time and effort to search for a good buy. In addition, she finds shopping an enjoyable activity, which causes her to spend even more time and effort bargain hunting. For example, she loves to shop for shoes. If she sees a pair of shoes she likes she will wait to buy them until she checks several other shoe stores to compare which has the best pair of shoes for the price and quality.

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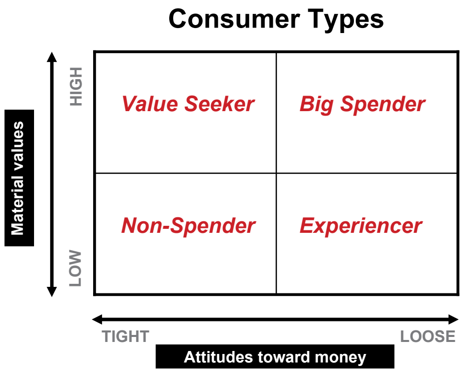
Fig. 5.1 Materialism and spending disposition describe four types of consumers



> I am not really concerned with price. I have probably overpaid too many times in my life because I saw something I liked and didn't know how much it cost until I was at the register. I spend money on things I enjoy, much of it having to do with my motorcycle. I don't have a lot of possessions, but I enjoy good dinners, vacations involving motorcycle runs, and playing poker.

I have proposed a consumer classification based on two main dimensions, money conservation and materialism (Tatzel 2002, 2003). Those at one end of the money conservation continuum are thrifty and frugal, generally tight with money, and those at the opposite end are less inhibited, spend easily, and are generally loose with money. The second dimension has to do with wants. How much does one want what money can buy? How central are possessions in one's life? Combining these two dimensions gives rise to four ways of being a consumer. Consider first those who are tight with money and also materialistic. They desire possessions but are reluctant to spend, a conflict. A compromise of sorts is to get the most for their money, the best value, which also happens to be a rational economic approach. Those who consume this way can be called Value Seekers. Second consider those who are loose with money and materialistic; they may indulge in their material desires with ease. For them, high price, high-status goods would hold positive attractions: these are the Big Spenders. Third are those who are tight with money and not materialistic, whose reluctance to spend fits with their lack of material desires. These are the Non-Spenders. When shopping, they would prioritize low price. Fourth are those who are loose with money but not materialistic. They are open to spending, but are not acquisitive, so they may be especially apt to spend on nonmaterial purchases, such as travel, concerts, or workshops. These consumers are therefore called Experiencers. Figure 5.1 summarizes the consumer types.

In this chapter, I present portraits of these four types and their consumer behaviors and attitudes. Of course, one is a whole person, and the term "consumer" is really a short hand for a function, much as "motorist" is. How then, does the consuming side of life fit in with one's broader motivational dispositions and selfhood? And ultimately, how successful are consumers at achieving well-being? We begin with a brief discussion of the two independent variables, materialism and money disposition.

5.2 Money Attitudes and Behaviors

It is hard to exaggerate the clout of money as a force in human society. It can be an incentive for good (e.g., achievement) or ill (e.g., crime). Given the extremes people will go through to secure and amass money, its psychological benefits are surprisingly limited. Money can alleviate misery for the impoverished, but its happiness benefits quickly diminish as income increases (for a review see Diener and Biswas-Diener 2002).

Money may even work against well-being in some ways. When the idea of money is primed subliminally (e.g., a poster of world currencies on the wall, a task to unscramble words, some of which refer to money) people will distance themselves from others and act more independently, as if money conferred self-sufficiency (Vohs et al. 2008). This finding may help explain why, for all the benefits it can bring to one's life, money does little to foster close relationships (Richins and Dawson 1992; Nickerson 2003). If, as the research implies, money fosters neither happiness nor good relationships, one would think that it ought not to carry the monumental significance it does, and that people would do well to downgrade its preeminence. But what people believe about money is another matter.

Money has strong emotional and symbolic meanings, and over the years various instruments have been developed to assess money dispositions (e.g., Furnham 1984; Tang 1995; Yamauchi and Templer 1982). Typically, people's responses to a series of statements are factor analyzed, from which we find that money can mean security, power, prestige, retention, quality, and anxiety, and behaviorally one can budget and conserve money or splurge and squander it.

A more focused approach is to start with the behavior one wishes to understand. Frugality is a lifestyle characterized by conserving money and resources (Lastovicka et al. 1999). The low end of the frugality dimension therefore means being looser and less cautious with expenditures and less conserving with resources. More recently, Rick et al. (2008) developed a Spendthrift–Tightwad scale to tap the dimension of, at one end, difficulty controlling spending and at the other end of the continuum, difficulty parting with money. The conceptual contrast between the two is that frugality is experienced as a positive trait, ego syntonic, while being a tightwad is presumably experienced as dystonic, a more pained state of affairs.

What can one do with one's money? One approach is to hang on to money, spend cautiously, live beneath one's means, save, invest, or aim to just get by, as circumstances allow. The contrasting approach is to spend freely, not agonize over price or worry about debt, and prioritize a lifestyle that fulfills one's sense of material propriety. These "strategies" have moral implications in which, according to one's values, it is wrong to be cheap or wrong to be prodigal. Research seems to find more of a social stigma to looking cheap (Argo and Main 2008; Ashworth et al. 2005) with no comparable distain of the easy spender, at least in the immediacy of the purchasing moment. On the larger level of judging lifestyle, however, materialism is a moral negative (Van Boven et al. 2010), and it is a criticism, not a compliment, to call someone materialistic. It seems to be a cultural contradiction that we deplore cheapness in the short run and extravagance in long run, part of the "mixed messages" we get (Kasser 2002).

5.3 Materialism

The preoccupation with possessions and their acquisition is a basic definition of materialism. The puzzle of materialism in relation to well-being is how something that seems so good—money and possessions—can have such negative effects on well-being. Yet, the data is overwhelming and consistent: having high financial and material aspirations is detrimental to well-being (e.g., Richins and Dawson 1992; Kasser 2002), and even when materialism is only cued (i.e., situational rather than dispositional) well-being goes down (Bauer et al. 2012).

There are two main measures of materialism in the literature. Richins and Dawson (1992) view materialism as a cultural value and they identified three components: acquisition as a central life goal, believing acquisition is the means to happiness, and seeing self-worth as measured by possessions. Belk (1985) presents materialism as a personality trait; this is a broader concept than Richins and Dawson's, and includes envy and nongenerosity.

Materialism is not simply about "things;" more germanely it is about social status. We need possessions for utilitarian and esthetic reasons, and arguably we also need possessions to announce our personality, social roles, and yes, social standing too. We live in a social world where we are judged by our self-presentation, and our identity signifiers are what and how we consume. But, an overemphasis on acquisition as a way to announce one's prestige, and valuing possessions for their social cachet, puts the judgment of one's self-worth in the hands of others, and this sort of other-directedness is associated with lowered well-being. The prognosis of lowered well-being for materialists does not negate that there may be joy in the acquisition of longed-for and luxury items (Hudders and Pandelaere 2012). But the bulk of the research suggests that the thrill wears off, especially when what recommends the item is its status and price rather than more personal and private satisfactions (Richins 1994). We habituate to those desiderata once we own them, and in time we are back to baseline and looking ahead to the next step on the "hedonic treadmill;" our wants continually escalate, and no sooner is one financial or material goal achieved, then we replace it with the next upgrade (Chancellor and Lyubomirsky 2011).

Is there a positive side to materialism? Possessions enhance our lives with comfort, convenience, beauty, and the tools to actualize our talents. The marketplace brings us many wonders of design and technology. Our task is to steer a course so that we benefit from the material without succumbing to materialism.

5.4 The Four Types

Combining the dimensions of money disposition and materialism gives rise to the four consumer types. Although money and materialism are bound to be correlated, there is reason to suspect that they can function independently as well. In an experiment using a shopping game, Tellis and Gaeth (1990) found three spending strategies: price seeking, price aversion, and best value. Best value was chosen most often when the shopper had knowledge of quality. In the current scheme, best value corresponds to the Value Seeker (high money conservation and high materialism). Price seeking corresponds to the Big Spender (low money conservation and high materialism). Price aversion corresponds to the Non-Spender (high money conservation and low materialism). The fourth category of low money conservation and low materialism suggests a type likely to spend money but not on things, perhaps on experiences, i.e., the Experiencer.

The descriptions to follow of the four types are meant to convey the characteristics of each (the classification is described at greater length in Tatzel 2002, 2003). The vignettes that introduce the sections are drawn from descriptions by adult students of people they know and provide a particular example of each.

5.4.1 The Value Seeker

> My co-worker has educated herself as to where the best buys are. For her, it is not enough to shop only at the discount stores, but shopping only within the clearance sections within them. It is also not enough to be self-fulfilled. She must then "show and tell" everyone she comes in contact with that week of the real deal she obtained, how much it supposedly originally sold for and what she "stole" it for.

The value seeker is more than merely cost conscious. This type is seeking the best price per quality (Bei and Heislin 1997), and is a "smart" shopper who gets bargains (Mano and Elliott 1997). Price comparison shopping may become a kind of hobby through which the Value Seeker gains hedonic benefit as well as price knowledge (Mamorstein et al. 1992). We may expect such a person to be a skilled consumer, a price expert, or "maven" (Lichtenstein et al. 1993), and likely to avoid debt. Thus, such a shopper may be patient, able to defer gratification and forego impulse buys. Overall, a cool sort of materialist who triumphs in the end by bagging the good buy. Frugality with possessions (reuse and repurpose) is also a kind of saving in that the money that was spent is kept, albeit transformed. The Value Seeker may avoid experiential purchases for a similar reason as avoiding debt—there is nothing (no-thing) to show for one's money. Although the Value Seeker may experience an inherent conflict between the desire to acquire and desire to hold on to money, the value-seeking approach is fundamentally rational.

5.4.2 The Big Spender

> Over the years he has been known as a really "good guy"—really generous. When he buys he goes with the highest price. The higher the price the more he values his acquisition. (He bought a smartphone cover for $ 175 and displayed it with great pride.) He tends to collect things and takes great joy in talking about their potential value. He often gives things away, only to replace them with more things. Unfortunately, his need to spend has gotten out of control and he now has financial and relationship problems. He became miserable when his credit was cut off. He has gone from being the fun-loving guy, who was always the center of attention, to an almost reclusive individual.

A material desire coupled with a readiness to spend describes the Big Spender. As the Value Seeker is proud of frugal purchases, so the Big Spender feels successful with conspicuously expensive purchases. Concerned with prestige, trendy, attracted to luxury consumption, and believing that high price signals quality, the Big Spender is apt to believe that the good life is one of material abundance. We would expect such consumers to be relatively tolerant of debt and credit card use. Given discretionary money they would be more likely to spend it than save, and they would to be prone to impulse purchasing (such consumers are described by Watson 2003). Lack of restraint may lead to constrained circumstances, a veritable "debtor's prison" (Bernthal et al. 2005). Such an individual may be prone to compulsive buying and as a result, especially if saddled with debt, become relatively unhappy and dissatisfied (O'Guinn and Faber 1989). Although these predictions for the Big Spender seem gloomy, possible sources of happiness can come from pride in material achievement. Publically visible acquisitions and fashion-consciousness bespeak a social orientation. A successful Big Spender, especially if financial goals are achieved, may enjoy life and economic prowess, and may find satisfaction in the many domains of life that wealth enhances, such as residence and health (Nickerson et al. 2003).

5.4.3 The Non-Spender

> He describes himself as a minimalist. He is an engineer and earns a good income. He can afford to purchase all of the necessary items in life as well as some luxury items. He chooses to live in an apartment furnished with lawn furniture and a mattress that rests on the floor. His car is 15 years old. He was recently involved in a minor fender bender. The fender was hanging off and in disrepair due to the overwhelming rust on the car. He refused to purchase a new vehicle because the engine was still running. He tied the bumper on with rope.

The attitude of the Non-Spender is to conserve and save, and there are few conflicting desires to acquire and spend. Given extra money, it may be saved and invested. The Non-Spender is less interested in consumption than the Value Seeker, and more money conscious than the Experiencer. When shopping, the Non-Spender is likely to buy store brands, in contrast to the Value Seeker who looks for national brand promotions (Ailawadi et al. 2001). The Non-Spender may be individualistic in the sense of being a nonconformist to consumer culture, and perhaps a downshifter or simple liver. Is this someone who has risen above consumer culture, or is this a miser who hoards money and leads a materially impoverished life? Thoreau or Scrooge? Circumstances may play a role too, and this could be someone who is objectively poor. We would expect the Non-Spender to be debt averse, including credit card debt, to not be an impulse buyer, and to suspect that price is not related to quality. The Non-Spender may be "hyperopic," that is, resistant to indulgence, especially in items deemed luxury (and be more likely to categorize items as luxuries) to the point of then regretting missed pleasures of life (Haws and Poyner 2008). The Non-Spender's successful route to financial independence can be via a lifestyle of finding ways to get by with less.

5.4.4 The Experiencer

> My friend spends a great deal of her money on things such as yoga classes, holistic retreats, and fasting camps. She is extremely health conscious. She is a yoga teacher, therapist, and an artist. She has gone to Arizona to study native American cultures, she sailed from California to the end of South America to see gray whales, and visited Mexico to participate in archeological digs.

The Experiencer is relaxed about spending but is not especially drawn to acquiring possessions. Instead, money is likely to flow toward opportunities to enhance lived experience. Activities such as going to shows, vacationing, playing sports, and learning new skills are likely to be more appealing than, say, upgrading possessions, shopping around for the best deal, or saving for a rainy day. Of course, many objects (such as musical instruments or athletic equipment) are used for experiences, and they would be bought with the pleasures and challenges of the activity in mind.

There is now a body of evidence that people derive more lasting pleasure from experiential purchases than material purchases (Carter and Gilovich 2012; Van Boven 2005; Van Boven et al. 2010; Van Boven and Gilovich 2003) and there are a variety of explanations. Why should experiences bring more lasting happiness than things? After all, experiences are fleeting. For example, vacationers are happier than baseline during the vacation, but the happier state does not carry over into ordinary workaday lives (Nawijn 2010). But compared with possessions, experiences are more personal, unique, and they live on in memories. Plus, shared experiences can enhance relationships, which are an essential part of a happy life (Diener and Seligman 2002). And while the boost in well-being from changes in material circumstances will soon fade, changes in activities (such as joining a book club or exercising regularly) continue to bring well-being (Sheldon and Lyubomirsky 2006).

Someone whose habitual consumer style is to spend on experiences may thereby be expected to enjoy the range of these positive effects and to lead an especially full, happy life. The low money conservation of the Experiencer may be benign (little money anxiety) or detrimental (money shortages), but perhaps when low funds are coupled with low materialism, the limitations may be less onerous than for the other nonconserving type, the Big Spender.

5.4.5 Prior Research

The major question to ask of a consumer classification is whether it can account for consumer behaviors. Two studies investigated aspects of the model, that is, they crossed high and low materialism with high and low money conservation and related the combinations to consumer behaviors.

Compulsive buying is a consumer pathology strongly associated with materialism, and an important mental health question is whether good financial management can lessen compulsive buying. The Value Seeker provides a potential model for successful coping with materialistic urges. Using the short form of Richins' materialism measure (Richins 2004) and a financial management scale (Parotta and

Johnson 1998), Pham et al. (2012) found that, indeed, Value Seekers, although ascribing to materialistic values, are less prone to compulsive buying than are the Big Spenders. Can good financial management be taught, a potential remedy for compulsive buying, or are there personality traits that stand in the way of employing money management skills? This is an open question.

Troisi et al. (2006) examined impulse buying, using Richins and Dawson's (1992) measure of materialism plus money conservation items taken from two measures (Furnham 1984; Tang 1992). They found that (as expected) materialism was positively associated with impulse buying, and money conservation was negatively associated: thus, Big Spenders (high materialism, low money conservation) were the most impulsive, and Non Spenders the least. Money conservation was associated with negative attitudes toward debt, and the effect was particularly strong for those who were also low in materialism (i.e., the Non-Spenders). Interestingly, Experiencers, i.e., those who are low in materialism and low in money conservation, were found to be especially Open to Experience (from the Big Five personality traits, e.g. Gosling et al. 2003), which lends credence to the idea that an experience-oriented individual would be open to spending on new experiences.

These two studies, using different measures of money conservation, different dependent variables, and from different parts of the world (United States and Australia) found encouraging support for the model.

5.5 Consumption, Personality, and Well-Being: Overview

I am going to report on data I have gathered to test the consumer taxonomy on three levels: consumption, personality, and well-being. The data come from two samples of adult college students who took online questionnaires on "Money, Lifestyle, and Self," more than 600 participants in all, about two-thirds female and with a response rate around 30 %.

The independent variables are materialism and money conservation. Materialism was assessed using Richins' (1994) short form of the materialism scale (9 items). Sample items: "I like to own things that impress people" and "I'd be happier if I could afford to buy more things." The measure of money conservation was frugality (Lastovicka et al. 1999). Sample items: "I believe in being careful in how I spend my money" and "If you can reuse an item you already have, there is no sense in buying something new," the latter item reflecting conservation of resources as part of the frugality concept.[1]

[1] For the first sample, the means were 3.58 for materialism and 5.55 for frugality ($N=329$) on a 7-point scale; for the second sample, the means were 3.39 for materialism and 5.70 for frugality ($N=314$). Scale reliabilities (Cronbach's alphas) are good, from .72 for frugality to .81 for materialism. Thus, although sampling from the same population, but at different times (2007 and 2010), the second sample was somewhat less materialistic and more frugal than the first; the differences although not large are statistically significant ($p<.01$).

The first section to follow will look at how well the model predicts consumer attitudes and behaviors. The second section will open with a discussion of the two personality dimensions (motivation and self-construal) and their relevance for consumption, followed by how these dimensions align with the consumer types. The third section will build on the other two and look at how well the model and the personality dimensions predict happiness and well-being.

5.5.1 Data Analysis and Design

The data are analyzed in two main ways. One is to use an Analysis of Variance (ANOVA) design, which enables depiction of the findings. To do this, the scores on materialism and frugality were divided into thirds. Value Seekers are defined as those who score in the top third in materialism and the top third in frugality; Big Spenders score in the top third in materialism and the bottom third in frugality, and so on for Non-Spenders (low materialism and high frugality) and Experiencers (low materialism and low frugality). These two variables in combination then predict the dependent measures. The design is 3×3 analysis of variance including the middle groups, with three levels of materialism and three of frugality. The second method is multiple regression with materialism, frugality, and their interaction as the predictors (materialism and frugality were centered before creating the interaction term). Throughout, the findings from the regression analyses parallel the ANOVAs unless otherwise noted.

5.6 Consumption

The most direct test of the theory is to compare the four types on their consumer attitudes and behaviors. I test the model against five consumer measures: irrational credit card use, price mavenism (expertise), belief in the price–quality schema, attitudes toward debt, and impulse buying. The data for the first three come from the first sample and the other two come from the second sample. Sample 1 also completed a "windfall" exercise on spending unexpected money (findings for Sample 1 were also reported in Tatzel 2008).

5.6.1 Irrational Credit Card Use

It seems reasonable to expect that unwise use of credit cards would increase with materialism and decrease with frugality, and this is what is found here, see Fig. 5.2. The scale items come from Roberts (1998) who found that credit card use contributed to compulsive buying in a sample of college students. A sample item: "I have been told that my current credit limit is insufficient to pay for my purchases."

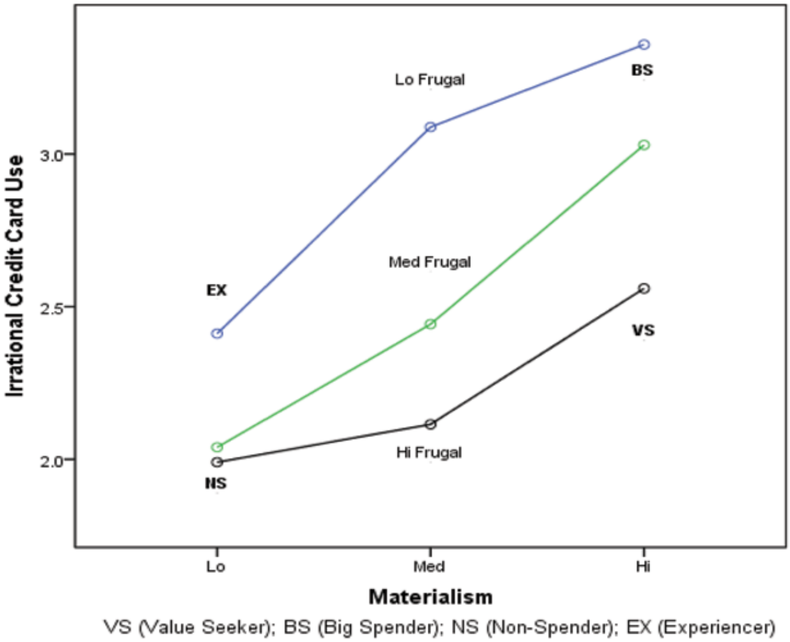


Fig. 5.2 Irrational credit card use

A word about the figures. The scores for the dependent variables are based on the 7-point Likert scale. Figure 5.2, therefore, shows that the sample as a whole scored on the low side in irrational credit card use, from about 2.0 to 3.5 out of 7. Throughout in these figures, Lo = Low; Med = Medium; Hi = High.

As one would expect, Big Spenders scored highest in irrational credit card use and Non-Spenders lowest. Both main effects are significant at $p<.001$ ($F_{materialism}=17.105$, $F_{frugality}=13.412$). Thus, materialism and low frugality both contribute to irrational credit card use. The materialism of the Value Seeker is tempered by frugality, and the low frugality of the Experiencer is mitigated by low materialism.

5.6.2 Price Mavenism

Of the four types, who would we expect to be most knowledgable about prices and who might others turn to for advice on prices? The Value Seeker, as an involved and price-conscious consumer, should score highest here. Using the price mavenism scale from the Lichtenstein et al. (1993) survey of supermarket shoppers (sample item: "I'm considered somewhat of an expert when it comes to knowing the prices of products") Value Seekers indeed scored highest, see Fig. 5.3. Price mavenism increases with materialism ($F=5.465$, $p=.005$ and it also increases with

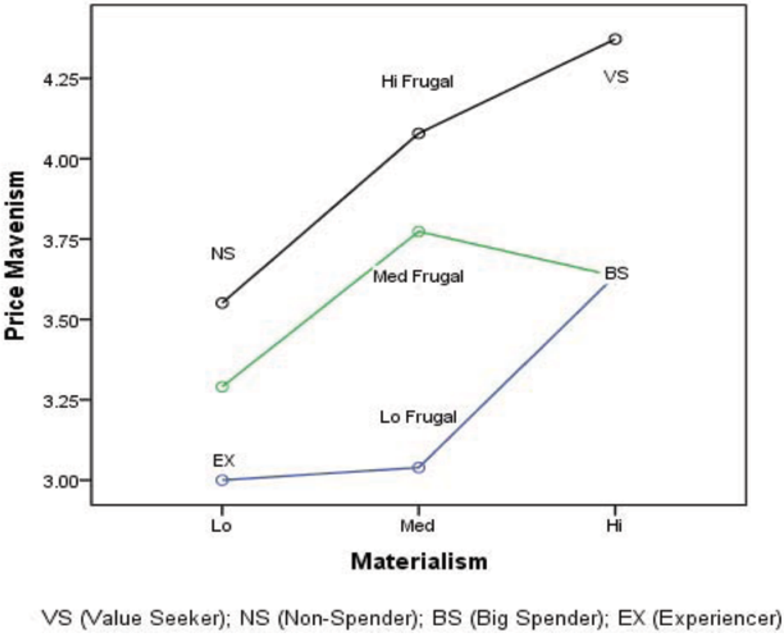


Fig. 5.3 Price mavenism

frugality ($F = 9.363$, $p < .001$). Although not specifically predicted, the finding that Experiencers scored lowest in price mavenism suggests that they are the least price sensitive and perhaps the least likely of the types to pay attention to price.

5.6.3 Price–Quality Schema

A reason why people may find high prices attractive is that they believe price is an indicator of quality, so that by paying more, they are getting a better product. Lichtenstein et al. (1993) saw this as the “positive role of price” where high price is an incentive to buy, in contrast to the negative role, as with price consciousness, in which price is a disincentive. Sample item: “You always have to pay a bit more for the best.” Big Spenders especially should endorse this position, see Fig. 5.4. Belief in the price–quality schema increases with materialism ($F = 10.315$, $p < .001$) and frugality does not lessen the effect. It was not expected that Value Seekers, the other materialistic type, would endorse this belief. However, the actual relationship between price and quality depends to some extent on the type of product and the brand, so that knowledgable consumers will know that sometimes price is indicative of quality and sometimes not (Rao and Monroe 1988). Thus, the Value Seeker as well as the Big Spender may endorse the price–quality relationship but for different

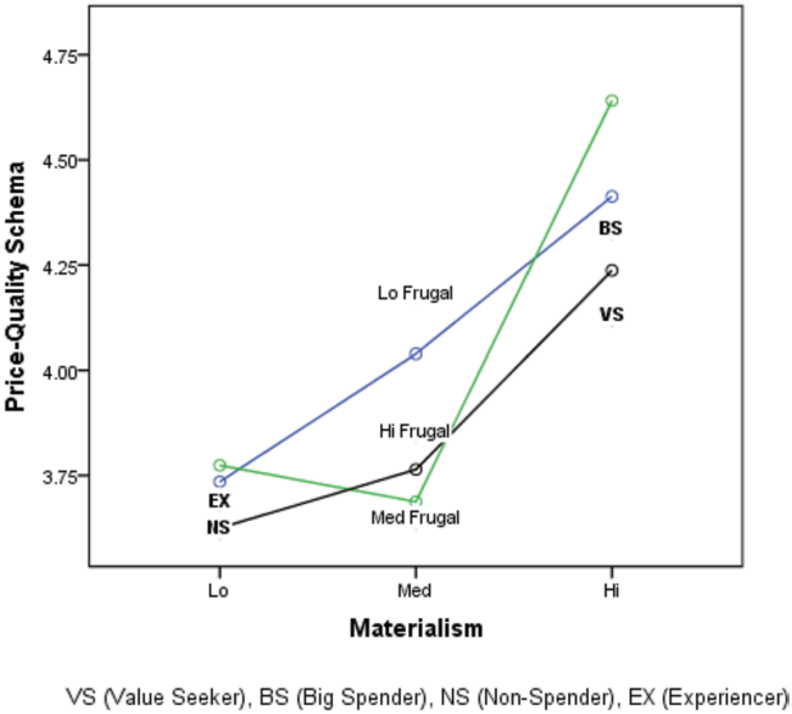


Fig. 5.4 Endorse price–quality schema

reasons, one who sees price as a negative but has learned that price and quality can correlate (Value Seeker) and the other who is attracted to high prices (Big Spender).

5.6.4 Attitude Toward Debt

Another way in which consumers may differ is in their attitude toward debt, which may be positive ("It is a good idea to have something now and pay for it later") or negative ("I do not like borrowing money"). These items are from the scale developed by Lea et al. (1995) to measure attitudes about debt among groups with varying debtor histories. As it can been seen in Fig. 5.5, a positive attitude toward debt increases with materialism ($F = 9.713$, $p < .001$) and decreases with frugality ($F = 17.880$, $p < .001$). Thus, the Big Spender has the most positive attitude toward debt, and the Non-Spender the least positive, with the Experiencer and Value Seeker in between.

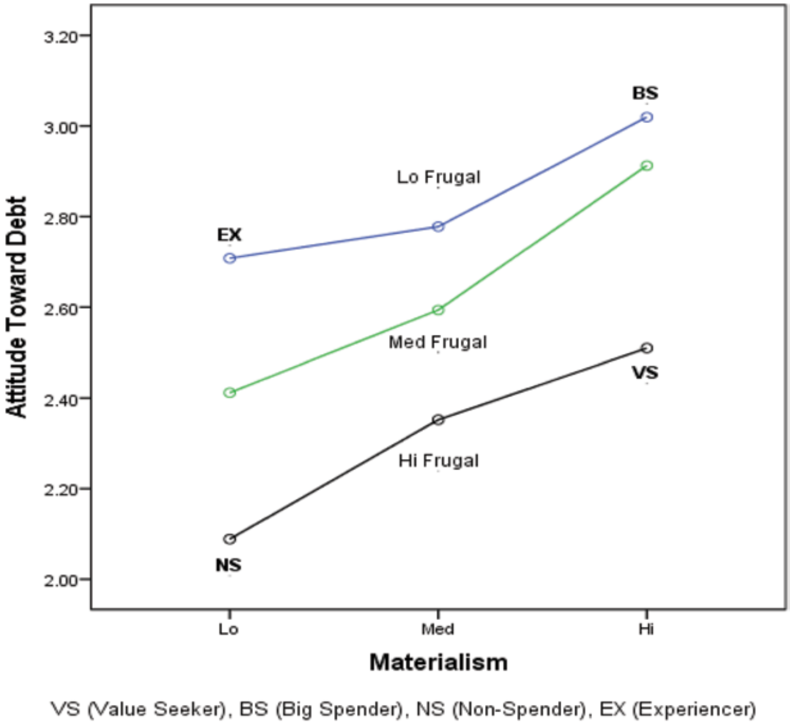


Fig. 5.5 Attitude toward debt

5.6.5 Impulsive Buying

Impulsive buying is generally regarded as a dark side consumer trait, a sign of poor impulse control, inability to delay gratification, and immaturity. It is a risk factor for imprudent purchasing and a step along the way to indebtedness and compulsive buying. It is not, however, without a positive side—the ability to seize a good opportunity when it presents itself and the ability to be spontaneous with benign whims (summarized by Rook and Fisher 1995). Sample item: "'I see it, I buy it,' describes me."

We would expect this trait to function similarly to irrational credit card use and attitude toward debt, and it does, see Fig. 5.6. Impulsive buying increases as materialism goes up ($F = 21.195$, $p < .001$) and frugality goes down ($F = 29.686$, $p < .001$). Here, there is also an interaction effect, such that impulsive buying increases with materialism, especially for those who are low in frugality. The interaction is of borderline significance in the ANOVA ($F = 2.320$, $p = .057$) and is significant in the multiple regression ($p = .004$). The tendency to impulsive buying is especially pronounced for the Big Spender, which suggests this is someone who is eager and ready to buy.

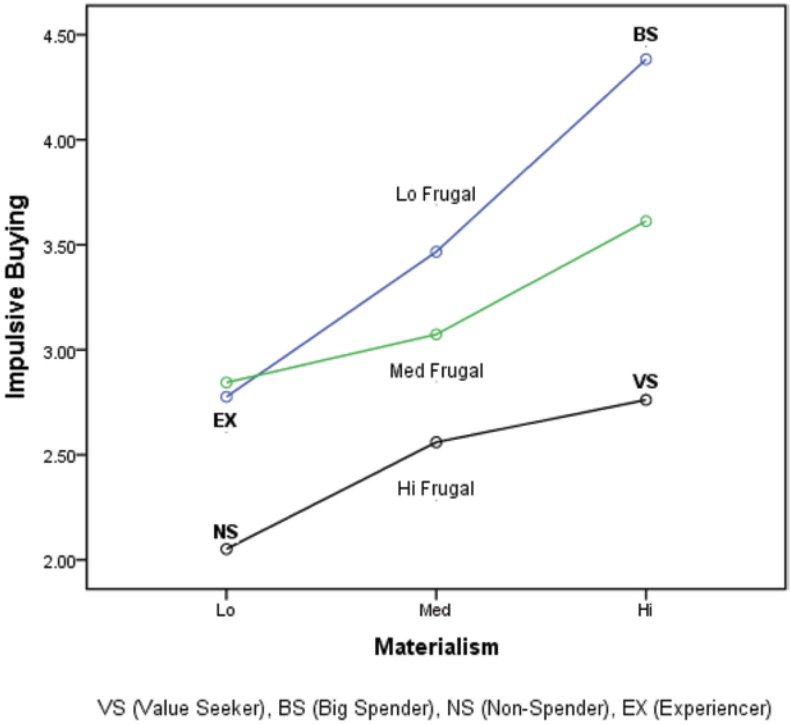


Fig. 5.6 Impulsive buying

5.6.6 Windfall Spending

Another approach to seeing how different sorts of consumers deal with money and spending is how they would allocate unexpected (windfall) money. When Richins and Dawson (1992) developed their materialism scale, one of their methods of scale validation was to ask respondents to assume they received US$ 20,000 unexpectedly which they could assign to different categories. Those high in materialism were more likely to use the money to buy things for themselves, and less likely to give it to others or to charity or use it for travel; this outcome validated the notion that materialists are self-centered. I developed a similar "windfall" exercise for Sample 1.

Participants were asked how they would allocate an unexpected US$ 25,000, with categories modeled after Richins and Dawson (1992). In line with their findings, those high in materialism allocated more of the money to "buy things I want or need" (for the Big Spender, US$ 5,293, compared with US$ 2,319 for the Non-Spender), see Fig. 5.7. In the ANOVA, only the materialism main effect was significant ($F = 3.055$, $p = .049$), but in the multiple regression, frugality was also significant ($p = .024$). Thus, buying things for oneself increases with materialism and decreases with frugality.

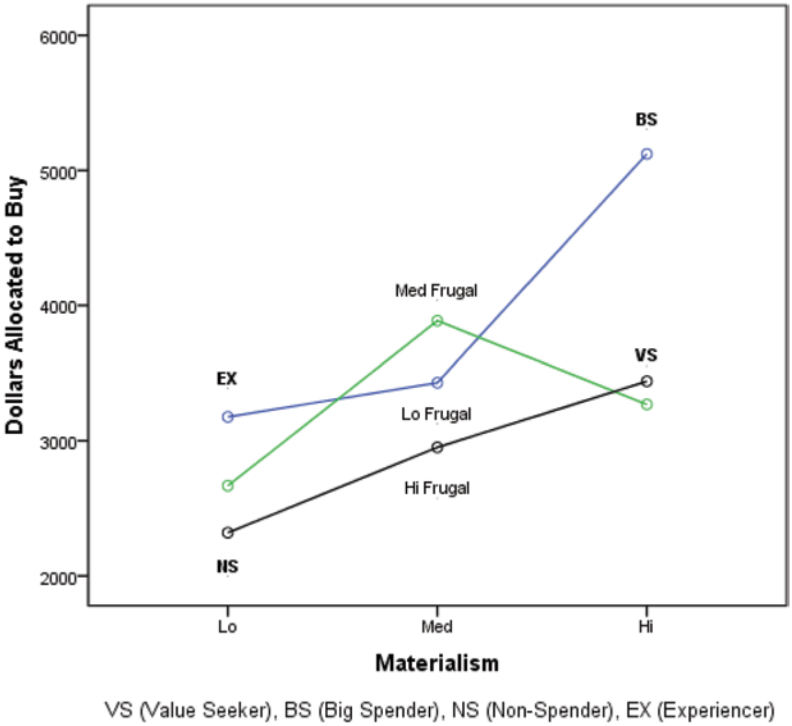


Fig. 5.7 Use of windfall to buy for self

The pattern for buying is reversed when it comes to saving, with frugality positively related to saving, and materialism negatively. Out of the US\$ 25,000 the Non-Spender saves the most (US\$ 10,728) and the Big Spender the least (US\$ 5,175), see Fig. 5.8. As materialism goes up, money allocated for saving goes down ($F=2.76$, $p=.058$, of borderline significance). The frugality effect is strong ($F=9.100$, $p<.001$), and saving increases with frugality.

The only other significant effect was for travel. The frugal were less inclined to spend on travel ($F=4.671$, $p=.01$). Big Spenders and Experiencers allocated the most (US\$ 3,273 and 3,029, respectively), Non-Spenders the least (US\$ 1,991), with Value Seekers in between at US\$ 2,488.

5.6.7 Consumption Trends

Overall, the results make a good case for taking account of both material values and money attitudes in describing consumption styles. Where does this leave us with respect to the four types? The variables looked at here tended to address behaviors of the Big Spender. Thus, we find that the Big Spender is prone to a series of financial

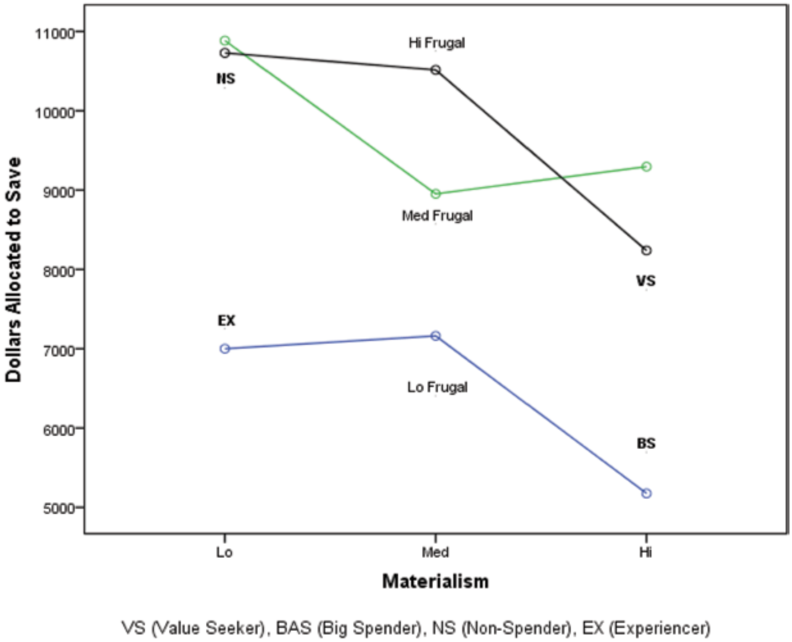


Fig. 5.8 Use of windfall to save

pitfalls. This is someone who may overuse credit cards, is likely to be attracted to expensive items (price-quality schema), has a positive attitude toward debt, and is an impulsive buyer. Given extra money, the Big Spender would spend more on self and would save less compared with the other types.

The Non-Spender is likewise well-defined by these choices, but in the opposite direction from the Big Spender. The prudent Non-Spender is the type least likely to misuse credit cards, or believe that price means quality, has a negative attitude toward debt, is not an impulsive buyer, and would save windfall money.

A variable that gives a different sorting of the types is price mavenism. This is an attribute that targets the Value Seeker who stands out as the go-to person for finding out what things should cost and where to find good prices. In the other analyses, the Value Seeker is apt to be in an intermediate zone, not as prone to misuse credit cards as is the Big Spender, but more so than the Non-Spender, and is likewise between those two in attitude toward debt, and use of windfall money for buying or saving. The Value Seeker may endorse the price–quality schema based on price knowledge, and is relatively resistant to impulse buying.

None of the consumer measures here directly addresses the Experiencer style. The definition (high materialism and low frugality) is the opposite of the Value Seeker, and the Experiencer indeed scores lowest on price mavenism, suggesting that this type is especially inattentive to prices. Nor is the Experiencer likely to think that price is an indication of quality. Similar to the Value Seeker, the

Experiencer holds an intermediate position with respect to credit card misuse, impulse buying, and use of windfall money for buying or saving. The Experiencer would use windfall money to travel, an experiential use of money. Troisi et al. (2006), in testing this model with respect to openness to experience (from the Big Five personality traits), found that materialism and money conservation were both negatively related to openness, and there was an interaction such that at low levels of materialism, low frugality especially predicted openness (i.e., the Experiencer). Putting it together, so far the Experiencer appears to be someone who is open to experience, seems not very money or price aware, and would spend extra money to travel.

Openness to experience is a personality trait, and this reminds us that consumption is embedded in the person's total life space—the inner drives and perceptions on the one hand and the pushes and pulls from the environment on the other hand. We now turn to consider how the four consumer types may differ in personality attitubutes.

5.7 Personality and Consumption

How we spend our time, what we consume, how we shop, and what we do with our money all express what is important to us—our needs, values, and identity. Circumstances count too of course and may bias us to be more or less tightfisted or open-handed, and the commercial environment exerts attractions and repulsions that direct our consumption. But here the focus is on person variables, two in particular that have relevance for consumer behavior: motivation and selfhood.

5.7.1 Motivation

Abraham Maslow, a forerunner of positive psychology, proposed a hierarchy of needs (1954) that has permeated thinking about motivation in psychology and applied fields ever since. At a time when physiological theories of motivation were at odds with social and humanistic theories, Maslow succeeded in bringing them into one system—the basic biological drives such as hunger and the higher order human needs such as competence, autonomy, and creativity. In the hierarchy he proposed, the emergence of the higher order growth needs depends on first satisfying the basic survival and safety needs. Well-being increases as one ascends the hierarchy up to the level of self-actualization, which is the full realization of one's potential.

Motives are often conceptualized as intrinsic or extrinsic. Is an action the means to an end (extrinsically motivated) or is it the end itself (intrinsically motivated)? For example, we may work for extrinsic reasons, our need to make a living and to be rewarded for our efforts, and/or we may work for intrinsic reasons, in which case we are so fortunate as to enjoy our work for its own sake. In Maslow's theory, the lower order security needs are rooted in deprivation and correspond to extrinsic motivation, while the higher order "being" needs come from within, for growth and enlightenment, and correspond to intrinsic motivation. Interestingly, the need for self-esteem can be either or both. As a deficiency need, self-esteem is about needing the recognition of others to confirm one's self-worth; and as a growth need, self-esteem is about gaining competence and the feeling of accomplishment. One can compare the ego need for mastery (intrinsic) with the ego need for recognition or reward (extrinsic).

But intrinsic or extrinsic is a fuzzy, if convenient dualism. In the totality of the person-and-environment life space there are many forces at play: the motives and perceptions of the person meet the attractions, demands, and pressures from the environment to create an ever-changing force field (from Kurt Lewin, reported in Cartwright 1959). Moreover, motives can be mixed (as in the career example) and formerly extrinsic motives, such as eating healthfully and exercising, can be internalized and become more intrinsic (Ryan and Deci 2000).

Tim Kasser (2002) in particular has done much to reveal the motivational underpinnings of consumption. His theory is not unlike Maslow's. The steps in Maslow's hierarchy are: physiological needs, safety, belongingness and love, esteem, and self-actualization. Kasser's sequence is similar, although he reverses belonging and esteem: (1) safety, security, and sustenance; (2) competence, efficacy, and self-esteem; (3) connectedness; and (4) autonomy and authenticity. Security needs (extrinsic) are activated by deprivation, and Kasser (2002) cites economic and emotional deprivation as well as death awareness as potential instigators of materialism. Devoting one's energies to getting rich or famous is likely to lead to dissatisfaction and even emotional problems. By contrast, cultivating intrinsic life aspirations (good relationships, self-development, and helping the community) is the route to well-being.

One should be wary, however, of concluding that one *ought* to follow intrinsic rather than extrinsic motives. If Maslow is correct, and needs are roughly hierarchical, it may be necessary to first satisfy extrinsic needs in order to be in a position to attend to intrinsic needs: deprivation needs trump growth needs because they have greater exigency. It is understandable, then, why attending to extrinsic, deprivation, and security needs would be associated with lower well-being: extrinsic needs are obstacles to overcome. Not having enough money (however defined) would be one such obstacle. But these drives can take on a life of their own and become insatiable, like the "neurotic" needs for power or love, where one can never have enough (Horney 1945/1966). With respect to consumption, the idea of the "hedonic treadmill" captures this quality of insatiability: habituation (what one already has is taken for granted) plus escalation (ever-rising standards of what is enough and what is good enough). Financial and material aspirations may be prone to being insatiable precisely because they do not satisfy intrinsic needs.

The good news is that we may have more leeway to choose intrinsic over extrinsic than we subjectively experience. It may be easier to meet some intrinsic needs, such as for good relationships, than it is to get rich (Nickerson et al. 2007, p. 503). More people aspire to wealth than attain it, a recipe for disappointment for all but a few. But for those who do achieve wealth, having that aspiration is not apparently damaging to their well-being. It is those who yearn for wealth and fail to reach it who suffer the greatest discontent (Nickerson et al. 2007, 2003). An implication for happiness is to match one's aspirations to one's realistic prospects. In that way, one can avoid getting caught in insatiable extrinsic quests (notably, the work-and-spend cycle, Schor 1998), and more readily choose intrinsic over extrinsic. In other words, the message for happiness is to cultivate one's talents more than wealth, and to cultivate relationships more than admiration.

In sum, while the evidence points to intrinsic motivation as best supporting well-being, the total picture is more complex. Extrinsic motives can have greater exigency, motives can be mixed, and extrinsic motives do not inevitably undermine well-being (when they are fulfilled). One more point is that it is not the goal per se that ultimately determines whether a motive is intrinsic or extrinsic, one must also consider the motive behind the goal (Carver and Baird 1998, Sheldon et al. 2004). For example, is the motive for helping others based on altruism (intrinsic) or expectation of social approval (extrinsic)? The motive for money, too, can have varying roots. When the money motive is to assuage one's ego and overcome self-doubt, the outlook for well-being is especially ominous (Srivastava et al. 2001).

Motives and Consumer Types

In order to measure intrinsic and extrinsic motivation Kasser and Ryan (1993, 1996) developed an "aspiration index" of life goals. Some goals are primarily intrinsic (affiliation, community feeling, and self-acceptance) and others reflect typical extrinsic motives (financial success, fame, and image). In those studies and others, extrinsic aspirations were found to be related to lower well-being.

Participants in Sample 2 responded to statements from the aspiration index and rated how important it was for them to achieve the stated goals. Examples are: "You will share your life with someone you love" (affiliation); "You will work for the betterment of society" (community feeling); "You will know and accept who you really are" (self-acceptance); "You will do something that will bring you much recognition" (fame); and "You will be a very wealthy person" (financial success). Gender differences were found for all three intrinsic measures, with females scoring higher. Why may women score higher in intrinsic goals? Those are the goals that seem more sex-typed female.

Subtracting the average extrinsic score from the average intrinsic yields a relative intrinsic score (*r*-intrinsic, following the method used by Kim et al. 2003). As before, the independent variables were materialism and frugality. Then, with *r*-intrinsic motivation as the dependent variable we find a very strong indication that as materialism goes up, intrinsic motivation goes down ($F=25.550$, $p<.001$). The outcome for frugality is not strong ($F=2.507$, $p=.084$) but suggests that the frugal tend to be more intrinsically motivated. see Fig. 5.9. We see that Big Spender, as expected, is the least intrinsic (most relatively extrinsic). The influence of frugality shows in the difference between the Value Seeker and the Big Spender: the Value Seeker is significantly more *r*-intrinsic ($t=2.80$, $p<.01$). The Non-Spender and Experiencer, the two low materialism types, are the most *r*-intrinsic. There is some support then

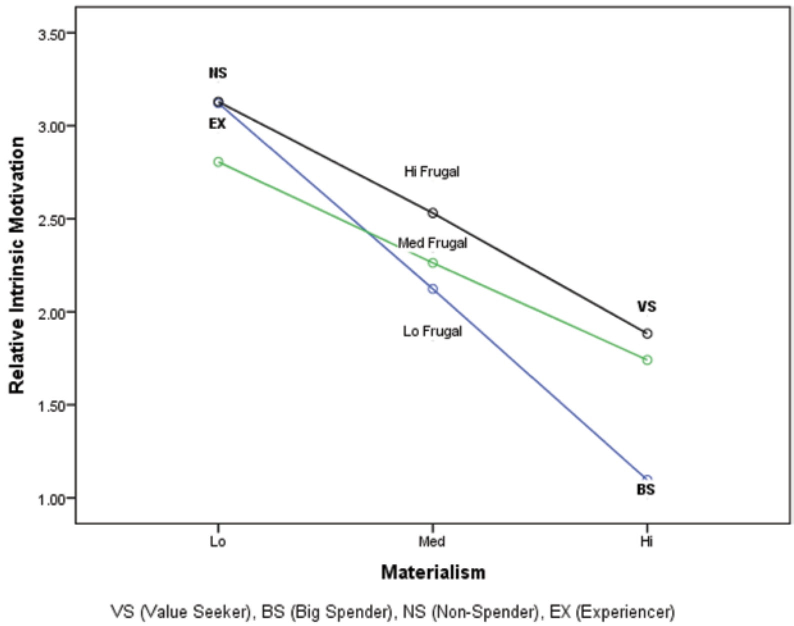


Fig. 5.9 Relative intrinsic motivation

for considering frugality as related to intrinsic motivation, and that frugality can partially counteract the negative influence of materialism on intrinsic motivation.

5.7.2 Self

Our sense of self is both personal and interpersonal. We are individuals and also group members. This duality has taken on special meaning for consumer psychology and more widely for the study of cultural differences. To the degree that our self-concept is bound to our primary groups, our consumption may reflect those allegiances; alternatively we may stake out our own lifestyle with different identifications. A rough distinction has been made between cultures that foster an independent sense of self (typically, Western, individualistic) and those that foster an interdependent sense of self (typically, Eastern, collectivistic). Singelis (1994) developed a "self-construal" scale to assess the degree to which one sees oneself as bound to a group or as independent. Within cultures, as well as between cultures, people differ in their degree of independence and interdependence. The independent self emphasizes personal uniqueness and self-expression ("I enjoy being unique and different from others in many respects"), and the interdependent self emphasizes group-based identity and group harmony (example, "I will sacrifice my self-interest for the benefit of the group I am in").

Who is more materialistic, the independent or the interdependent self? It would seem at first blush that of course the independent, individualistic types are more materialistic. They are more self-centered and they put their needs and wants above meeting social obligations and the needs of others. Crass materialism seems incompatible with the more transcendent, group-centered values of family, religion and community (Burroughs and Rindfleisch 2002). But then again maybe it is the interdependent, collectivistic sorts who are the more materialistic because they want to display success in the eyes of their family or group and thereby promote the status of their group. In a sense, they are obliged to be materialistic in order to gain social approbation (Scollon and Wirtz 2014; Webster and Beatty 1997; Wong and Ahuvia 1998). An independent self, on the other hand, may care more about personal autonomy and less about acquiring possessions to impress others. We are socialized to have both types of identity (Oyserman et al. 2002). We are a mix of independent and interdependent, and the relative dominance of one or the other can shift. In an experiment in which people from both Western and Eastern cultures were exposed to primes of "I" or "we," they shifted their self-construal toward the direction of the prime (independent or interdependent, Gardner et al. 1999; see also Wirtz and Scollon 2012). Also our consumer choices (in clothing, cars, etc.) can simultaneously communicate group identity and individual identity through conformity to the products and brands typical for one's group, but with one's desire for uniqueness expressed through stylistic variations (Chan et al. 2012).

Self and Consumer Types

Both Sample 1 and 2 filled out Singelis' (1994) self-construal scale as a means of describing "how you see yourself." Both samples were drawn from the same population (adult college students in the New York Hudson Valley region), but were taken several years apart. As before, the independent variables were materialism and frugality. Do the findings for the two samples replicate? Yes for independent self-construal (no significant difference), but no for interdependent. The second sample was more interdependent.[2]

A relative independent self-construal (r-independent) is the independent minus the interdependent scores. How do the consumer types align with r-independent self-construal? For Sample 1, as materialism increases, r-independence decreases ($F = 3.957$, $p = .021$), and frugality is of borderline significance in the positive direction ($F = 2.701$, $p = .069$), suggesting that the frugal types are more independent. The Experiencer (although low frugal) and the Non-Spender score highest in r-independence and the Value Seeker is intermediate; the Big Spender scored lowest, as least independent. But for Sample 2, the distribution is U-shaped with a significant quadratic component ($p = .029$). In the ANOVA, the two main effects

[2] The second sample was significantly more interdependent than the first ($t = 5.87$, $p < .001$). The size of the difference is less than half a point on the 7-point scale (.464 or 6.63 %) not a large difference, but not small either.

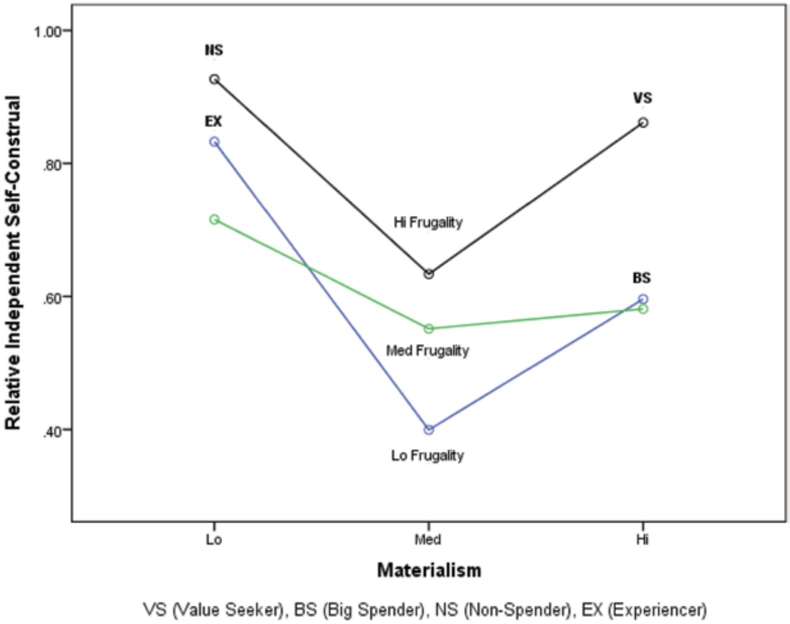


Fig. 5.10 Relative independent self-construal

are of borderline significance, but in the nonlinear regression with the quadratic component for materialism, there are three significant effects: frugality is positively related to *r*-independence ($p=.010$), materialism is negatively related ($p=.007$), and the materialism-squared component is significant ($p=.005$). Except for the quadratic effect, the results for the two samples are roughly similar, with materialism being negatively related to *r*-independence, and frugality being positively related.

Figure 5.10 shows the results of the ANOVA for the two samples combined. The shape is something like a backwards J. Materialism is negatively related to *r*-independence ($F=4.083$, $p=.017$), and frugality approaches significance ($F=2.411$, $p=.091$). There is a significant quadratic component ($p=.002$). In the nonlinear regression, materialism is significant ($p=.004$), showing a general decrease in independence as materialism increases, and the materialism squared component is also significant ($p=.011$). Frugality approaches significance ($p=.101$). Of the four consumer types, the Big Spender stands out as least *r*-independent, but what is striking is the dip for medium levels of materialism.

What are we to take away from this? It does appear that materialism is related to self-construal, with the Non-Spender as most *r*-independent and the Big Spender as least. If we view self-construal as a proxy for cultural differences, this implies that individualistic cultures tend to be less materialistic than collectivistic cultures, based on the linear component. The quadratic component points to the moderately materialistic as least *r*-independent, meaning that the independent self-construal declines with materialism but starts to increase again at the high end. This suggests a more complex answer to the question of who is more materialistic. Perhaps both those low and high in materialism value independence for different reasons: the low materialists value the freedom to be self-directed, and the high materialists value the freedom to indulge in consumption. There is also a tendency for the more frugal to be more independent.

To the degree that self-construal is relevant to consumption, then materialism is an important dimension to attend to, and frugality is to be considered as well. A relatively independent self-construal tends to go with low materialism and frugality, but the effect is complex.

5.7.3 Motives and Self

"Independent" and "interdependent" self-construal seems similar to "intrinsic" and "extrinsic" motives. The reasoning goes as follows. Independent selves value self-expression and are therefore likely to be attentive to their own needs, perhaps at the expense of meeting others' needs, hence intrinsically motivated; interdependent selves value group harmony and are likely to be relatively attentive to the needs of others, perhaps at the sacrifice of meeting their own needs, hence extrinsically motivated (Kim et al. 2003). We have already seen that intrinsic motivation is negatively related to materialism, and independent self-construal is also negatively related to materialism, although not as straightforwardly. Do we find a connection between motives and selfhood? Yes and no.

Looking at each self-construal separately, we see that as expected, the independent self-construal is positively associated with intrinsic motivation ($r = .475$). That is, those who value their individuality also value self-acceptance, affiliation, and community; but extrinsic motivation is *not* associated with interdependence ($r = .097$), which is to say that people with a group-centered identity may be less intrinsically motivated, but that does not mean they aspire to wealth and fame. And the relative scores (r-intrinsic and r-independent) are virtually uncorrelated ($r = .031$), suggesting that goals and self-construal are separate personality factors.

Next we will examine how the consumer model and the personality variables relate to well-being and happiness. The topic of well-being has been a theme throughout this chapter and now it will be explicitly addressed.

5.8 Well-Being and Happiness

The meaning of "positive" in positive psychology is quite broad, encompassing happiness, well-being, and quality of life, and its application ranges from the individual to nations. The happiness component can be further broken down: happiness as pleasure (hedonic well-being) and happiness as fulfillment (eudaimonic well-being;

for a review, see Ryan and Deci 2001). Pleasurable happiness can range in arousal level from serenity and contentment to elation and ecstasy. The terms well-being and happiness are used interchangeably, although the former carries the additional connotation of healthfulness. Quality of life is the broadest term; it includes life domains, such as health, community, housing, safety, relationships, etc. and the qualities of a "good society" in government, the economy, and the environment.

Theories of happiness and well-being are not far from theories of motivation. Satisfying needs, especially intrinsic needs, brings pleasure and fulfillment. Examples of such positive, growth needs come from various sources in positive psychology, and they fit together well in describing a fully-functioning person: self-development, affiliation, and community feeling, (Kasser 2002); autonomy, competence, and relatedness (Ryan and Deci 2000); pleasure, engagement, and meaning (Seligman 2002); and self-acceptance, positive relations, autonomy, environmental mastery, purpose, and growth (Keyes et al. 2002). An intense form of engagement in which one is engrossed in a challenging activity is "flow," a positive peak experience (Csikszentmihalyi 1990).

Missing from the lists of ingredients for happiness are money and possessions. Money is surely useful in many ways, but increasing happiness is arguably not one of them (Vohs and Baumeister 2011). Yet the lack of money, and the pursuit of money, as we have seen, can endanger well-being. There are qualifications, however. For example, satisfaction with one's career depends on the match between motivation (extrinsic or intrinsic) and whether the career's rewards are financial or self-actualizing; we are happier with a career that matches our motives even when we are in it for the money (Malka and Chapman 2003). Moreover, financial aspirations lose their negativity for well-being if they are achieved; it is those who hunger for wealth but do not achieve it who suffer from that aspiration (Nickerson et al. 2003). Nonetheless, it appears that even for the most financially successful, money cannot buy love—that is, wealth improves almost all life domains except family relationships (Nickerson et al. 2003). Those scoring high in materialism placed interpersonal relationships below financial security in importance (Richins and Dawson 1992), even though good relationships appears to be a *sine qua non* for happiness (Diener and Seligman 2002). Thus, compared with the benefits of psychological and interpersonal riches, money falls short.

In this final section, we will look at (1) how materialism and frugality jointly relate to measures of well-being with respect to the four consumer types and (2) how the personality variables of motivation and self-construal relate to well-being.

5.8.1 Happiness, Well-Being, and Consumer Types

Happiness is perhaps most succinctly defined as the cognitive appraisal of satisfaction with life (subjective well being or SWB, Diener 1984) plus the dominance of positive affect over negative affect (Positive and Negative Affect Scale, PANAS, Watson et al. 1988; Diener and Biswas-Diener 2008). Happiness is inherently subjective, and the direct approach to measurement may simply ask for a global self-rating (Lyubomirsky and Lepper 1999).

Participants in Sample 1 filled out Diener's SWB measure, the satisfaction with life scale (1984), which consists of five items, such as "In most ways, my life is close to ideal," and they also filled out Lyubomirsky and Lepper's (1999) measure of subjective happiness, which consists of four items, one of which is "Some people are generally very happy. They enjoy life regardless of what is going on, getting the most out of everything. To what extent does this characterization describe you?" The two measures were strongly correlated ($r=.581$). Participants in Sample 2 filled out only the subjective happiness measure.

Subjective Well-Being

What do we expect regarding the joint contribution of materialism and frugality to subjective well-being? The overwhelming evidence in the literature that materialism is negatively related to well-being leads us to predict that the Big Spender and Value Seeker will be at risk for lower SWB. For Sample 1, the correlation between SWB and materialism is −.209, not large, but significant at .01. As for frugality, if we think of it as a skill, then the ability to manage money and resources may contribute to well-being, and here the correlation is .159, not dramatic, but positive and significant at .01.

In the ANOVA, frugality is positively related to SWB ($F=4.223$, $p=.016$) and materialism is negatively related but of borderline significance ($F=2.613$, $p=.075$). However, in the multiple regression, materialism is significant ($p<.001$) and frugality is not ($p=.152$). By either analysis, the Big Spender stands out as lowest in SWB. And despite the role of frugality as a positive for well-being, the low frugal Experiencer has high SWB, see Fig. 5.11. Although it looks like there is an interaction, the effect is not significant ($p=.494$).

Happiness

Whereas subjective well-being is largely a cognitive judgment about one's life, happiness is mostly a feeling. As with SWB, we expect materialism to be negatively related to happiness. Participants in both samples answered the items on subjective happiness.[3]

With the ANOVAs, for both Sample 1 and 2, materialism is significantly and negatively related to happiness ($F=11.269$, $p<.001$; and $F=4.080$, $p=.018$, respectively), and for both samples, the Experiencer, although low in frugality, scores high in happiness. For Sample 1, the interaction between materialism and

[3] The means of the two groups were equivalent, and for both, the correlations between materialism and happiness were moderate and significant at.01 ($r=-.263$ and $r=-.205$, respectively). The correlations between frugality and happiness were lower, $r=.107$ for Sample 1 (n.s.), and $r=.177$ for Sample 2 ($p<.01$).

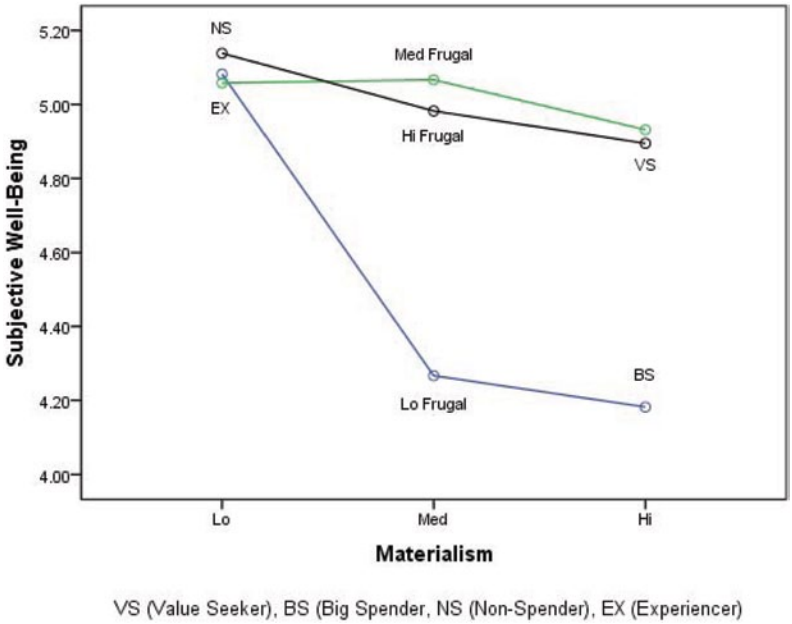


Fig. 5.11 Subjective well-being

frugality is of borderline significance ($F=2.060$, $p=.086$): that is, happiness decreases as materialism increases, especially for those low in frugality (the Big Spenders). The main difference between the samples is for the Value Seeker; for Sample 2, but not Sample 1, the Value Seeker s significantly happier than the Big Spender ($t=2.07$, $p<.05$).

By combining the two samples, we get Fig. 5.12. Here materialism is significant ($F=19.272$, $p<.001$) and so is the interaction with frugality ($F=4.109$, $p=.017$): this means that the negative effect of materialism on happiness is steeper for the low frugal types (Experiencer to Big Spender) than for the high frugal types (Non-Spender to Value Seeker), with the result that the negative association between materialism and happiness is lessened by frugality. Here we see a rank order in happiness: the Experiencer is happiest, followed by the Non-Spender, Value Seeker, and Big Spender. Materialism has a more potent effect on happiness (albeit in a negative direction) than frugality.

The Experiencer type is somewhat of an anomaly. Yes, low materialism does predict happiness, but the trend is for frugality to be positively related to happiness too, and the Experiencer is not frugal. There are, however, grounds for expecting this type of consumer to be especially happy (Tatzel 2002, 2003). The Experiencer is more relaxed about spending than is the Non-Spender and, as noted above, the low frugality of the Experiencer is not connected to attraction to high prices, as appears to be the case for the Big Spender. The Experiencer is perhaps more

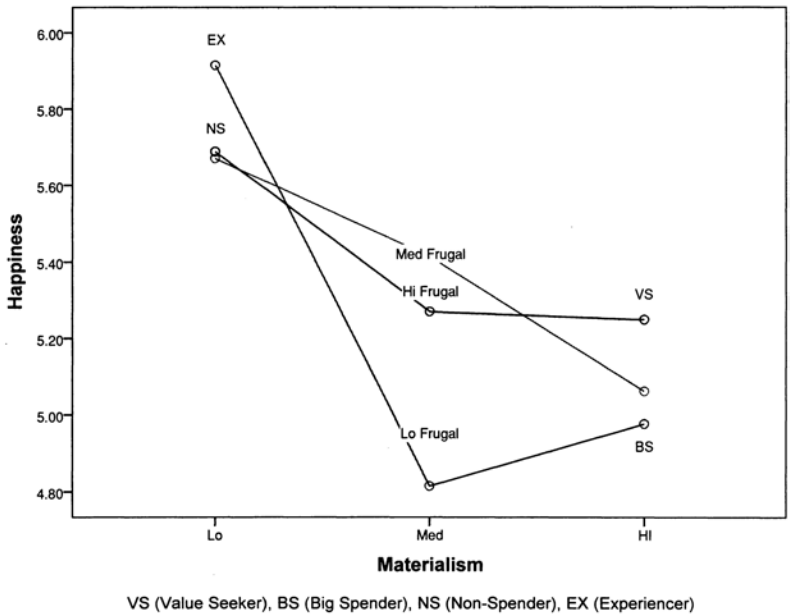


Fig. 5.12 Happiness

magnanimous and generally more easygoing. And, as we have also noted, spending on experiences that enhance living is a way of spending money that is especially conducive to happiness and well-being.

5.8.2 Happiness, Well-Being, and Personality

Lastly we look at how the two personality variables, intrinsic and extrinsic motivation and independent and interdependent self-construal fit with happiness. We predict that the two relative scores, *r*-intrinsic and *r*-independent, should be positively related to happiness.

Participants in Sample 1 completed the happiness, SWB, and self-construal measures. As already noted, happiness and SWB are correlated .581 and each is positively related to *r*-independence, $r = .302$ for happiness and $r = .207$ for SWB (all correlations are significant at $p < .001$). Participants in Sample 2 completed the two personality measures as well as the happiness measure. In the multiple regression, both intrinsic motivation and independent self-construal are significant predictors of happiness (for *r*-intrinsic, $p < .005$ and for *r*-independent, $p < .001$). Being more intrinsically motivated, and having a more independent self-construal each enhance happiness.

5.9 Summary and Concluding Remarks

What has been offered here is a systematic way to classify consumers. A wide range of consuming styles can be described by jointly considering attitudes about money and material values. Different types of consumers can be thought of as inhabiting different "money worlds" regarding their feelings about money, their readiness to spend it, and whether possessions of one sort or another are important to them.

By jointly combining materialism (high or low) and money conservation (tight or loose with money), I proposed four types of consumers: Value Seekers who are tight with money and materialistic; Big Spenders who are loose with money and materialistic; Non-Spenders who are tight with money not materialistic; and Experiencers who are loose with money and not materialistic. I tested the model against a variety of consumer variables and then considered how the types may differ in the personality dimensions of motivation (intrinsic and extrinsic) and sense of self (independent and interdependent self-construal). Lastly, I looked at how the consumer types and the personality dimensions relate to well-being and happiness. The measure of materialism is from Richins (2004); the measure of money conservation is the frugality scale (Lastovicka et al. 1999).

With data from online surveys of adult college students, the four consumer types were identified based on their materialism and frugality scores. The four types were matched with consumer variables with findings as follows: credit card misuse goes up with materialism and decreases with frugality, with the result that the Big Spender is most prone to credit card misuse and the Non-Spender the least. The Value Seeker, although materialistic, is not as susceptible as the Big Spender because frugality moderates the effect, and the Experiencer, although not frugal, is less susceptible than the Big Spender, and here low materialism moderates the effect. There are comparable findings with respect to attitudes toward debt, and impulse buying. Belief that price is an indicator of quality increases with materialism. But price expertise increases with *both* materialism and frugality, and the Value Seeker comes out as the most price aware, while the Experiencer emerges as the least price aware. Given unexpected money, Big Spenders are apt to spend it on themselves, while Non-Spenders would save. Overall, the findings with consumer variables show a good fit with the consumer model.

How does being a consumer respond to and express people's motives and goals and their self-image so that their form of consumption aligns with their sense of self? With regard to motivation, a history of research leads us to expect a negative association between materialism and intrinsic motivation, and this was borne out (using Kasser and Ryan's (1996) Aspiration Index). Materialistic types are more outer-directed than inner-directed, and there is also the suggestion (borderline significant) that frugality is positively related to intrinsic motivation. The Big Spender is the least intrinsic, the Value Seeker is more intrinsic than Big Spender, and the Non-Spender and Experiencer are the most intrinsically motivated.

The results with self-construal are more complex. Using Singelis' (1994) self-construal scale, the general trend of the data finds materialism to be negatively related to the independent self-construal, and for frugality to be more weakly related but in the positive direction. The picture is complicated, however, by a nonlinear component, such that the least independent consumer may be one with a medium degree of materialism and low frugality. Thus, the question of materialism in relation to self-construal remains ambiguous. Of the four types, the Big Spender is the least independent and the Non-Spender the most.

The ultimate question to ask of any style of consumption is whether it contributes to, and does not detract from, one's well-being. SWB was measured by Diener's (1984) Satisfaction With Life scale. Frugality was positively related to SWB, and materialism was negatively related (of borderline significance). It is the Big Spender who scores lowest in SWB. Why might frugality be related to SWB? One can think of frugality as a skill-based trait that can further one's good fortune in life.

The happiness scale (Lyubomirsky and Lepper 1999) directly asks how happy one sees oneself. It is strongly related to SWB. Here we find that happiness decreases as materialism increases and there is an interaction with frugality such that frugality lessens the negative impact of materialism. We find that the Experiencer is happiest, followed by the Non-Spender, the Value Seeker, and the Big Spender, who is the least happy.

In addition, we can look at personality in relation to happiness. Extrinsic needs arise from felt deprivation, whether realistic or not, and thus the very essence of extrinsic needs is to lower well-being. In a sense, satisfying extrinsic needs is about avoiding unhappiness. Intrinsic motives are more oriented to growth than to overcoming deprivation. An independent self-construal is about self-expression more than about fitting in (which would be interdependence). What we find is that being intrinsically motivated and having an independent self-construal both contribute to happiness.

5.9.1 The Four Types

The Value Seeker emerges as a relatively well-adjusted materialist. The Value Seeker aims to get the best of both worlds, the benefits of good financial management plus material comforts and conveniences. This is a realistic materialist, one whose material aspirations stay within financial limits, and thus renders materialism not "so bad" with respect to life satisfaction (Sirgy et al. 2011). We see that of all the types, the Value Seeker excels in price knowledge and is a cooler sort of materialist who can wait for the right bargain and resist impulsive buying. The Value Seeker is generally satisfied with life.

The Big Spender is both the ideal consumer and the most vulnerable consumer. Good for the economy, contributing to growth by spending and borrowing, but personally at risk for financial difficulties and lower well-being. It is quite astonishing how consistently and strongly materialism has been associated with lowered well-being, and the results here confirm the trend. A strong appetite for acquiring coupled with weak control over spending, and even an attraction to high-priced acquisitions, spells trouble ahead. The lower happiness can be from unfulfilled desires (the have-want gap), a situation in which one's finances fall short of one's material wishes, but the dissatisfaction over the shortfall is compounded by the "remedies"—debt, credit card misuse, and impulse buying—the short term fixes that ultimately widen the have–want gap.

The Non-Spender benefits from being both frugal and not materialistic, and the advantages are apparent throughout the data here. Of all the types, the Non-Spender is least likely to misuse credit cards, is most debt averse, and least prone to impulse buying. The Non-Sender is intrinsically motivated, has an independent sense of self, high well-being, and is happy. Although one might suppose that being very frugal can result in the Non-Spender missing out on pleasures and leading a life of material barrenness, there is no evidence of that here. The Non-Spender seems to be a simple liver, more of a Thoreau than a Scrooge.

Who are the people who are most prone to spending money on experiences? Part of the answer may lie in this copairing of materialism and frugality (money conservation). The speculation here was that those who are not frugal and also not materialistic would look toward non-material ways of spending money, namely on experiences. This identifies a new kind of consumer, an Experiencer, which is especially interesting given the growing series of research on the well-being benefits of experiential purchasing (including Carter and Gilovch 2014, in this book).

The Experiencer emerges as relatively inattentive to price. But the low frugality of the Experiencer likely takes a different form than the low frugality of the Big Spender. For the Experiencer, it may be inattentiveness to price and ignorance (the opposite of the price expert Value Seeker), whereas for the Big Spender low frugality is about attraction to spending on high priced items. Losing track of expenditures may forecast financial straits for the Experiencer, but low materialism may help protect against overspending. The Experiencer seems to be spared the negative consequences of low frugality, as the Experiencer is high in well-being and happiness. The Experiencer type is likely to be happy for two reasons: being low in materialism and spending on experiences. Compared with the Non-Spender, would the enrichment of life from spending on experiences outweigh the Non-Spender's seemingly more cloistered, but perhaps more financially secure, lifestyle? This is one open question. The most open question regarding the Experiencer type is to show that those who are low in materialism and money conservation do indeed spend on experiences.

What is described are styles of consumption that individuals typically adopt. Depending on circumstances, people may shift from one mode to the other, and there may be inconsistencies, such as being extravagant spenders in some domains like hobbies but careful with money otherwise. But based on the small amount of research so far, the model shows promise for advancing our ability to classify consumers in a systematic way, to study their consumption patterns, and to assess the relationship among consumption styles, personality, and well-being.

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Chapter 6
Money, Materialism, and the Good Life: Cultural Perspectives

Christie Napa Scollon and Derrick Wirtz

6.1 Money, Materialism, and the Good Life: Cultural Perspectives

Most ordinary people, at some point in their lives, have contemplated the relative importance of money against life's other goods—either explicitly ("How much money do I need to be comfortable?" "Would a little more money make my life better?") or implicitly ("What do I want for my children?" "What do I hope for in life and do I have these things?"). Even if one ultimately rejects the importance of wealth, the consideration of money's role in the "good life" is surely unavoidable. And, of course, most people do not reject the importance of wealth entirely—after all, money can buy you more and better food, better healthcare, shorter waiting times, more time to do what you want, more choices, greater comfort, and more entertaining and exciting experiences. The *extent* to which material wealth determines the quality of our lives, however, is a question that many people, experts and laypersons alike, have pondered. Many of our most important decisions rest on the balance between how much material comfort we need versus other nonmaterial needs, resources, and experiences. For example, a parent considering rejoining the workforce considers whether the additional income would make up for less time with his child. A college student deciding on a major considers the earning potential and fulfillment of various professions. The importance of wealth in the good life is perhaps most painfully central to decisions about retirement.

These struggles and questions are not new—philosophers, such as Aristotle, have pondered the good life for millennia. Recently, however, psychological and behavioral scientists have explored questions of the good life from a scientific perspective and have sought to gain insight into what everyday, nonscientists believe

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to be essential for living a good life. In this chapter, we describe research empirically examining lay people's conceptions—or *folk theories*—of the good life. Given the everyday prominence of questions about how much we should pursue material goods and the degree to which they contribute to the good life, our research has given particular scrutiny to the role of material success in lay people's judgments of the good life, comparing it to other considerations, such as living a happy or meaningful life.

In this chapter, we also discuss the ways in which culture, broadly defined, shapes people's notions of the good life—particularly, the degree to which material success is viewed as part of the high-quality life. We evaluate the impact of religion, historical context, and generation on lay theories of the good life, with an emphasis on the role of wealth. We discuss each of these factors, and also present cross-cultural comparisons and experimental research using cultural priming, to better understand culture's influence on perceptions of the good life.

6.1.1 Folk Theories of the Good Life

The phrase *folk theories* refers to the beliefs held by lay people (i.e., nonscientists)—such as people's everyday understanding about what makes a life "good." Folk theories reflect cultures, shared histories, practices, and beliefs—thus may serve as important influences on judgments, motivation, and behavior (Harkness and Super 1996). For example, an individual who believes that wealth is an important feature of the good life may not only factor wealth into self- and other-focused assessments of life quality but may also pursue wealth directly. Folk theories are nonscientific, yet may both reflect and inform scientific theories. Fletcher (1995) posited that "psychological theories that incorporate folk psychology may…produce insights that go beyond common sense or are even counterintuitive" (p. 34). Furthermore, convergences and divergences among scientific and folk theories can guide scientific inquiry and shed light on why scientific advances may or may not translate into social advances. On a practical level, if we are to achieve the good life, we must first know how to define it (Aristotle n.d./1980). Norton et al. (2011) showed that folk theories were unrelated to objective circumstances, but rather reflect people's views about their lives. Interestingly, people who held the belief that life was short and hard (versus long and easy) were less happy and had lower civic engagement—illustrating the connection that folk theories have to both well-being and behavior.

6.1.2 Cultural Contexts and Folk Theories

We define *culture* as a set of beliefs, practices, traditions, and knowledge that is shared among a group of individuals (Chiu et al. 2011). Culture may be represented on multiple levels, from the societal to the individual. For example, at the individual level, people from different cultures have often been assumed to have different average levels of self-construal (e.g., independent vs. interdependent; Markus and Kitayama 1991) or to have more (or less) well-developed public, private, and collective selves (Triandis 1989). At the societal level, culture may be observed in shared practices, monuments, and institutions. At a third level of analysis, culture may also manifest in the perceptions that individuals hold about common beliefs and understandings, about what is valued or "good" within a particular cultural context, or about what others believe to be good or appropriate (Chiu et al. 2010; Zou et al. 2009).

With this broad definition of culture, it is possible to apply multiple lenses—such as geographical region, religion, ethnic identity, or generation—to better understand folk theories of the good life. Furthermore, although cultural membership is often treated as something static, we posit that cultural knowledge is, in fact, dynamic, and can be made temporarily more or less accessible (Hong et al. 2000). For instance, although on an average the Chinese may be higher in interdependence than Americans, individuals within each culture hold both independent and interdependent beliefs (Chiu and Hong 2006). Through priming, individuals from any one cultural group can be made to be temporarily more interdependent or independent. We suggest that the use of a multimethod approach can allow researchers to examine folk theories productively from complementary vantage points.

6.1.3 Examining Folk Theories of the Good Life: A Social Judgment Paradigm

King and Napa (1998) introduced a method to study folk theories of the good life, in the form of a social judgment task. In this paradigm—an alternative to asking participants directly about their beliefs—ordinary people are asked to view a "Career Survey" that was ostensibly completed by someone else, before being asked about their perceptions of the respondent (whom we'll call the *target*). In fact, the career survey is experimentally manipulated to portray targets varying in several key attributes, to determine the effect of each attribute on participants' subsequent judgments about the target—such as how much the target's life resembles the good life. This paradigm has been used to explore the effects of factors such as happiness, wealth, and meaning (King and Napa1998), effort (Scollon and King 2004), and work and relationship fulfillment (Twenge and King 2005) on judgments of the good life.

There are multiple ways of assessing perceptions of the "goodness" of the target person's life. One way in which something is good is if we desire it—we refer to this as the *desirability* notion of the good life (King and Napa 1998). Hence, in our research, we have asked people questions focused on how much they would like to have the target person's life, the degree to which people considered the target's life to be indicative of the "good life," and the overall quality of the target person's life. While intuitively, judgments about what is most desirable seem inherently subjective, we argue that they also systematically reflect folk theories. “Goodness” may also refer to what is *morally* valued. To assess this dimension of the good life, we have asked people to respond to questions about how good of a person the target was, how moral the target was, and whether they believe the target is *definitely going to heaven* or *definitely going to hell* on a ten-point scale. At first glance, this last question may seem surprising; yet many people, including the vast majority of Americans, believe in the afterlife (more than half of Americans express belief in both a heaven and a hell). Indeed, our research has demonstrated that people are quite willing and able to provide a response: we have found only a small minority of people unwilling to answer this question (less than 5 % of thousands of participants over several studies).

6.2 What is a Good Life?

In an initial study using the career survey paradigm, King and Napa (1998) experimentally manipulated the target person’s wealth, happiness, and meaning in life, to examine the relative contribution of each variable to judgments of the desirability and moral goodness of the target’s life. The choice of these three variables reflected both theoretical and empirical research traditions. A considerable amount of research has been aimed at addressing the question of whether money can buy happiness. Wealth and high income seemed to contribute little to an individual’s subjective well-being (e.g., Diener et al. 1985, 1993), a finding that seemed surprising (Myers and Diener 1995). As King and Napa (1998) observed, however, such findings were only surprising if ordinary people assumed a connection between wealth and the quality of a person’s life.

The centrality of happiness to the good life had also long been considered by philosophers (Aristotle n.d./1980; Becker 1992), as well as by psychologists, who have explored subjective well-being and the role of happiness in optimal functioning (Diener 1984; Ryff and Singer 1998). Meaning in life, while distinct from the hedonic experience of pleasure, had similarly been discussed in relation to both desirability and morality. Thus, we set out to examine the degree to which folk theories of the good life included wealth and to compare the importance of wealth relative to happiness and meaning. To examine the relative effect of each variable, participants randomly viewed one of eight career surveys, created to manipulate the target’s wealth (low versus high), happiness (low versus high), and meaning in life (low versus high) before rating the overall desirability and moral goodness of the target’s life.

6.2.1 Happiness and Meaning in Life

Were happy lives and meaningful lives, on the whole, indicative of the *good life*? To impact perceptions of the target’s levels of happiness and meaning, participants were shown a career survey ostensibly completed by another person. Participants carefully examined the survey, which contained several questions (and manipulated answers) revealing the target's feelings about her or his job. For happiness, these statements were, "I truly enjoy going to work every day," "At my job, I feel happy most of the time," and the reverse-scored question, "My job involves a lot of hassles." In the high-happiness condition, the responses to these statements were 5, 4, and 1 (a scale was presented immediately above each question, ranging from 1 [*completely false of me*] to 5 [*completely true of me*]); in the low-happiness condition, the responses were 1, 2, and 5, respectively. For meaning, the statements were, "In my job I really feel like I am touching the lives of people," "My work is very rewarding and I find it personally meaningful," and "My work will leave a legacy for future generations." Responses in the high-meaning condition were stated as 5, 5, and 4, and in the low-meaning condition were 1, 1, and 2, respectively.

Happiness and meaning in life each emerged as strong predictors of how desirable participants judged the target's life to be. Respondents overwhelmingly viewed happy lives (and meaningful lives) as more desirable (e.g., lives they would like to have, that resembled the good life, and were high in quality), compared to the low-happiness (and low-meaning) lives. The combination of high happiness and high meaning was particularly valued, with participants rating this target's life as the one that they would like to have more than any of the other conditions. Happiness and meaning in life also predicted participants' ratings of the target's moral goodness. Happy targets (versus unhappy targets) were judged to be more good and more likely bound for heaven, while targets high in meaning (versus low-meaning targets) were judged to be more good, more likely bound for heaven and more moral.

In summary, participants viewed target persons high in happiness and high in meaning as living better lives than targets low in each attribute—both in terms of the desirability of the target's life and in terms of the moral goodness of the target. Next, we consider how judgments of the target's life were affected by the target's level of material success.

6.2.2 Wealth

The career survey manipulated perceptions of the target's wealth in addition to happiness and meaning. Wealth was operationalized as the target's annual income and was presented in response to the question, "What is your combined family income?" While the career survey included eight total income ranges, two income levels were specifically contrasted: one that we describe as lower middle-class (US$31,000–40,000) and one that we describe as high-income (greater than US$100,000), values consistent with income norms at the time of the study.

Wealth, in contrast with happiness and meaning, did not significantly impact participants' ratings of the desirability of the target's life. In other words, participants did not view the high-income target as having a life that they would like to have, that resembled the good life, or that was higher in quality of life, compared with the lower middle-class target. Wealth was by no means undesirable—participants rated lives that "had it all" (e.g., rich, happy, *and* meaningful)—very favorably. Yet, the effect of the target's income on ratings was not significant either as a main effect (ignoring happiness and meaning), or as an interaction with happiness or meaning. Similarly, wealth alone was not seen as morally good or bad; that is, the target's level of wealth did not affect participants' judgments about moral goodness as a main effect. However, a three-way interaction indicated that the meaningfulness of the target's life moderated the effects of income range and happiness level. While a target high in all three factors was rated highly when it came to being a "good person," a target low in happiness and lower middle-class in income was nonetheless judged almost as positively—as long as the target's life was high in meaning. Alternatively, targets lacking meaning were judged similarly regardless of happiness or income level. We return to this finding later, discussing it in light of the Protestant work ethic in the next section of this chapter.

6.2.3 People Want to Avoid Poverty More Than They Desire Riches

The two studies described above suggest that the good life, for both college students and community adults, includes happiness and meaningfulness to a greater degree than it includes wealth. However, in each study, only two levels of wealth were examined, and arguably the low wealth condition was not so much "poor" as lower middle-class. Would people respond with the same relative indifference to wealth if presented with targets wealthy versus poor? Scollon and King (2004) compared three levels of monetary wealth, operationalized as the target's annual income—high-wealth (>US$200,000), lower middle-class (US$31,000–40,000), and poor (<US$10,000)—among community adults (mean age = 34.5), using the career survey paradigm. This study yielded several additional conclusions about the impact of a target's wealth level on good life judgments. First, a main effect emerged, demonstrating that the target's income level affected ratings of the desirability of the target's life, but not ratings of the target's moral goodness. Second, two significant interactions showed that the effect of target income on good life judgments depended on (a) how many hours the target worked and (b) how meaningful the target's life was. Number of hours worked by the target modified the effect of income when participants were asked about the desirability of the target's life (e.g., "How much would you like to have this life?"). In short, participants judged the high-wealth target's life as more desirable than the poor target's life, regardless of how many hours the target worked; yet, when the target was portrayed as lower middle-class, a target working 20 h per week was judged as having a more desirable life than a target working 60 h per week. The target's apparent sense of meaning in life also modified the impact of income: the lower middle-class and high-wealth targets differed little in how much they were judged to be living the good life. Yet, a poor target whose life was high in meaning was judged similarly to a lower middle-class or high-wealth target, while a poor target whose life was low in meaning was judged

as worse off. Taken together, these results suggest that happiness and meaning were once again overwhelmingly more important than money to the good life. Second, while some effects were observed for wealth, this was entirely driven by the lowest level of wealth (i.e., the monetarily "poor" target). There was little difference in the perceived goodness of the middle-class and wealthy lives. In other words, people did not so much want to be high in wealth as they wanted to *avoid* being very poor.

6.2.4 Summary

What is a good life? The answer, these findings suggest, is a life with happiness and meaning. Material success, on the other hand, did not impact desirability ratings and had the greatest effect on judgments of morality in the presence of happiness and meaning. To explicitly compare the impact of happiness, meaning, and wealth, we examined the effect sizes of each variable on our dependent measures. When judging the desirability of the target's life, the multivariate effect sizes for happiness and meaning were large (.45 and .50, respectively). In contrast, the effect of target income was small (.01). In terms of the target's moral goodness, the pattern was very similar: the multivariate effect sizes for happiness and meaning (.12 and .36) were much larger than that of target income (.06). These effect sizes confirm that our participants (college students in Dallas, Texas) generally conceptualized the good life as happy and meaningful, whereas wealth was relatively unimportant.

6.3 Cultural Context and the Role of Wealth in Folk Theories of the Good Life

6.3.1 The Protestant Work Ethic & the Moral Value of Wealth

When evaluating the target person's likelihood of spending the afterlife in heaven or in hell, participants demonstrated an interesting preference: the life that was happy, meaningful, and very rich—in other words, the person who "had it all"—was considered most likely bound for heaven, whereas the poor, unhappy, meaningless target was headed to hell. Why was this? At first glance, the moral goodness of wealth might seem odd. Upon closer examination, we realized the valuing of wealth as a moral good is not unusual within the context of the Protestant work ethic, which presents earning money as an ethical duty. According to Weber's (1930/1976) analysis of the Protestant work ethic, economic success might be considered a reward for following "God's will." Keep in mind that the majority of our participants were from the Dallas, Texas region (the bible belt of Protestantism). The interpretation of these results in light of Weber's theory intrigued us and we set out to conduct another study which might shed additional light on the matter.

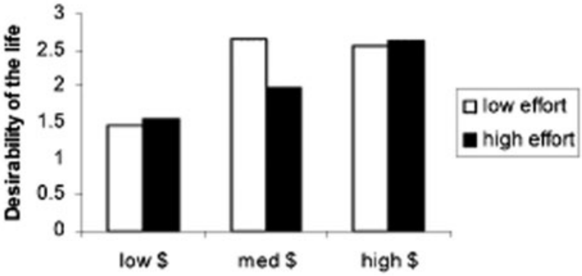

Fig. 6.1 Study 1: Means for Effort × Money interaction for desirability of a life. (Scollon and King (2004))

Effort and Wealth We delved deeper into the moral significance of wealth. Scollon and King (2004) introduced another ingredient to the study of the good life—that of effort. We were interested in effort for two reasons. First, from the perspective of Weber's argument, how hard a person works to acquire wealth would be expected to be irrelevant to moral goodness. In other words, if material rewards alone are a sign of God's grace, then a person who makes over US$200,000 a year with little effort would be considered morally equal to someone who works hard to earn the same amount of money. On the other hand, a more Catholic worldview would predict hardwork to be essential to moral goodness. Exorbitant wealth paired with little effort may invite suspicion and harsh moral judgment. The suffering servant (low wealth, high meaning—e.g., Mother Teresa) might even be considered morally superior. Second, we wanted to examine interactions among effort and the other variables. After all, wealth and effort tend to be correlated in the real world. Would people desire material wealth if it came easily?

Using our Career Survey paradigm, we operationalized effort by adding information about how many hours the target worked per week. Hardworking targets indicated working 60 h per week while less hardworking targets indicated working 20 h per week. To make the survey appear more realistic, for the low effort condition, the target provided an explanation for the 20 h work-week. If the target was low in wealth (and worked 20 h per week), the target indicated working "part-time" as the explanation. If the target was high in wealth (and worked only 20 h per week), the target indicated "inheritance" as the explanation.

What did we find? Wealth on its own was desirable, but this was qualified by interactions with effort. For the very poor or very rich life, effort had no impact on perceptions of the desirability of the life. However, when the target was earning a moderate income, then participants preferred the easy life over the hard life. It was as if people were saying that a poor life is undesirable no matter what—no amount of ease, for example, could make up for the conditions of poverty. Likewise, a rich life was desirable no matter what—as if additional wealth justified the hard work. However, given a moderate income, people wanted a "free lunch," something for nothing or an easy life over a hard one. Why expend more effort for the same outcome? (Fig. 6.1)

We also observed an interesting meaning × money interaction in this study. Although a meaningful life was always considered more desirable and morally

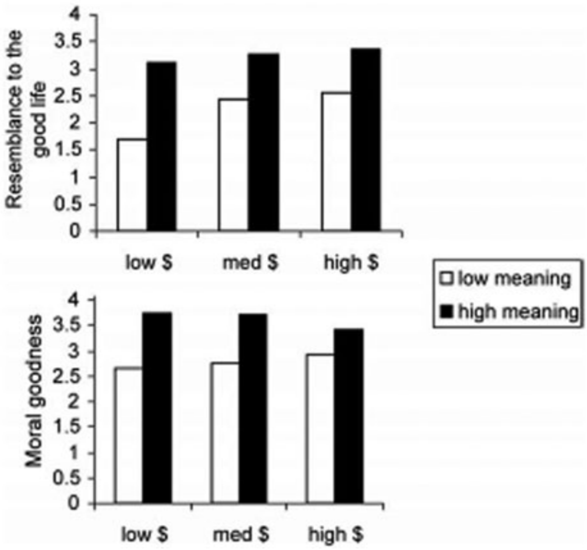

Fig. 6.2 Study 1: Means for Meaning × Money interaction for ratings of a good life and moral goodness. (Scollon and King (2004))

superior to a meaningless life, the difference between the meaningful and meaningless became less pronounced as income increased. It was as if greater wealth compensated for a lack of meaning. People were more forgiving of wealthy meaningless lives than poor meaningless ones, a finding consistent with the Protestant work ethic (Fig. 6.2).

6.3.2 Wealth and the Good Life Across Ages

Was the relative emphasis on happiness and meaning, rather than wealth, influenced by the ages of those who viewed the career survey? A second study, conducted with community adults, addressed the role of age in folk theories of the good life. The community adults were, on average, older (mean age = 38.7) than the initial college student sample (mean age = 21.7; see King and Napa 1998, Study 2). Responding to the same career survey paradigm, community adults were somewhat more pragmatic than college students about the importance of wealth for the good life. Specifically, the community adults judged the high-wealth target as having a higher quality life and as living a better life (two of our *desirability* measures), relative to the low-wealth target. Yet, the adults did not judge the high-wealth target as *morally* superior to the low-wealth target; a wealthy target was not perceived to be more moral, a "better person" or more likely to gain entry into heaven. Of key interest, happiness and meaning in life each had larger effects on judgments of the target, compared with wealth: the effect of happiness was 5 times greater, and the effect of meaning 6 times greater, than the effect of wealth. Even for adults who were, on average, nearly 40 years of age, happiness and meaning in life trumped material goods.

6.3.3 Historical Context and the Stability of Folk Theories of the Good Life

Do people place greater value on a life that includes wealth in times characterized by economic difficulty and less emphasis on wealth in favorable economic periods? Or, alternatively, are folk theories about the role of wealth in the good life relatively stable despite fluctuations in economic conditions? Over a decade after King and Napa (1998), we found remarkable stability in the effects of happiness, meaning and wealth—despite substantial changes in the world economy (Wirtz and Scollon 2012). Querying college students in North Carolina using the career survey method, wealth remained unconnected to ratings of how much participants wanted to have the target's life or to ratings of the target's life quality. Happiness and meaning, in contrast, remained clearly linked to people's judgments—with targets high in happiness and high in meaning (versus targets low in each attribute) judged as having better lives. What is most astounding is that the original (1998) study was conducted in the USA at a time of great prosperity. A decade later, when data were collected for Wirtz and Scollon (2012), the ongoing global financial crisis had seen the news outlets reporting high unemployment, foreclosures, and enormous student-loan debt. A Gallup survey from this time (November 2008) revealed that 40 % of Americans had "worried about money the previous day." Despite persistently bad economic news, Americans' conceptions of the good life remained largely focused on happiness and meaning, and much less focused on wealth. In fact, many of the effect sizes were nearly identical, years later, despite differences in time, economic conditions, and geographical region of the samples. Americans' folk theories of the good life appear stable despite changes in general economic conditions.

6.3.4 The Importance of Material Success Across Cultures

Folk theories of the good life show remarkable consistency across generations and economic fluctuations. Yet, the research described to this point has involved participants from USA. Are folk theories of the good life the same across cultures? To address this question, we first examine the existing cross-cultural research on materialism, then examine whether differences also exist in the degree to which people across cultures view wealth, happiness, and meaning as important components of the good life.

Materialism: Comparing Cultures Materialism is typically defined as the valuing of monetary wealth over other nonmaterial goods (e.g., social relationships, experiences). Materialists see possessions as signaling success and as a central feature of life, and define happiness in terms of the acquisition of material goods (Richins and Dawson 1992); for example, making material purchases (compared with obtaining experiential or creative goods) is associated with increased happiness for individuals high in materialism (Millar and Thomas 2009). While the view of materialism as the set of values has been influential, materialism has also been construed as consisting of the traits of envy, nongenerosity, and possessiveness (Belk 1985); as an extrinsic motivation (oriented toward obtaining rewards in one's environment) rather than an intrinsic motivation (directing the pursuit of important psychological needs; Kasser and Ryan 1993); as information processing (Hunt et al. 1996); or as motivated goal pursuit anchored in self-identity concerns (Shrum et al. 2012).

Materialism has been examined within and across a number of cultures, including in the nations of Canada, Iceland, Iran, Turkey, Poland, Germany, and the USA (Gardarsdottir and Dittmar 2012; Joshanloo 2010; Karabati and Cemalcilar 2010; Kilbourne et al. 2005; Tobacyk et al. 2011), as well as among immigrant communities (Cleveland and Chang 2009). Cross-cultural comparisons have revealed consistent differences in average levels of materialism, finding Chinese and Japanese students to be more materialistic than North Americans from the USA and Mexico (Eastman et al. 1997; Schaefer et al. 2004). Singaporeans, too, have scored significantly higher on measures of materialism than Americans (Swinyard et al. 2001)—the "Singaporean Dream," for example, has been described as consisting of the "5 Cs", or *condo*, *car*, *club*, *credit card*, and *cash.* Cross-cultural differences in materialism suggest, in turn, the possibility of cultural variation in the degree to which material success (i.e., wealth) is seen as an important component of the good life.

Cultural Variation in Folk Theories of the Good Life Surprisingly, there have been few empirical attempts in psychology to capture conceptions of the good life across cultures even though few researchers would deny the potential importance of culture in shaping these notions. Meanwhile, researchers have been puzzled by the differences in self-reported happiness between East Asians (and Asian Americans) and North Americans (and Western Europeans) (e.g., Diener et al. 1995; Oishi et al. 1999). Economic explanations cannot fully account for why wealthy countries such as Japan and Singapore have happiness levels far below other similarly prosperous countries. In light of cross-cultural differences in materialism—and the generally negative relation between materialism and well-being (Kasser and Ryan 1993; see also Carver and Baird 1998)—a cultural emphasis on material success might not only be reflected in folk theories of the good life but might also help explain cultural differences in subjective well-being. In particular, we speculated that if individuals living in East Asia (or those exposed to significant aspects of East Asian culture) hold folk theories that highlight material success (and/or place lesser emphasis on happiness or meaning), diminished well-being may result.

To evaluate this hypothesis, we manipulated material success via the target's level of wealth (as well as happiness and meaning) using the career survey paradigm, before asking Singaporean and American participants to rate how much they would "like to have" the target person's life, and the "quality" of the target person's life (questions that we combined into a measure of overall life quality; Wirtz and Scollon 2012). The target's levels of material success were specified to reflect current standards: the high-success target ostensibly reported an income of $10,000 Singapore dollars/month (the same as US$105,000/year—participants saw incomes reported in the appropriate local currency), while the (relatively) low-success target reported earning 2,100–3,000 Singapore dollars/month (or US$26,000–35,000/year).

As expected, Singaporean community adults (mean age = 37.7 years) responded to the target's level of material success by rating the high-wealth target's life as better than the low-wealth target's life. Singaporean college students (mean age = 21.6) also rated the high-wealth target's life as higher in quality than the low-wealth target, with a similar effect size. American college students (mean age = 19.7), in contrast, did not rate targets differently as a function of the target's level of wealth. The lack of a relation between wealth and rated life quality for Americans was particularly noteworthy given that when we asked participants about their perceptions of the target's level of material success (as a manipulation check), Americans perceived a greater difference between the high- and low-wealth targets than Singaporeans. Thus, our manipulation of perceived wealth was the *most* effective for Americans, but nonetheless produced no significant differences in rated life quality.

The target's happiness and meaning in life, by comparison, affected all participants' ratings of the target: Singaporeans and Americans alike viewed the high-happiness and high-meaning targets as having better lives than low-happiness and low-meaning targets. As might be expected, the target person whose career survey featured the combination of high-happiness and high-wealth was rated particularly highly. Thus, folk theories of the good life held by Singaporeans and Americans showed similarities for the value placed upon happiness and meaning, but differences in the value placed upon material success (i.e., wealth or income).

Can the differences we observed between Singaporeans and Americans be explained by national differences in wealth? That is, can the argument be made that Singaporeans have less wealth and therefore greater material needs? Because Singapore and the USA are both industrialized, modern societies with similar levels of GDP, the discrepancies in national wealth could not explain the cultural differences in the valuing of material success. And, given that we observed similar effects for both Singaporean college students and Singaporean community adults, the importance of material success appears to extend beyond social class or generation. Likewise, the comparability of responses by community adults and students rule out the alternative explanation that Singaporean college students represent an elite segment of society, or that because the students were attending a business-oriented university that they might be more attuned to material success than students at different institutions or the general public. We also examined whether differences in participant remuneration or sample characteristics (i.e., age) could account for the observed cultural differences, but found no significant effects of either of these variables.

Material Success, Visual Perspective and Intersubjective Culture When judging others, Singaporeans rate materially successful targets as having higher-quality lives than those low in material success—a finding that cannot be attributed to a number of alternative interpretations. Instead, we propose that this pattern of responses reflects an underlying folk theory about the importance of material goods for individuals seeking to live the "good life." To more closely examine this hypothesis, we conducted an additional study, pairing a perspective-taking procedure with the career survey method (Wirtz and Scollon 2012).

A third-person visual perspective allows an individual to see himself or herself as an observer. The perspective of the *generalized other* has been argued to be the "default" perspective on the self for East Asians: "East Asians more frequently asked themselves …'How am I seen by others?' rather than 'How do I see myself?'" (Suh 2007, p. 1327; see also Cohen and Gunz 2002). Moreover, a third-person perspective on the self entails not only the observer's visual perspective, but the beliefs, values and perceptions that the generalized other is assumed to hold. Thus, experimentally manipulating one's visual perspective on the self also invokes shared cultural beliefs—such as folk theories—that are understood to be widely shared or "common sense" among members of a culture. Whether one personally endorses a belief or theory is less important than whether one assumes that others do, as the latter serves as a framework for interpretation of the self. Shared beliefs and perceptions can thus be regarded as *intersubjective* manifestations of culture and can organize and influence individuals' behavior (Chiu et al. 2010; Zou et al. 2009).

To manipulate visual perspective, Singaporeans were asked to write biographical (third-person) descriptions of their lives or autobiographical (first-person) descriptions (Wirtz and Scollon 2012). Participants were reminded that the third-person perspective was one in which the self is "seen through someone else's eyes," whereas the first-person perspective involved "looking at your surroundings through your own eyes." The perspective manipulation was subsequently reinforced, several minutes later, when participants recalled and once again wrote down their third- or first-person narratives. Next, participants viewed a career survey that manipulated the target person's happiness level and material success as described above, then rated the target's life quality (once again, an average of [a] how much they would like to have the target's life and [b] the overall quality of the target's life). Consistent with the prediction that a third-person (versus first-person) visual perspective accentuates the cultural folk theory that wealth is a part of the good life, Singaporeans oriented to this "outside-in" viewpoint judged the target high in material success as significantly higher in life quality than the target low in material success. Singaporeans oriented to the first-person viewpoint, on the other hand, rated the high- and low-material success targets approximately equally (the mean differences were not significantly different). Thus, our ability to emphasize the value of wealth from the perspective of the typical observer (or, alternatively, to weaken it from the subjective, first-person perspective) was consistent with conceptualizing Singaporeans' responsiveness to the material success manipulation, when rating life quality, as reflective of an intersubjectively shared theory.

Implications of Valuing Material Success in Theories of the Good Life The finding that Singaporeans view material success as a part of the good life (or at least perceive this to be a folk theory held widely by others) resonates with cultural differences in levels of materialism (Swinyard et al. 2001). Certainly there is an element of public display related to materialism. Materialists tend to be high on impression management and their behavior is driven by the desire to be seen as worthwhile, interesting, and upstanding individuals. Tatzel (2003) noted that "materialists are responsive to externals and are other directed" (p. 415). This runs counter to the ideal way of being in individualist societies, which is to develop and exert one's inner desires and goals as much as possible without concern for how others may judge the self. Suh et al. (1998) have demonstrated that, in fact, Asians tend to use external information, such as norms, more than internal information, such as emotions, to judge their own life satisfaction.

Similar to Americans, Singaporeans value happiness and meaning in life but their good life also places greater emphasis on wealth than the American good life. What are the implications of valuing money? A study by Li et al. (2010) indicates that valuing money might have some negative consequences at least in terms of family planning. Li et al. (2010) found that materialism was incompatible with positive views toward marriage and children, and cultural differences in materialism could account for differences in fertility rate. In other words, part of the reason for Singapore's lower fertility rate (compared to the USA) can be explained by the greater materialism of its citizens which is associated with lower desire to have children. In particular, Singaporean women held more materialism-based notions of happiness which in turn lead to greater emphasis on the earning power of potential mates, which consequently narrows their pool of potential partners.

6.4 Conclusions and Future Directions: Is Materialism All Bad?

Many psychological studies and Hollywood movies have shown the ill effects of materialism on well-being. In individualist societies such as the USA, people are (or at least expected to be) motivated by internal desires and goals. Materialism has the air of being preoccupied with what others think of oneself. However, framed in another light, this might not necessarily be a bad thing. Concern about appearances might only be maladaptive in individualist societies. After all, in collectivist societies such as East Asia, responding to externals and being other-directed is the norm. In fact, responding only to internal motivation and being entirely self-directed would be considered pathological. These cultural differences in the valuing of internal and external agency invite the possibility that materialism might not have the same correlates in different cultures. Thus, it is no surprise that people in collectivist societies such as Japan and China tend to be more materialistic than those in individualist societies such as the United States. The greater question, then, is whether materialism is associated with the same costs in happiness in Asia as in North America.

6.4.1 *The Function of Materialism in Collectivist Societies*

Wong and Ahuvia (1998) noted that luxury goods often serve a symbolic purpose in Asian societies. The goods signal where a person stands in the social hierarchy. Moreover, Wong and Ahuvia noted that purchases of luxury goods are not motivated by hedonic experiences ("This bag will make me feel good"), but rather by what others find worthy and acceptable, as evidenced by a strong desire to have a life that is envied by others. Interestingly, whereas one might think that ostentatious displays of wealth might alienate a person or present a barrier for fitting in (i.e., tall poppy syndrome), Asian societies by virtue of their hierarchical, context-oriented nature, reinforce such displays. In fact, because an individual does not merely reflect himself in interdependent societies but rather is a reflection of his family and in-group, the possession of luxury goods do not give off the impression that one is a "selfish, materialist" in Asia. On the contrary, luxury goods show that a person is "an exemplar of social virtues in fulfilling familial obligations" (Wong and Ahuvia 1998, p. 434), a point that dovetails nicely with the findings presented here. It is no surprise then that Asia accounts for more than 50 % of the more than US$80 billion market for luxury goods (Chadha and Husband 2007).

6.4.2 *Summary: Variations on the Good Life*

In summary, most people's conception of the good life involves material wealth. However, material wealth is a far less essential ingredient in the good life than happiness and meaning in life. In fact, the good life people envision is likely simply *not* a poor one, though not necessarily an abundantly rich one either. The extent to which people emphasize material wealth in the good life varies by culture. In particular, collectivism and a view of the self from the perspective of others encourage greater emphasis on material wealth in the good life.

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Part III
Consumption and Sustainable Well-Being

Chapter 7
Happy Planet, Happy Economy, Happy Consumers?

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This chapter is about whether we can combine a happy planet with a happy economy and happy consumers. Its focus is the UK, as an example of a developed economy.

'Happy' is a metaphor and the question really means 'can the UK play its part in reducing climate change risk to a reasonable level, while at the same time maintaining a full employment economy *and* consumers who are satisfied with their lives?' Of course, people are more than consumers, and public policy is properly concerned with the satisfaction of *people* as opposed to consumers. However the question is important because concerns about consumption drive voting behaviour, and any effective climate change strategy will almost certainly reduce consumption as compared with a no action scenario. Some fear that this creates an insuperable problem: Will not reduced consumption lead to dissatisfaction and thus to electoral disaster for politicians who try to tackle climate change effectively? My argument is that this need not be the case, that there are ways of ensuring the bulk of consumers *are* sufficiently satisfied to re-elect a climate-friendly government, even if aggregate consumption is falling or static. Indeed, the measures needed may well *increase* the well-being of people—the acute form of trade-off we seem to face may be the result of a particular conception of the good life, which we would be happier if we moved beyond.

More specifically, I will argue that under certain assumptions, we can square the apparent circle by making two kinds of change—income redistribution of the kind we saw between the Second World War and the 1970s and a reduction in the working week throughout the developed world, to Dutch levels. The *broad* point has been argued many times before: greater equality will allow the less well-off to continue to improve their material living standards while overall consumption levels are constrained, and at the same time reduce the discontent associated with a relatively low level of income; a shorter working week will reflect the expressed preferences of the majority and allow for the development of better social relations of all kinds and thus, higher levels of well-being. What this chapter contributes is

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an attempt at quantification: Just *how much* redistribution do we need? *How many* hours should we work? In addition it asks are these changes *feasible*? And *what will it take* to make them feasible? The numbers represent a first stab and are illustrative—a more precise quantification is the next step.

In the broadest sense, my argument is that a new bargain between the mass of the population and the elite is possible. Until recently, the deal was—'allow us to be so much better off than you and we will ensure your lives get better. Inequality is the price you pay for an ever more efficient, expanding economy, and this, and working hours that don't get any shorter, is the route to a better life'. Almost no one really believes this anymore, but there remains a great deal of uncertainty about what the new bargain might look like. I will argue at the end of this chapter that any new bargain is likely to require a new 'politics of flourishing'—a focus by policy makers on what *really* drives well-being. However, in the meantime, a few numbers may also help.

7.1 An Outline of the Argument

If we are to deal with climate change we will have to reduce the greenhouse gas intensity of the economy. Depending on how far we can get with this, we may also need to reduce the size of the economy as compared with business as usual. The first of these measures, reducing greenhouse gas intensity, requires increasing the costs of goods and services that directly or indirectly emit greenhouse gases. It also requires an investment in technology, infrastructure, particularly energy production and transmission, buildings and transport systems, and forestry (including avoiding deforestation). This investment will grow the economy in the short run and potentially in the long run—it will most likely lead to a 'happy economy'. However, it will also involve a reduction in consumption because resources used to produce new infrastructure cannot be used to produce consumer goods. This represents a real cost, a real loss of welfare. To make this politically acceptable, the burden has to be borne by the minority best able to deal with it.

The second of these measures, a reduction in the size of the economy as compared with business as usual, does *not* need to be a cost. It can be achieved by a gradual reduction in working hours, leading us to produce less than we otherwise would do. In other words, rather than a cost, it is a different choice by individuals between leisure and goods—and a choice there is evidence to suggest could increase well-being provided it is accompanied by adequate levels of redistribution (Coote 2010; some of the well-being evidence is set out in Stoll et al. 2012).

This reduction in working hours is much more likely to happen if people can maintain their incomes, i.e. if there are productivity improvements and people take the gains from these improvements in the form of more leisure rather than more goods.[1] It is important to remember that the need to reduce the growth rate or even

[1] The well-being loss associated with a fall in income is much greater than the well-being gain associated with a comparable rise in income. (See Stoll et al. 2012).

move into de-growth does not require that we stop looking for productivity improvements even though these are the main engine of growth; neither does the need to focus more heavily on energy efficiency than we have done in the past, and nor does the fact that the potential for genuine productivity improvements may fall with the increasing share of output in service sectors.

Modelling by Canadian economist Peter Victor suggests that this kind of gradual reduction in working hours accompanied by zero or very low growth is perfectly manageable and need not lead to economic disruption (Victor 2008).

So, to summarise, the key question is whether we can achieve the fall in consumption needed while keeping consumers happy. We first need to estimate how big a fall is required under different scenarios, distinguishing between that part of the fall which represents a real cost, needed to pay for investment, and that part of the fall which can be achieved by a reduction in working hours. We then need to see what level of redistribution is needed to make this acceptable for the bulk of the population. Finally, we need to consider whether the resulting redistribution and fall in working hours is achievable.

I am going to consider four scenarios for the period 2020–2040, based on modelling of mitigation costs and different assumptions about the extent to which we can reduce greenhouse gas intensity (described in the next section):

1. The world can achieve sufficient reduction in greenhouse gas intensity to meet climate change targets without reducing the rate of growth; the necessary loss of consumption in the UK to pay for this reduction in intensity between 2020 and 2040 averages 2.25 % each year as compared with business as usual (i.e. consumption may continue to grow as per current business-as-usual projections but at a level 2.25 % below what it otherwise would be).
2. As per scenario 1, but the loss of consumption is 4.5 % each year as compared with business as usual.
3. As per scenario 2, but the world can*not* achieve sufficient reductions in greenhouse gas intensity to meet climate change targets without reducing the rate of growth to zero in the developed world. This involves moving to a 4-day week in the UK over a 20-year period.
4. As per scenario 3, but the developed world is required to achieve de-growth of 25 % by 2040. This involves moving to a 3-day week in the UK by then.

Because the modelling work on which I draw is based on carbon emissions rather than greenhouse gas emissions, I will, henceforth, describe the task in terms of carbon. It is also worth noting that climate change is not the only threat to sustainability and the analysis in this chapter could be revised to take into account other threats.

7.2 The Basis for the Four Scenarios

All the scenarios are based on achieving an 'acceptable' level of risk of global average temperature rises at some stage going above 2 %. Under business as usual, this risk is almost 100 %, but if concentration is limited to 450 ppm CO_2 (530–550 ppm

CO_2e) then the risk reduces to between 51 and 58 %. If concentration is limited to 410 ppm CO_2 (i.e. 490–510 ppm CO_2e), then it reduces to between 43 and 50 % (Edenhofer et al. 2009)—unfortunately, not a very sharp reduction in the risk as compared with the 450 ppm CO_2 scenario. Lower concentrations (and thus, lower risks) have been proposed, but these may no longer be feasible. I do not take a view on this and have only considered the implications of these two targets.

A range of estimates of the global cost of reducing the risk to these levels and the impact on consumption have been made. Nicholas Stern estimated the cost of limiting carbon intensity to 550 ppm CO_2e at 1 % of global GDP by 2050 in his original 2006 report (Stern 2006). In 2008, he suggested a stronger target (500 ppm CO_2e) and revised his estimates of costs to 2 %.[2] More recently, the Potsdam Institute for Climate Impact Research compared three models designed to predict long term impacts of mitigation on global and regional consumption, presented as a year-by-year loss of consumption as compared with business as usual (Edenhofer et al. 2009). Both these models and Stern assume that GDP and population continue to grow as in business-as-usual projections and that the risk is mitigated entirely by reduced carbon intensity.

The Potsdam models are more up-to-date and provide more detail than Stern and so, I have used them. Two of the three models assume perfect foresight by agents and one (more realistically) less-than-perfect foresight and, therefore, higher carbon prices in the first half of the century. This last, more realistic model is the basis for my estimates of the cost of investment in lower carbon intensity.

The model assumes a global settlement in 2010 and then forecasts a reduction in consumption as against business as usual levels of consumption (*not* an absolute fall) in the European Union of ca. 1.25 % in 2020, ca. 2.3 % in 2025, ca. 1.75 % in 2030, ca. 1.5 % in 2035 and ca.1 % in 2040—an average over the entire period of approximately 1.5 % each year. The assumption of a global settlement by 2010 has since been proved false and when the more realistic assumption is made of a global settlement by 2020, but with the EU developing effective policies in the meantime, the total European consumption fall (over the entire century) is ca. 50 % greater than that given the 2010 settlement. If there is further delay, the cost rises sharply. The relative impact on year-by-year costs is not given in the model but it seems plausible for our purposes that the 50 % increase applies to the period between 2020 and 2040 and thus that the average annual loss of consumption as against business as usual will be ca. 2.25 % a year.

There are reasons for adjusting the 2.25 % figure up or down. On the one hand, as is widely understood (and supported by evidence from the Potsdam model), combining price mechanisms with active infrastructure and labour policies can reduce the consumption loss (this is why no one thinks that simply introducing a carbon price is sufficient; for implications of the model see Luderer et al. 2012). On the other hand, every day that passes makes it clear that the situation is deteriorating and predictions of timely action seem optimistic—while delay increases the costs

[2] Speech in London at the launch of the Carbon Ratings Agency, reported in the Guardian, 26 June 2008.

sharply.[3] In addition, the impact on consumption in different regions is highly sensitive to the international burden sharing regime finally adopted (Luderer et al. 2012). In short, the figure is pretty imponderable, and all one can do is make a reasonable guess, which for current purposes, is quite adequate. I have used the 2.25% figure for the first scenario.

On the other hand, in the model just described the impact of strengthening the concentration target to 410 ppm CO_2 has the effect of more than doubling the average consumption loss in Europe between 2020 and 2040. Given the relatively weak impact of this on the temperature rise target as already noted, this seems unlikely to be adopted as a policy. Nonetheless, given the kind of uncertainties just referred to, I have used 4.5 % as a more cautious 'reasonable guess' for the second, third and fourth scenarios. The question that arises is what these costs mean in terms of consumption over time, and how they should be shared.

The assumption that reductions in carbon intensity on their own can deliver the kind of risk reduction described has been widely challenged (Jackson 2009). In 2010, the new economics foundation (nef) published an analysis based on International Energy Authority (IEA) scenarios and the Integrated Science Model used by the Intergovernmental Panel on Climate Change (IPCC; Simms et al. 2010). This analysis made less optimistic assumptions about technological developments than those in the Potsdam scenarios, and drew attention to the scope but also the limitations of improved energy efficiency, demand side led reductions in energy intensity, renewables, nuclear energy and carbon capture and storage. It concluded that to achieve an acceptable risk level, developed nations would have to reduce consumption—at least to levels associated with zero growth, or possibly more (for a comparison of the a-growth and de-growth position see van den Bergh and Kallis 2012).

All these conclusions about the necessary limits on growth are, by their nature, tentative—they are saying that we may need to stabilise or reduce consumption and we need to consider the implications of this, rather than we will definitely need to stabilise or reduce consumption to this or that level. I have included scenarios 3 and 4 to see what these implications are.

The Organisation for Economic Co-operation and Development (OECD) forecasts UK 'business as usual' growth in GDP per capita at an average of 1.3 % between now and 2030, mainly driven by productivity growth (OECD 2012). This may be on the high side given that productivity growth in Germany between 1991 and 2007 was only 1.45 % a year (it was higher in the UK, but inflated by unsustainable growth in financial services) but given the major investment in 'green' infrastructure and technology we are assuming, it is at least a plausible forecast of future productivity growth.

It follows that a zero growth rate could be achieved if average working hours were to reduce by 1.3 % a year. Over a 20-year period, this amounts to moving from a standard 5-day week to a standard 4-day week. If de-growth of 25 % is needed,

[3] The following was issued while I was writing this: http://www.unep.org/publications/ebooks/emissionsgap2012/portals/50143/Emissions2012_Press_Release_EN.pdf.

then a move to a standard 3-day week would be needed. These are the trajectories used in scenarios 3 and 4. The question now becomes whether and how these trajectories are achievable.

7.3 Do We Have Breathing Space? Spare Capacity and Saving

The scenarios are for the 2020s onwards, but of course, action is needed now. There are reasons for thinking that the immediate impact on consumption of concerted action to mitigate climate change would not be as great as that projected in the four scenarios.

1. The Potsdam model I am using projects a lower impact in the years till 2020.
2. There is some spare capacity in the UK economy which could be channelled into green investments.
3. There may well be an increase in the UK savings ratio in the short to medium term, and if the savings were channelled into green investments, this could at least defer some of the impact on consumption.

None of these factors change the underlying argument, but it is worth rehearsing the extent to which they may make the situation easier than it would be over the next few years—why the government should act now.

At the moment there is spare capacity in the UK economy. Estimates of this spare capacity (or 'output gap') range from 3 to 15 % (Davies 2012), but a reasonable estimate made by the Centre for Business Research at Cambridge University is 9 %. Thus *if* the government is able to mobilise resources effectively, and *if* it has an active infrastructure policy, then in the short to medium term, much of the investment in carbon and energy efficiency could take up some of this spare capacity. Resources do not all need to be diverted from producing goods and services for consumption (or borrowed from abroad). For example, in the northeast of England (where there is high unemployment), there is an opportunity to build on an existing skills and technology base to develop off-shore wind generation—in the absence of this kind of mobilisation, unemployment may well remain high (Shah and Seaford 2012). Similarly, home insulation could be boosted using relatively unskilled and otherwise unemployed, labour. Of course this investment has to be financed, and the resulting higher energy prices or tax-payer funded subsidies needed for positive returns on the investment will reduce consumption in the future. Nonetheless, because there is spare capacity: (a) there is less immediate diversion of resources from consumption and, (b) the future costs are lower than they would be because the net cost to the government is lower than it would be (net costs being reduced by unemployment benefits saved and additional tax revenue received).

As for increased saving, of course in principle, it again merely defers consumption—assets are created which may well lead to consumption booms in the future. Nonetheless if savings are linked to investment in low-carbon infrastructure, then they may have a role at least in creating breathing space, reducing the need for increased taxation in the short term. What is more, there are reasons for thinking there may be an increase in savings in the UK in the next few years.

Thus, the savings ratio has risen since 2008 from a low point of 2% to 7.7% in the last quarter of 2011, very slightly above its long term average (Capital Economics 2012). Capital Economics now project a rise in the ratio to 11.1% by 2016, as we recover from the recession, as government puts more pressure on individuals to save for retirement (for example by making saving the default option for payroll deductions), and as house prices fall, reducing scope for equity withdrawals (Capital Economics 2012).

On the other hand, it is difficult to predict what will happen in the longer term. There are reasons for thinking the savings ratio might be sustained at a higher level (a gradual reduction in house prices, encouragement by the government) and reasons for thinking that it will fall (more people of pensionable age (ONS 2012a), at least from the mid 2020s, who dissave, particularly to pay for long-term care). In other words, like spare capacity, changes in the savings ratio may give politicians a short-term breathing space, may make it easier to take the necessary action now, but no more than that.

7.4 What Do the Costs Mean in Terms of Consumption Loss over Time?

In one way the costs of mitigating climate change risk look remarkably small: Between 2020 and 2040 they are (according to the scenarios I have set out) an average of between 2.25 and 4.5% of consumption each year (this excludes the impact on consumption of a move to a shorter working week—it is simply the costs).

This is not, just to reiterate, a steady decline in consumption, or a fall in the growth rate, but a level of consumption that is on average 2.25 or 4.5% lower than it otherwise would have been—and in scenarios 1 and 2 at least, a level of consumption that is rising by 1.3% a year. In these scenarios, the cost is the equivalent of freezing consumption growth for just under two years and three and a half years respectively. Scenarios 3 and 4 (requiring zero and de-growth) are more demanding, but the additional fall in consumption is, as already argued, not really a cost. It is a matter of choice.

The trouble is that, although after a few years you get back onto a consumption growth path (in scenarios 1 and 2), you start off suffering either a fall or stagnation. In the Potsdam model the losses are higher in the 2020s than in the 2030s—the costs are slightly front-loaded. The consumption losses as predicted by the model are set out in Table 7.1.

In the UK in 2011–2012, public services accounted for approximately 31% of GDP. If we assume that consumption of public services (health, education, security, democracy etc.) rises in line with consumption as a whole in scenario 1 and is static in real terms in scenario 2, then while private consumption rises by 3% by 2025 in

Table 7.1 Impact on overall consumption in the UK, given a growth of 1.3%—scenarios 1 and 2

Year	Scenario 1 consumption loss (%)	OECD growth rate projection (%)	Scenario 1 net consumption as % 2020	Scenario 2 consumption loss (%)	OECD growth rate projection (%)	Scenario 2 net consumption as % 2020
2021	2.25	1.30	99.0	4.50	1.30	96.7
2022	2.55	1.30	100.0	5.10	1.30	97.4
2023	2.85	1.30	101.0	5.70	1.30	98.0
2024	3.15	1.30	102.0	6.30	1.30	98.7
2025	3.45	1.30	103.0	6.90	1.30	99.3

scenario 1, it has to fall by ca. 1.1 % by 2025 in scenario 2 reflecting overall consumption down by 0.7 %. These are not attractive figures for any Prime Minister, especially one elected in 2020 and facing re-election in 2025 (as will probably be the case in the UK). It turns out that the question is not how to deal with the overall cost, which seems trivially small given the stakes, but with the immediate cost, which given the natural human desire to postpone the evil day, does not. This problem will be all the more acute given a fall in the working week.

How can this be made electorally feasible?

7.5 The Need for Redistribution

In theory, the consumption falls needed to pay for investment in new infrastructure etc. could all be driven by price rises—of energy and other greenhouse gas intensive products and services, whether as a result of declining fossil fuel stocks, carbon taxes and levies, or the higher costs of renewables. However this would lead to extremely unhappy consumers, who would suffer soaring energy bills (or heavy insulation bills) and involuntary, disagreeable changes to their consumption patterns. The burden would fall particularly on the less well off. For example, in the UK in 2006, the share of household income spent on energy was over 6 % for households with an income of £ 10,000 but just over 2 % for those at £ 40,000 a year; while in 2010, there were 3.5 million households in the UK needing to spend more than 10 % of household income to maintain an adequate level of warmth as defined by the government (ONS 2012b). But it would not just be the least well-off who would feel aggrieved. Energy prices have a big impact on middle-income as well as low-income groups and are highly political. For example, at the time of writing, the UK Labour party is proposing to freeze increases in vehicle fuel duty—and few politicians are confident they would remain in power were they to introduce the sharp petrol price increases needed to reduce demand.

At the other extreme, consumption falls could be driven entirely by general taxation (as opposed to specific carbon taxes). However, this would be equally unfeasible. First of all, it would eliminate the price signals needed to drive down energy consumption; and in any case, the necessary across the board rise in VAT or basic rate of income tax, would be perceived by politicians to be political suicide, probably correctly, and as such a non-starter.

So the question is how to chart a middle way between these two courses. How do we reduce consumption in a way that sends appropriate price signals, is socially just and politically feasible? Only then can we combine a happy planet with happy consumers.

Given the relatively low projected growth rates for the UK, the problem can *only* be solved if there is a redistribution of resources from the better-off to the less well-off—not just to the poorest, the bottom 20–25 %, but to the middle income voters who drive electoral politics and form the bulk of consumers. This is simply a matter of logic: If this does not happen, we will not have enough happy consumers (and therefore voters) to make a solution electorally feasible. There will of course be *some* unhappy consumers—the best-off—but there are always going to be some losers. The question is 'how many?'.

Of course, it may be that the level of redistribution or consumption fall required is too great and therefore not feasible, either because too many people suffer, or because there is such a backlash from the rich and powerful that chaos and/or electoral defeat ensues, or because the economic consequences are genuinely dire. If so, then the answer to the question posed at the outset of this chapter will be 'no'.

Given these constraints, it is worth emphasising that moderate redistribution is very unlikely to have negative economic consequences. The contrary argument, still sometimes heard, is that inequality is good because it leads to such high levels of investment, growth and job creation that we will be able to pay for the costs of mitigation *and* secure higher living standards for the entire population. Or, in a slightly weaker form, that the measures needed to reduce inequality will so reduce investment, growth and job creation that most people will be worse off. However there are three very basic problems with these arguments. First, inequality does not deliver growth. OECD (2012) research suggests that in developed countries, higher levels of inequality do not bring about higher growth rates. Indeed, it has been argued convincingly that inequality can damage the economy and induce instability (Kumhof and Ranciere 2010). Second, even if inequality did produce growth, growth itself has not delivered the goods over the last 30 years in the US and almost 10 years in the UK (Resolution Foundation 2012)—it has not led to higher living standards for median earners, but simply to higher living standards for the already well-off. Third, even if growth had worked in the way it is meant to, projections are for lower growth levels in the future—the cake will not be getting bigger as fast as it has in the past, making it more difficult to pay for mitigation without attacking living standards. The question, like it or not, is 'whose living standards?'

How will the necessary redistribution be achieved? It will require concerted use of a range of mechanisms—for example the tax and benefit system, labour market interventions, improvements to the education and child care system, changes to the structure of the economy and potentially, changes to the governance of large companies, perhaps even to our voting system (Lawlor et al. 2010). These lie outside the scope of this chapter. However I want to draw attention to one important part of the armoury: specific interventions in the energy market such as 'social' energy tariffs which charge less for the first tranche of energy used and more thereafter (Specific interventions such as this are described by Gough 2011). This is both an effective use of the price mechanism, and a transfer of resources from those who use more energy to those who use less (typically, from the better off to the less well-off). Mass subsidised (or free) retrofitting of the housing stock would also be possible—and this, of course, is also redistributive in the way that free health care or free education is (provided steps are taken to ensure wide take up, which has been the case in some local authorities). Wider use of carbon rationing and trading has also been proposed, which at root is another mechanism for redistribution, creating as it does a dual price for carbon along the lines of the social tariff proposal. Whether this is the best, or even a practical way of extending redistribution beyond the home energy market is a moot point; but it is potentially, powerfully redistributive.

The next question is *how much* redistribution do we need to make the costs of effective mitigation politically and morally viable? And then, looked at broadly and bearing in mind the full range of mechanisms available, not just tax and benefits, does this level of redistribution look possible? And, how can we achieve the needed reduction in working hours? These three questions form the focus for the rest of the chapter.

7.6 What Is Needed and Achievable over Five Years?

Table 7.1 above sets out the impact on consumption over five years of scenarios 1 and 2. This section is about how consumption losses could be shared over this period, both in scenarios 1 and 2 and in the scenarios which involve ending growth and shortening the working week. In Table 7.2, I present potential levels of redistribution in terms of the consumption changes enjoyed (or suffered) by different deciles and the top percentile of the household expenditure distribution. Clearly, overall consumption has to fall in line with the scenario assumptions, and the deciles should not cross over (i.e. the average consumption per person of the bottom decile should remain lower than that of the second decile etc.). However beyond that, the numbers can be flexed: you can change the distribution depending on your political and economic judgement. I have prioritised ensuring the lower deciles and the bulk of the population enjoy rising consumption before the impact of shorter working hours.

As already emphasised, all the numbers in the scenarios are strictly illustrative—designed to show the *kind* of changes that would be needed, and the limitations on the data used need to be borne in mind. They are not presented as any kind of accurate model.

So what do these calculations show? In scenario 1, private consumption as a whole rises by 3 % over the five years (as set out in Table 7.1) and only the top 10 % suffer a fall in consumption: of 8.3 % for the top 1 % and 2.9 % for the next 9 %. The bottom 60 % enjoy rises of 6.7 % and the next 30 % enjoy rises of between 2 and 6 %. In scenario 2, private consumption falls by 1.1 % over the five years. The top 1 % suffer a fall of 15.7 %. The next 9 % suffer a fall of 9.3 % and the next 20 % suffer a fall of ca.1 %. Everyone else enjoys a rise—the bottom 30 % of 5.6 % and the next 40 % of ca. 4 %.

Before moving on to scenarios 3 and 4, let us consider whether this redistribution is achievable.

There are three tests any of the changes have to pass:

1. They have to be politically viable. This does not mean that every population group has to be happy with them, or that they have to be consistent with politicians' current framing of issues—if that were the test we might as well give up now. Rather it means that they have to improve the position of most voters (having said which, voters will vote for governments even when their incomes are stagnating, as the recent electoral history of the UK and USA in particular demonstrates).

Table 7.2 Changes to consumption and hours worked by gross household income decile (after 5 years)—all scenarios

Decile	1	2	3	4	5	6	7	8	9	2–10 %	1 %
People in household	1.3	1.7	1.8	2.1	2.3	2.5	2.8	2.8	3.1	3.2	3.2
Share of people (%)	5.5	7.1	7.7	8.9	9.8	10.5	11.9	11.9	13.1	12.2	1.4
Scenario 1											
Year 5 household consumption (£)	164	213	274	352	419	490	567	651	727	789	2,876
Change (%)	6.7	6.7	6.7	6.7	6.7	6.7	5.6	4.0	2.4	−2.9	−8.3
Year 5 share of consumption (%)	3.4	4.4	5.6	7.3	8.6	10.1	11.7	13.4	15.0	14.6	5.9
Change as % of original	3.5	3.5	3.5	3.5	3.5	3.5	2.5	0.9	−0.6	−5.8	−11.0
Scenario 2											
Year 5 household consumption (£)	162	211	272	343	405	473	555	621	703	737	2,642
Change (%)	5.6	5.6	5.6	4.0	2.9	2.9	3.5	−0.7	−1.1	−9.3	−15.7
Year 5 share of consumption (%)	3.5	4.5	5.8	7.3	8.7	10.1	11.9	13.3	15.0	14.2	5.7
Change as % of original	6.5	6.5	6.5	4.9	3.8	3.8	4.3	0.1	−0.3	−8.6	−15.0
Scenario 3											
Year 5 household consumption (£)	159	207	266	333	393	451	521	535	615	643	1,839
Change (%)	3.5	3.5	3.5	0.9	−0.1	−1.9	−2.9	−14.6	−13.5	−20.9	−41.3
Hours reduction (%)	0.0	0.0	0.0	7.5	7.5	7.5	7.5	10.0	10.0	10.0	10.0
% decline income from work	18.5	23.7	32.4	41.1	54.4	63.5	75.4	82.8	86.2	90.3	90.3
Consumption change—reduced hours (%)	0.0	0.0	0.0	−3.1	−4.1	−4.8	−5.7	−8.3	−8.6	−9.0	−9.0
Year 5 share of consumption (%)	3.7	4.9	6.3	7.9	9.3	10.6	12.3	12.6	14.5	13.6	4.3
Change as % of original	14.9	14.9	14.9	12.1	11.0	9.0	7.8	−5.1	−3.9	−12.1	−34.8

Table 7.2 (continued)

Decile	1	2	3	4	5	6	7	8	9	2–10 %	1 %
Scenario 4											
Year 5 household consumption (£)	154	201	258	330	369	407	461	474	538	564	1,147
Change (%)	0.3	0.3	0.3	0.0	−6.1	−11.5	−14.1	−24.3	−24.3	−30.6	−63.4
Hours reduction (%)	7.5	7.5	7.5	7.5	15.0	20.0	20.0	20.0	20.0	20.0	25.0
% decline income from work	18.5	23.7	32.4	41.1	54.4	63.5	75.4	82.8	86.2	90.3	90.3
Consumption change—reduced hours (%)	−1.4	−1.8	−2.4	−3.1	−8.2	−12.7	−15.1	−16.6	−17.2	−18.1	−22.6
Year 5 share of consumption (%)	4.0	5.3	6.8	8.7	9.7	10.7	12.1	12.4	14.1	13.3	3.0
Change as % of original	23.9	23.9	23.9	23.5	16.0	9.4	6.1	−6.4	−6.4	−14.2	−54.8

The baseline figures are based on household expenditure as reported by the UK Office for National Statistics (ONS) for different gross household income deciles in 2008. I have assumed that the distribution remains the same in 2020—changes in absolute levels do not affect the calculations. (ONS Family Spending Table 3.2—household expenditure by gross income decile group, 2008–2010)

The lower deciles have smaller households, but as it turns out the *consumption per person* is always lower in a lower decile. The redistribution proposed always preserves this.

Because the ONS does not separate out the top 1 % from the rest of the top decile, and because it is important to consider this group separately, I have used figures from The World Top Incomes Database (Alvaredo et al. 2012) which suggest that in the UK the mean income of the top 1 % of people (not households) is 3.4 times that of the top decile. I have made an assumption that the expenditure per head of the top 1 % of households is three times that of the top decile (which works out as 3.9 times that of the top decile excluding the top 1 %), reflecting an assumption of slightly higher taxation and savings rates in the very top group.

Year 5 consumption across the deciles adds up to the total private consumption targeted in the scenario. Public services are excluded and are assumed to be preserved at 2020 levels at 31 % of GDP.

For scenarios 3 and 4, the proportion of income in the decile derived from work is given (based on ONS figures). The percentage reduction in working hours for those working is given in the line above, and then multiplied by this proportion to generate the average percentage reduction in income in this decile that can be attributed to a reduction in working hours in the line below. Where this is a greater fall than the total change, the consumption per hour worked has risen

2. There have to be mechanisms for delivering them. For example it is all very well proposing a cut to the incomes of the top 1 % but this has to be delivered somehow, whether through taxation, labour market interventions, changes to the structure of the economy or normative pressure.
3. Unintended consequences (of which there always are some) must not undermine the assumptions. For example, although (as already pointed out) a reduction in inequality is consistent with a successful economy, there probably is a level of redistribution that would undermine the 1.3 % productivity gains assumed.

As far as test 1 is concerned, under both scenario 1 and 2 the vast majority of the population enjoy rising incomes—which they have not been enjoying in the recent past. So the scenarios pass this test. Performance against tests 2 and 3 is more difficult to assess, but historic comparisons are a useful first step—and there have been several periods of sharp redistributions away from those with the highest incomes. Between 1937 and 1949 the top 1 % suffered an absolute fall in its income of 23 % and a fall in its share of 33 % (measured as a percentage of its original share). Admittedly, this included a war period and is over a longer period than we are considering, so may not be an entirely valid comparison. However, between 1951 and 1956, a peaceful five-year period, the top 1 % suffered an absolute fall in its income of almost 12 % and a fall in its share of over 20 %. Again, between 1973 and 1978 it suffered an absolute fall of 14.5 % and a fall in its share of 18.5 % (Atkinson 2002).

How does this compare with our first two scenarios? In scenario 1, the top 1 % suffers an absolute fall in consumption of 8.3 % and a fall in share of 11 %, well within what has been achieved in peace time. In scenario 2, it suffers an absolute fall of 15.7 % and a fall in share of 15 %. The absolute fall is slightly but not radically outside what has been achieved in peace time—but well within what was achieved in the 1940s. The fall in share is well within what has been achieved in peace time.

Of course these historic comparisons do not prove that the steps needed to make the changes are feasible now. Nor do they address the reactions of the second 9 % who also suffer a fall in consumption. But they are a useful reminder that the kind of redistribution needed has been achieved in the past and that it is worth examining in detail how to achieve them in the future (beyond the scope of this chapter). If we make the relatively optimistic assumptions about the potential for reducing carbon intensity that underpin scenarios 1 and 2, the answer to our original question is a cautious 'yes'.

If we do *not* make these assumptions, we need to turn to scenarios 3 and 4 and their zero growth or de-growth strategies. Scenario 3 involves aggregate consumption falling by a further ca. 6.7 % over 5 years as compared with scenario 2. In general, in scenario 3, the reduction in working hours is meant to balance what would have been the growth rate (1.3 % a year for 5 years, i.e. 6.7 %); however during *these* five years, because of the impact of mitigation costs, the result is a fall in consumption. What is more, because I am assuming that public services are protected and these form 31 % of GDP, this 6.7 % fall translates into a fall of 9.1 % in private consumption to be added to the 1.1 % in scenario 2. This translates into low consumption growth for the bottom 30 %, stable or slightly falling consumption for the next 40 %, and sharp falls for the top 30 % (41 % for the top 1 %, 21 % for the second

9 %, 14 % for the next 10 %). Admittedly, a proportion of this is compensated for by shorter hours, but much is not.

Scenario 4 involves a fall in aggregate consumption of 12.6 % as compared with scenario 2, associated with a move over 20 years to a 3-day week and an economy 75 % the size of the current one. This equates to a fall in private consumption of 18.2 % to be added to the 1.1 % of scenario 2. It requires static consumption for the bottom 40 %, and falls in consumption ranging from 6 to 63 % for the rest. These kinds of changes in consumption share have never been achieved in peace time.

These figures suggest that scenarios 3 and 4 will struggle to pass test 1 and there are no historic comparisons which means we can be confident about tests 2 and 3. In other words, it seems unlikely that either scenario 3 or scenario 4 will be feasible over 5 years *if pursued at the same time as mitigation costs are peaking*.

7.7 What is Needed and Achievable over 20 Years?

Despite the unlikelihood that scenarios 3 and 4 can be achieved over 5 years, might they be feasible over 20 years? In Table 7.3, I have presented the impacts of scenarios 3 and 4 on consumption distribution by 2040, with the changes in working hours taking place over 15 years from 2025, i.e. once the front end 'pain' of mitigation costs have largely worked through.

As can be seen, scenario 4 is again not feasible, at least within this time frame. It requires a steady reduction in average working hours of ca. 3.4 % a year, with aggregate consumption falling to 75 % of 2020 levels and private consumption (holding public service spending constant) falling to 64 % of 2020 levels. This in turn requires a significant reduction in consumption, of between 9 % and 87 % for all but the bottom two deciles (which can sustain existing levels of consumption). This kind of thing has never been achieved except during the chaos of revolutions.

Scenario 3 looks more attractive. It requires a steady reduction in average working hours of 1.4 % a year, but aggregate consumption never falls significantly below scenario 2 levels. This implies private consumption around 1.1 % below 2020 levels. All workers enjoy a 20 % reduction in working hours and the bottom 70 % of households enjoy a rise in consumption of between 6 and 15 %.

Having said this, if scenario 3 were *imposed*, it might well fail test 1. First of all the top 30 % suffer falling consumption (of between 5 % and, for the top 1 %, 36 %)—although for all, but the top 1 % they enjoy a significant rise in consumption per hour worked. Perhaps more important, workers in the middle of the distribution, who enjoy only modest increases of around 6 % over 20 years, might well feel they would prefer to work longer hours and consume more. Median gross household income in the UK is currently between £ 27,000 and £ 28,000 (ONS 2012a)—probably not a level, where, *as things stand*, most people will be happy to sacrifice income for leisure. It is true that most people in Europe say they would like to work fewer hours—a survey done a few years ago revealed that over 50 % of European Union workers said they wanted to reduce their working week to an average of 34

Table 7.3 Changes to consumption and hours worked by gross household income decile (after 20 years)—scenarios 3 and 4

Decile	1	2	3	4	5	6	7	8	9	2–10%	1%
People in household	1.3	1.7	1.8	2.1	2.3	2.5	2.8	2.8	3.1	3.2	3.2
Share of people (%)	5.5	7.1	7.7	8.9	9.8	10.5	11.9	11.9	13.1	12.2	1.4
Scenario 3											
Year 20 household consumption (£)	177	230	296	366	419	485	567	594	674	728	2,006
Change (%)	15.2	15.2	15.2	10.9	6.7	5.6	5.6	−5.1	−5.1	−10.4	−36.0
Hours reduction (%)	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
% income from work	18.5	23.7	32.4	41.1	54.4	63.5	75.4	82.8	86.2	90.3	90.3
Consumption change—reduced hours (%)	−3.7	−4.7	−6.5	−8.2	−10.9	−12.7	−15.1	−16.6	−17.2	−18.1	−18.1
Year 20 share of consumption (%)	3.8	4.9	6.3	7.8	9.0	10.4	12.1	12.7	14.5	14.0	4.3
Change as % of original	16.3	16.3	16.3	12.0	7.7	6.6	6.6	−4.1	−4.1	−9.5	−35.4
Scenario 4											
Year 20 household consumption (£)	154	201	233	271	299	321	361	361	400	413	413
Change (%)	0.3	0.3	−9.3	−17.8	−23.9	−30.1	−32.7	−42.3	−43.7	−49.2	−86.8
Hours reduction (%)	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0
% decline income from work	18.5	23.7	32.4	41.1	54.4	63.5	75.4	82.8	86.2	90.3	90.3

Table 7.3 (continued)

Decile	1	2	3	4	5	6	7	8	9	2–10%	1%
Consumption change—reduced hours (%)	−7.4	−9.5	−13.0	−16.4	−21.8	−25.4	−30.2	−33.1	−34.5	−36.1	−36.1
Year 20 share of consumption (%)	5.1	6.7	7.7	9.0	9.9	10.6	12.0	12.0	13.3	12.3	1.4
Change as % of original	56.7	56.7	41.8	28.4	18.9	9.2	5.2	−9.8	−12.0	−20.6	−79.4

The baseline figures are based on household expenditure as reported by the UK Office for National Statistics (ONS) for different gross household income deciles in 2008. I have assumed that the distribution remains the same in 2020—changes in absolute levels do not affect the calculations. (ONS Family Spending Table 3.2—household expenditure by gross income decile group, 2008–2010)

The lower deciles have smaller households, but as it turns out the *consumption per person* is always lower in a lower decile. The redistribution proposed always preserves this

Because the ONS does not separate out the top 1 % from the rest of the top decile, and because it is important to consider this group separately, I have used figures from The World Top Incomes Database (Alvaredo et al. 2012) which suggest that in the UK the mean income of the top 1 % of people (not households) is 3.4 times that of the top decile. I have made an assumption that the expenditure per head of the top 1 % of households is three times that of the top decile (which works out as 3.9 times that of the top decile excluding the top 1 %), reflecting an assumption of slightly higher taxation and savings rates in the very top group.

Year 5 consumption across the deciles adds up to the total private consumption targeted in the scenario. Public services are excluded and are assumed to be preserved at 2020 levels at 31 % of GDP

For scenarios 3 and 4, the proportion of income in the decile derived from work is given (based on ONS figures). The percentage reduction in working hours for those working is given in the line above, and then multiplied by this proportion to generate the average percentage reduction in income in this decile that can be attributed to a reduction in working hours in the line below. Where this is a greater fall than the total change, the consumption per hour worked has risen hours and that they would ‘even accept a corresponding drop in income to achieve this’.[4] However this does not mean a majority would accept being forced to work fewer hours. In this context, it is worth noting that while the French government’s experiment of imposing a 35 hour week between 2000 and 2008 won support from some groups—notably parents with young children—it did not, in the end, build sufficient support to survive.[5]

Fortunately, there have been successful interventions that do not involve universal compulsion of this kind. For example, in the 1980s the Dutch government stipulated that all *new* government workers should go into jobs that were 80 %. This was actually attractive to many of those joining the labour force for the first time and the practice spread.[6] It is difficult to see why measures of this type would not be politically viable—if introduced soon, in a period of high unemployment, they would have the added advantage of reducing unemployment. And the measure has contributed to the fact that in 2011, average annual hours worked in the Netherlands were 15 % lower than in the UK—three quarters of the way towards the target just proposed for the UK in 2040. They were 22 % lower than in the US.[7]

More generally, there are labour market barriers to shorter working hours that can be removed. Thus we could reform the structure of payroll costs and benefits, protect the rights of part time workers and the right of workers to request part time work, gradually increase statutory vacation and the number of public holidays, or strengthen the European working time directorate (in the UK it is possible to partly opt out) (nef 2012). The last measure is important because the average number of hours worked falls if the number of people working very long hours falls—it is not just about those working the average number of hours. nef is currently reviewing some of the alternatives.

However, in addition to these kinds of labour market interventions, it will almost certainly be necessary to encourage conditions which influence individuals’ choices. Those middle-income and higher-income workers are going to have to *want* more leisure in preference to the income that an extra day’s work would buy them. This means: (a) they will have to find their existing income adequate and (b) they will have to find the additional leisure time more rewarding than the extra consumption and the stimulus of work (for those fortunate enough to enjoy their work).

Fairly obviously, no one can say definitively whether this will happen and thus whether scenario 3 will happen and thus whether we can answer our original question with a ‘yes’ on the basis of a zero growth path (as opposed to a de-growth path).

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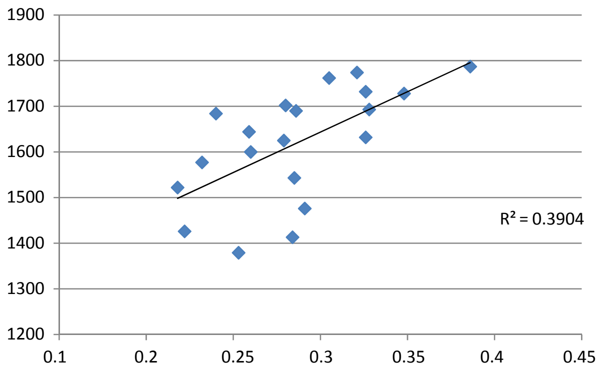
[4] European Foundation for Improvement of Living and working conditions (2003) cited in Marks et al. (2004, p. 10).

[5] Dominique Meda, quoted in ‘About Time: Developing the case for a shorter working week’ Conference note. nef March 2012.

[6] Juliet Schor, quoted in ‘About Time: Developing the case for a shorter working week’ Conference note. nef March 2012.

[7] That is 1,379 hours as opposed to 1,625 hours in the UK in 2011. See OECD: http://stats.oecd.org

Fig. 7.1 Average hours worked annually (2011) and Gini coefficient after taxes and transfers (late 2000s) for 20 OECD countries with GDP per capita over $ 30,000. The lower the Gini co-efficient, the greater the level of equality. Note that there is almost no relation between Gini and GDP (*r*-squared = 0.0343) and a weak relation between GDP and hours worked (*r*-squared = 0.1656), with hours worked falling as GDP rises. (Analysis based on OECD (2012) figures)



Nonetheless, it is possible to set out some of the things that are likely to be needed to make it more likely.

7.8 Reducing Inequality to Reduce the Incentives for Long Hours

First of all, more equality will be vital. This is partly to reduce the financial pressure on badly paid workers—there is a minimum standard of living everyone needs to achieve before they will think of reducing their hours. However, it may also reduce the incentives for middle- and higher-income workers to work long hours.

Thus in wealthy societies, the greater the inequality, the longer the hours worked. There is a positive correlation between the Gini co-efficient and average number of hours worked in the year in 20 OECD countries with GDP per capita of more than $ 30,000 (*r*-squared = 0.3904—see Fig. 7.1). It might be thought that this simply reflects levels of GDP, with more of the latter reducing both levels of inequality and number of hours worked. However amongst these countries, there is almost no correlation between GDP and levels of equality and a weak relation between GDP and hours worked. It seems that there is a genuine association between equality and working hours.

There is a hypothesis to explain this. Standard economic theory proposes that the optimum number of working hours is reached when the marginal utility of income equals the marginal utility of leisure. Well-being research suggests that the utility derived from income is a function of both absolute income up to a certain level and then relative income. I am happier than you because I am richer than you, but above a certain level, if your income doubles and my income doubles, nothing changes: I am not more or less happy (Clark et al. 2008; Layard et al. 2009). This is not just because high relative income appeals to our competitiveness, or because it is used as a status marker (although both of these are true), but also because there are a number of goods whose supply cannot rise in line with economic activity and access to which will therefore always depend on relative income, on where in the income distribution one sits. Examples of these are houses with large gardens (or even decently sized rooms), holidays in beautiful and deserted nature reserves, homes in the catchment areas of the top 10% of state schools (Frank 2005) and goods used as status symbols.

A similar point is made by Amartya Sen who argues that 'relative deprivation in the space of commodities' may lead to 'absolute deprivation in our ability to lead the life we choose to lead' (Sen 1984). In other words, the ability to lead the life we choose—plausibly a prime driver of life satisfaction—is in part a function of relative income. What we need depends on our income, but also on income levels in society as a whole (or some combination of society as a whole and our neighbourhood). There are a large number of statistical studies supporting different variations on this hypothesis (see for example Luttmer 2005; Frey and Stutzer 2005).

The point for our purposes is that the greater the inequality in a society, the greater the relative deprivation most people will suffer and therefore the greater the marginal utility of income. For example, in an unequal society, rich people will buy up more housing land, so there will be less available for those on a median income, who accordingly will have to pay more for a tolerable level of space in their homes. So they will choose to work more.

For slightly different reasons, goods used as status symbols are likely to become more important in a relatively unequal society. In the words of a leading anthropologist, the objective of the consumer is 'to help create the social world and find a credible place in it (Douglas 1976)'—a place, of course, alongside that of *other people*. In a rigidly stratified, traditional society, many people may 'accept their place' and the associated lack of freedom and status. However in more modern but unequal societies, it is plausible that appearing in public 'without shame' (the concept used by Adam Smith[8] and Amartya Sen (1984) in their discussions of the issue) starts to require the possession and display of status goods, to reassure oneself if not others that one is not subordinate. The greater the inequality, in other words the greater the gap between the 'successful' and the 'normal', the greater the need for this reassurance and thus, the greater the power of material aspiration. This then encourages a preference for work over leisure, both to pay for the status goods but also because work becomes a source of status in itself. This may even lead to a vicious circle, or so it has been argued: longer working hours reduce the time and energy available for an active social life, which makes people want to buy and work even more as a form of compensation (Bartolini 2007). The result is lower well-being,

[8] "A linen shirt, for example, is, strictly speaking, not a necessary of life…. But in the present times, through the greater part of Europe, a creditable day-labourer would be ashamed to appear in public without a linen shirt" (Smith 1776).

for it in relationships, community and trust that are most important to well-being (Heliwell 2011).

7.9 Beyond Equality

It seems implausible, though, that reducing inequality (and changes to the labour market) will be enough to drive lower working hours. There remains a nagging worry as to whether people will find enough to do in their extra time in ways that do not involve more spending. And will they miss the companionship and sense of purpose provided at the office? In a recent analysis of the UK's current well-being survey, nef found that those who work very long hours tend to find what they do in life more worthwhile than those who work shorter hours (the tendency was only significant for men; Abdallah and Shah 2012), even if their well-being suffered in other ways. The worry is that a significant proportion, at least of professionals and managers, will be deterred from working and consuming less, for fear of boredom and lack of meaning in their leisure time.

This suggests a need for new social forms, new institutions, that can provide alternatives to the meaning that work and consumption currently provides. Institutions have played this role throughout much of history—religious institutions of course, but also educational institutions, philanthropic institutions, cultural institutions and commercial institutions, including medieval guilds and some craft based trade unions. There have also been institutions which provided alternative sources of meaning but in distorted and terrible ways, as promoted by Nazism and Fascism. It is vital we have a plurality of institutions and a vigorous democracy as well.

This suggests we need a more broadly defined 'politics of flourishing', as referred to at the beginning of this chapter, a politics *consciously* designed to create the conditions for flourishing; this means not only institutions, but also education for adults as well as children which equips people to flourish and not just to pursue a career, as well as the security, material conditions and health without which life is a matter of surviving not flourishing. More controversially, it means restrictions on the forces which undermine these conditions. Institutions and education will still have to compete with consumerism, and even in a relatively equal society, the latter will continue to be actively promoted through advertising and the media, with the budgets of the world's largest corporations behind it. It may turn out that in addition to labour market reforms, more equality, stronger education and more social institutions, we also need quite sharp restrictions on this advertising, at least until new norms about the length of the working week have been firmly established.

This then brings us back to the economy. Investing in new green infrastructure may sustain a happy economy during the transition to sustainability, but in the long run, will this kind of restriction on advertising and consumerism (combined with the higher transport costs brought about by higher energy prices) remove something essential to the dynamic of modern economies? Will the result be chaotic disruption?

Will the end of growth cause financial meltdown as price earnings ratios collapse? Or can the changes needed, be combined with a happy economy?

This is too difficult a question to answer definitively here, but it is worth noting that capitalism has taken many forms, and the system we currently have, dominated by marketing, brands, centralised production and global supply chains, is only one such form. Restrictions on advertising and the higher transport costs associated with increased energy costs represent a twin assault on this form—they threaten the economics, at least in some instances, of big brands and centralised production. But they are *not* in themselves a restraint on capitalism, which can adapt, just as it has in the past. In the nineteenth century the industrial revolution brought about the limited liability company, and it is likely that the challenges we now face will require similarly significant changes to the governance of capitalism.[9] But this does not necessarily mean the end of capitalism. In particular, we will continue to need innovation. There will remain plenty of problems to solve, and rewards for those who solve them. Capitalism has proved a highly effective way of marshalling the resources needed for innovation and large corporations have proved highly effective ways of exploiting the results. Both are likely to make important contributions to ensuring we can combine a happy planet with a happy economy and happy consumers, even if their classic twentieth century forms are replaced.

7.10 Conclusion

So what is the answer to the question posed at the outset? This depends on the assumptions you make about the potential for technology and investment to mitigate climate change risk. If you think the potential is strong and developed and developing economies can continue to grow, then the answer is 'yes', provided that:

1. The Potsdam models are broadly accurate and an effective and just international settlement is implemented from 2020, with effective EU action in advance of that.
2. Effective technology, infrastructure and labour market policies are introduced so that the resources released by reduced consumption (or that are simply unused due to the current output gap) are channelled into climate change mitigation.
3. Redistribution comparable to that achieved in the 1950s and 1970s is achieved in the 2020s.

If you think the potential is not so good and that the developed world needs to move to a zero growth path, then the answer is still 'yes', provided the above conditions are met and that:

[9] nef is currently working on these issues. For more information please contact the author at charles.seaford@neweconomics.org.

1. Effective practical measures, including the removal of labour market barriers, are introduced to encourage people to work shorter hours.
2. Redistribution continues beyond the 2020s to produce a much more equal society.
3. Adequate restrictions on advertising are introduced, and firms and markets adapt accordingly, helped where necessary by state intervention.
4. People who currently depend on work and consumption for meaning find meaning elsewhere, possibly in new or strengthened religious, educational, philanthropic, cultural or social institutions.

If you think sharp (25 %) de-growth in the developed world is needed by 2040, then even these conditions will not suffice and the answer is 'no'.

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Chapter 8
Measuring What Matters

Eric Zencey

8.1 Introduction

Late in the twentieth century, two broad cultural dynamics came together to challenge the continued use of Gross Domestic Product (GDP) as a ready indicator of the level of human well-being that an economy produces. Since the inception of its predecessor, Gross National Product (GNP) in 1934, GDP has emerged as the single most often cited economic statistic in the world. By recording as a single dollar value the sum total of all commercial transactions in an economy, it serves as the defining element in the definition of a recession (GDP decline for two successive quarters; see Nutting 2007)[1] and is commonly taken as the best gauge of the health of various national, regional, even local economies. GDP enjoys this status despite explicit warnings and cautions against using it for this purpose, beginning with the very report in which GNP figures were first conveyed to the American Congress that had authorized their compilation (Kuznets 1934; see also Cobb et al. 1995).

The first dynamic that has begun to move us beyond GDP is an increasing recognition that it is a deeply flawed, even foolish, measure of material well-being. The second is an increasing realization that material well-being is not the sum total of human well-being.

[1] There is no official definition of a recession, in the sense that there is no law defining it or governmental office announcing their arrivals or departures. To keep political influence out of it, US practice is to assign that function to a group of academic economists meeting as a committee of the National Bureau of Economic Research, which is an NGO (nongovernmental organization). Their definition is "a significant decline in economic activity spread across the economy, lasting more than a few months"—which works out to be a declining GDP in successive quarters.

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Together these dynamics lead to a third recognition: GDP is an infinite-planet statistic. But our planet's capacity to offer up resources to us is limited, as is its capacity to absorb, without ill effect, the effluents we produce by processing those resources. Now that those limits are more readily seen, it is also easier to see that GDP does not and cannot measure what matters to us.

Reliance on GDP as our chief economic indicator is not just (passively) inappropriate; it is also actively damaging. By failing to subtract environmental losses from its measure of economic activity, GDP has helped to obscure the limits to economic growth (Meadows et al. 2004). When those losses are significant, economic growth becomes *uneconomic* growth—economic activity that costs us more in lost ecosystem services and other "disamenities" than it brings in benefits. As we experience climate change and other consequences of exceeding the planet's finite capacity to provide both source and sink services to our economy, it becomes clearer that material wealth, while important to well-being, is not the sum total of what humans need, seek, and value, and that some of what we need, seek, and value is compromised or degraded by processes that raise GDP. Delivery of sustainable well-being is the ultimate purpose for which human productive life is organized, and it is not only foolish but also ultimately destructive of that end to judge economic performance against any other standard.

8.2 GDP's Origins and Flaws

The first official estimate of a national GDP was made in 1934, while the major industrial nations were in the depths of the Great Depression. The degree of economic pain was difficult to assess because there were no national macroeconomic data. "We had no comprehensive measures," says economist William Nordhaus, speaking in the second person plural on behalf of economists, "so we looked at things like boxcar loadings" (quoted by Gertner 2010) in order to gauge the level of economic activity. The US Congress commissioned a group of economists under the direction of Nobel laureate Simon Kuznets to develop a system of national accounts to rectify this (Kuznets 1934). The indicator they devised, GNP, summed the dollar value of all production by Americans whether they were working at home or abroad. In 1991, the US Bureau of Economic Analysis switched from GNP to GDP to reflect a changed economic reality—as trade increased, and as foreign companies built factories in the USA, it became apparent that the USA ought to measure what gets made in the USA, no matter who makes it or where it goes after it is made.

In 1934, with tens of thousands of Americans standing on breadlines and living in poverty encampments ("Hoover villages"), policy makers understood that the most pressing task they faced was getting people back to work. As unemployment rose (it would peak at 25 % in 1934), aggregate demand declined, producing more unemployment. GDP could not tell policy makers what to do to break that spiral, but it could measure the success or failure of whatever course they pursued.

From the vantage point of the Great Depression, making and selling more—and thereby getting people back to work—looked to be the be-all and end-all of economic and social progress, and GNP served as a measure of that. Not a thought was given, then, to whether economic activity was or could be ecologically sustainable. Aggressive growth in the sheer volume of commercial transaction looked to be the readiest, clearest, best way to augment the economy's ability to deliver well-being.

Every economics textbook that covers GDP in any depth offers cautions about using it as a measure of economic well-being—but then the vast majority of those textbooks go on to offer reams of analysis and theory that take GDP to be a measure of economic well-being. No mainstream economics text takes good account of the fact that economic well-being is not accurately measured by the sheer volume of market exchanges, and none pays more than lip service to the notion that economic well-being is just one contributory part of total of human well-being.[2] By ignoring nonmaterial and nonmonetary aspects of well-being, GDP lies to us, telling that infinite expansion of the economy's ecological footprint is possible, desirable, necessary.

GDP ignores any contributor to well-being that is not bought and sold in markets, including the satisfactions and contributions of volunteer work and all forms of nonremunerated domestic production—child care, elder care, preparation of meals, housecleaning, do-it-yourself repair. GDP also ignores the huge economic benefit that we get directly, outside of any market, from nature—our enjoyment of ecosystem services, benefits that are diminished by the expansion of the economy's ecological footprint.[3]

Analysis of ecosystem services points to equity issues in economic development and to a *reductio ad absurdum* argument against using GDP as a measure of material well-being. One service provided by upland forests is the regulation of runoff from rainfall, which diminishes flooding downstream. When those forests are clear-cut for lumber, GDP is increased, but the costs of flooding and/or flood control are imposed on communities downstream. Those costs boost GDP, making these expenses look like positive contributions to well-being. The absurd conclusion is that the economic benefits to humans will be maximized in a world devoid of ecosystems and their services.

Long before that absurdity is made real in the world, the replacement of natural-capital services with built-capital services becomes a bad trade. The capital we build for ourselves is costly, does not maintain itself as natural capital can and does, and in many cases it provides an inferior, less certain service (floodplains, forests, and marshy deltas are better at regulating floods than dams and levees). But in GDP, every instance of replacement of a natural-capital service with a built-capital service shows up as a good thing, an increase in national economic activity. One result of GDP's use as our basic indicator of economic well-being is the current global crisis

[2] This assertion is tautological: were an economics text to integrate either subject into its various analyses, it would cease to be a mainstream economics text. Nonmainstream texts include Daly and Farley (2010) and Goodwin et al. (2009).

[3] See "Ecosystem Services," *Encyclopedia of Earth*, http://www.eoearth.org/topics/view/49575/.

in natural-capital services, as their civilization-sustaining flow has been dramatically diminished.[4] It is no accident that we have not held on to a source of economic benefit that our basic economic indicator fails to value.

The broadest description of the flaw in GDP that makes it a poor measure of material well-being, then, is this: it fails to distinguish between costs and benefits and fails to count either accurately. Perversely, it counts defensive and remedial expenditure as positive contribution to well-being. Health care, pollution abatement, flood control, bottled water to replace contaminated water supplies, the costs associated with population growth and increasing urbanization (crime prevention, water treatment, school expansion, wider roads to handle increased traffic)—our purchase of all of these increases GDP, even though what we mostly aim to buy is not an improved standard of living but the restoration or protection of the quality of life we already had.

The amounts involved are significant. Hurricane Katrina produced something like $ 82 billion in damages in New Orleans, and as the destruction there is remedied, GDP goes up, even though most of the expenditure leaves the community no better off—indeed, has left it worse off—than before. GDP errs here because it is amnesiac: it does not include the value of the services we get from possessions and infrastructure we have already paid for, and so it cannot count loss of those services as a debit in its accounts.

The damage done by Katrina to the Gulf Coast illustrates another natural-capital service and the consequences of failing to value it. Between New Orleans and the Gulf Coast, there once lay a band of wetlands 50 miles wide. A marsh is a sponge; a strip of it a mile wide can absorb 4 in. of storm surge.[5] When the bayous south of New Orleans were lost to development—sliced to death by channels to move oil rigs, mostly—GDP went up, even as these "improvements" destroyed the city's natural defenses and wiped out crucial spawning ground for the Gulf Coast shrimp fishery. The bayous were a form of natural capital, and their loss was a cost that never entered into any account. Had those bayous been in place, they would have absorbed 17 ft of Katrina's 22-ft surge. In all likelihood, the city's built-capital defenses would have held against a storm surge diminished by bayou absorption.

Wise, benefit-maximizing decisions depend on accurate assessments of the costs and benefits of different courses of action. If we do not count ecosystem services as a benefit in our basic measure of well-being, their loss cannot be counted as a cost—and then economic decision-making cannot help but lead us to undesirable and perversely uneconomic outcomes.

Some politicians and conservative economics journalists are fond of comparing the national accounts to household accounts, an analogy that often does not hold

[4] "Substantial net gains in human well-being and economic development … have been achieved at growing costs in the form of the degradation of many ecosystem services, increased risks of nonlinear changes [i.e., crisis and collapse], and the exacerbation of poverty for some groups of people. These problems, unless addressed, will substantially diminish the benefits that future generations obtain from ecosystems" (Reid et al. 2005, p. 1).

[5] The absorption figure comes from an Army Corps of Engineers study, cited by Billiot (2006).

(governments can print money; households cannot).[6] But here the analogy is apt: if you kept your checkbook the way GDP measures the national accounts, you would record all the money deposited into your account, make entries for every check you write, and then add all the numbers together. The resulting bottom line might or might not tell you something useful about the total cash flow of your household, but it is certainly not going to tell you whether you are better off this month than last or, indeed, whether you are solvent or going broke. That is GDP: it measures the commotion of money in the economy, not the increments of physical production that improve our general standard of living, and it completely ignores the contributions to well-being that do not come to us through monetary transactions. As I have suggested elsewhere (Zencey 2009), we ought to rename GDP Gross Domestic Transactions, a name that would be harder to mistake for a measure of well-being.

As GDP is such a flawed measure, it is foolish to pursue policies whose primary purpose is to raise it. Doing so is an instance of the fallacy of misplaced concreteness—mistaking a map for the terrain, an instrument reading for the reality it represents. When you are feeling a little chilly in your living room, you do not hold a match to a thermometer and then think "problem solved." But that is what we do when we seek to improve our standard of living by prodding GDP.

This is readily illustrated by the events in Egypt and Tunisia during the Arab Spring of 2011. The regime changes there were widely hailed as victories for democracy, as proof of the liberalizing power of social networking media, and as testimony to the power of nonviolent political action. All of that they may indeed have been, but they were also something else: a cautionary lesson in mistaking GDP for a measure of economic well-being. Despite significant gains in per capita GDP in both Egypt and Tunisia in the past decade, the standard of living of a large number of their citizens had been falling, and that decline played a very large role in putting people into the streets in protest. In Egypt, per capita annual GDP rose from $ 4,762 to 6,367 between 2005 and 2010. In Tunisia, it rose from $ 7,182 to 9,489. But both countries saw a significant decline in the percentage of the population that is classified as thriving according to a standard, well-established measure.

That measure is the Cantril Self-Anchoring Striving Scale, part of the worldwide polling done by the Gallup Organization. It is a survey research tool, and asks respondents to answer a few simple questions:

> Please imagine a ladder with steps numbered from zero at the bottom to ten at the top. The top of the ladder represents the best possible life for you and the bottom represents the worst possible life for you. On which step of the ladder would you say you personally feel you are standing at the present time? On which step of the ladder do you think you will stand about five years from now? ("Understanding How Gallup Uses the Cantril Self-Anchoring Scale," http://www.gallup.com/poll/122453/understanding-gallup-uses-cantril-scale.aspx)

[6] Simply printing money to cover budget deficits is inflationary, of course. But inflation is a form of debt repudiation, and our system, as currently structured, has an inbuilt need for large-scale debt repudiation (since our debt-based money supply allows debt—a claim on the future production of the economy—to grow much faster than the economy can grow to pay it off). Inflation as a form of debt repudiation has some advantages over the other forms (bankruptcy, foreclosures, stock market crashes, pension fund wipeouts) that tend to come as a spasm-shock to the economy (see Zencey 2012).

To rank as "thriving," respondents have to have positive views of their current place on the ladder (seven or higher) and positive expectations about the future (eight or higher). Below that, respondents are ranked as "struggling"—their "ladder-future" expectation is lower than the present, or both values fall below the thriving range. Below struggling is "suffering," people who report their place on the ladder at four or below.

The Cantril Scale correlates with objective and subjective markers of well-being. Thrivers have fewer health problems and fewer sick days, while reporting less worry, stress, and anxiety, and more enjoyment, happiness, and respect. Those in the struggling category report more daily stress and worry about money than the "thriving" respondents, and take more than double the amount of sick days. Those in the "suffering" category are more likely to report that they lack basics like food and shelter, more likely to report physical pain, and more likely to experience higher levels of stress, worry, sadness, and anger. They have more than double the rate of diseases compared to "thriving" respondents.

In both countries, as GDP rose steadily, the number of citizens categorized as "thriving" fell. In Egypt in 2005, 29 % of people reported themselves as thriving, but that number fell to just 11 % 5 years later. In Tunisia, Cantril Scale data are unavailable prior to 2008, when 24 % of the population could be classified as thriving; that number fell to 14 % in just 2 years, a 40 % decline (Clifton and Morales 2011).

The nonviolent revolutions in both countries may have been motivated less by abstract commitment to democratic freedom than by widespread experience of a declining standard of living and increased economic insecurity, even in the face of rising GDP. As Friedrich Hayek had warned half a century ago, "The one thing modern democracy will not bear without cracking is the necessity of a substantial lowering of the standards of living in peacetime …" (Hayek 2007, p. 215).[7] It seems that the warning needs to be made more general: not just democracies but even repressive regimes do not fare well when there is a substantial lowering of standards of living in peacetime.

Within the standard model, a rising per capita GDP and a declining standard of living amount to a paradoxical result. Two factors contributed to this paradox: increasing inequality in income and increasing food prices.

Thanks in part to the Soviet-built Aswan Dam, which interrupted the regular cycle by which Nile delta farmlands were renourished by annual flooding, Egypt has in past decades been the world's single largest importer of Russian grain. When

[7] Hayek fails to distinguish standards of living from the economic activity that aims to increase it, and so goes astray with his warning: "The one thing modern democracy will not bear without cracking is the necessity of a substantial lowering of the standards of living in peacetime *or even a prolonged stationariness of its economic conditions*." (Emphasis added to show wherein he is wrong.) Many people will live happily with no change or improvement in the material conditions of their lives when there are other arenas of progress and development they can seek and achieve. A populace addicted to consumerist distraction and novelties, and persuaded by the advertising of self-interested producers that increased material well-being is the measure of human life satisfaction, will contain fewer such people. If Hayek's full statement is accurate, that may signal a flaw in modern democracy, not an essential quality of the human spirit.

Russia announced an embargo on grain exports (the result of unprecedented, climate change-driven weather that scorched a quarter of Russia's usual annual harvest), the price of food in Egypt shot up. Before the embargo, the average Egyptian family was spending 38 % of its income on food (that figure is 7 % in the USA). Those families had little discretionary income to divert to cover increased food prices, and hunger and food insecurity spread through what had been the middle class. Perversely, GDP counted higher food prices as a positive contribution to well-being.

Because of that basic flaw, a rising GDP, even a rising per capita GDP, did not mean a rising standard of living. And, even if GDP were a more accurate measure of material well-being, it would still be mathematically possible for a very large number of people to become worse off economically as per capita GDP rises. This can occur when income inequality increases more rapidly than income, sending the gains of an increasing GDP to a smaller and smaller segment of the population.

In Egypt and Tunisia, one or both of these factors shaped history. In both countries the regimes happened to be repressive, and so the call for regime change came also as a call for democracy, an end to corruption, and demands for civil liberties. But within democracies, declining standards of living can have the opposite effect. Open and institutionalized systems of regime change—voting—will absorb the discontent for a time, but if the decline lasts too long, and if it cannot be blamed (successfully) on a particular party in power, pressure grows for stepping outside established parties and systems for new, radical, revolutionary approaches. Democratic forms are no certain proof against a slide into repressive forms.[8] No system of government—despotic or democratic—fares well when the majority of its citizens experiences a declining standard of living.

Thus, the changes wrought by the Arab Spring are not only worth celebrating but also offer us a cautionary lesson. Sustained or rising well-being is what is economically and politically desirable, and because we cannot manage what we cannot measure, we would do well to measure it directly instead of counting on GDP to serve as a proxy for it.

8.3 Measuring What Matters

The obvious flaws with GDP and their dire consequences have led to a strong international movement to get off of it and onto something else. Since 2002, Germany has been using an Environmental Economic Accounting system that deducts ecosystem service losses (Schoer 2005). In November 2007, the European Commission convened an international conference dedicated to looking "Beyond GDP"—a conference meant to serve as "the launching pad for the political debate on the need

[8] In Germany in the 1930s, a declining standard of living contributed to the rise of the Nazi party; Hitler was democratically elected to the office of Chancellor (and then proceeded to establish himself as Fuehrer).

to move beyond the principles of Gross Domestic Product."[9] It brought together 650 policy planners, academics, and civic leaders in Brussels to articulate what a new indicator or indicators should look like, and to plot paths forward toward implementation. In early 2008, French President Nicolas Sarkozy convened an international commission, led by Nobel laureate economists Joseph Stiglitz and Amartya Sen, to devise an indicator or set of indicators to serve as an alternative to GDP. Their report, issued in the fall of 2009, called for fixing GDP by subtracting costs from it and adding unpriced goods to it, and retaining the result as a measure of material well-being—which would be just one element in a "dashboard" of indicators that would also measure quality of life in seven other areas: health, education, environment, employment, interpersonal connectedness, political engagement, and equity of income distribution.[10]

In 2009, the year the Stiglitz Commission report was issued, the Environmental and Sustainability Management and Accounting Network of Europe held its 12th annual conference on developing and refining indicators to measure sustainable development. Typically, the participants and presenters included directors and staff members from Bureaus of Economic Statistics from most European and many other nations. (When I attended the conference in 2007, I was the only American there.)

Proposed alternatives to GDP—and there are dozens[11]—fall into three broad categories. Some seek to fix GDP by deducting costs and adding benefits that are not presently taken into account.[12] Others, like the Stiglitz Commission, propose that we fix GDP and keep it, but supplement it with other indicators.[13] In the third category fall proposals that would start with a clean slate and build an indicator or a set of indicators that measure directly what Nicholas Georgescu-Roegen (1976a) called the true purpose of the economy: not the speed with which we churn resources to produce goods and services, but the increase of "an immaterial flux, the enjoyment of life" (see also Georgescu-Roegen 1971, p. 284).

Alternatives in all three categories require placing a value on goods and services, and assessing aspects of human well-being, that never had a dollar price.

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[9] The quotation is from the press release announcing the opening of the conference; available, with a host of other materials, at the conference's website, www.beyond-gdp.eu.

[10] The Stiglitz Commission, as it is called, is officially known as "The Commission on the Measurement of Economic Performance and Social Progress," and their report is readily available online. Its three sections review "Classical GDP Issues" and the difficulties in measuring "Quality of Life" and "Sustainable Development and Environment."

[11] One good survey of the alternatives is Goossens et al. (2007).

[12] This category includes the Human Development Index, a United Nations (UN)-sponsored measure that factors life expectancy and educational attainment into GDP figures; the system of Integrated Environmental and Economic Accounting that is being implemented in Europe; the separate German Environmental and Economic Accounting system; proposals for Green GDP that would deduct natural capital drawdown from GDP, much as the expense of capital depreciation is deducted from GDP to get Net Domestic Product; and the Happy Planet Index, which corrects GDP by showing it in relation to the ecological footprint of the economy.

[13] Into this category fall Environmental Satellite Accounts, which the US Bureau of Economic Accounting was exploring until the work was shelved by the second Bush Administration; Sustainable Development Indicators being developed and used in EU countries; the UN's Millenium Development Goals; and measurements of ecological or carbon footprint.

The alternatives are controversial, because that kind of valuation creates room for subjectivity—for the expression of values that are not as cut-and-dried as market price.

How, after all, do we judge the exact value of the services provided by those bayous in Louisiana? Was it $ 82 billion? But what about the value of the shrimp fishery that was already lost before the hurricane? Or the insurance value of the protection the bayous would be offering against another $ 82 billion loss? And, at a broader and even more difficult level, what about the security and sense of continuity of life enjoyed by the thousands of people who lived and made their livelihoods in relation to those bayous before they disappeared? It is admittedly difficult to set a dollar price on such things—but this is no reason to set their value at zero, as GDP currently does. Robert Zoellick, President of the World Bank, is a recent convert to this line of thinking. In October 2010, he spoke to a conference convened in Japan to find ways to halt the destruction of ecosystem diversity, saying "We need to assist … economic agencies to measure 'natural wealth.' … The value of services we derive from ecosystems shouldn't be assumed to be zero" (World Bank 2010). As he explained: "in clearing mangroves for shrimp farming, the calculation will no longer simply be the revenue from profit on shrimp farming minus the farming cost. It would now deduct the loss of coastal protection from cyclones, and the loss of fish and other products provided by the mangroves."

Zoellick's call to measure the services provided by natural capital is an admission that our economic accounting systems do not capture all costs and benefits—and that the standard, market-based model that led us to rely on GDP as an indicator of well-being is fundamentally flawed. To state the problem in the most abstract, most theoretical terms: if everything that contributes to human well-being had to be bought through a market, and if everything bought in markets was a positive contribution to well-being (instead of being a defensive or remedial expenditure), and if the price of everything accurately reflected all the costs involved in its production (including ecosystem losses and social costs imposed on individuals and communities by production), then and only then would GDP begin to be an accurate indicator of our level of well-being. Under those completely unrealistic conditions, the cost-benefit calculations that Zoellick wants to modify would not need to be modified.

Getting prices to tell the ecological truth, as Oystein Dahle proposed,[14] requires that we know something about the dollar value of ecological costs and benefits. Ecological economists have been working on this for decades.[15] Some ecosystem services seem to have a clear market value, as when beekeepers are paid to place their hives in orchards needing pollination services. But it is the bees that actually do the work, and they of course are not paid. No bees, no crop; by that measure, the value of bee labor is the value of the total harvest (Farber et al. 2002).

[14] Dahle's oft-quoted formulation: "Socialism collapsed because it did not let prices tell the economic truth. Capitalism will collapse if it does not let prices tell the ecological truth" (Oystein Dahle, personal conversation with Lester Brown (Brown 2008, p. 267)).

[15] The literature is large, and has had a few summaries (see Farber et al. 2002).

That is just one possible method of inferring a value for ecosystem services. Others have names like "avoided cost," "replacement cost," "factor-income augmentation," "travel cost," and "hedonic" pricing.[16] Avoided cost gives a solid number for the value to New Yorkers of the water purification services of their watershed. The city has been buying and preserving land that drains into the Hudson and Delaware rivers, from which it draws its drinking water. Undeveloped land purifies water, and if the City can secure enough of it then its taxpayers will not be asked to fund a $ 6 billion water filtration plant. That can be taken as the value, to New Yorkers, of the water purification services of the watersheds that supply the city. And, the value of the storm protection services of Louisiana bayou is, in retrospect, fairly easy to calculate. (So is the value of that service into the future: until climate change started depriving insurance companies of the usefulness of historical weather data, they were expert at this sort of risk-to-benefit calculation, because their profit margins depend on them.) Replacement cost is similar to avoided cost, and can be similarly clear. Pollination services can be valued at what it would take to do the job by (human) hand: $ 6 billion to replace US honeybee pollination alone, according to one study.

The factor income approach tries to quantify something else—the portion of human incomes that relies on a sustainable flow of ecosystem services. When cleaner water boosts marine life, the quantity of fish that can be sustainably harvested increases, which increases the income of fishermen. Travel cost and hedonic pricing are familiar to mainstream economists, who have long been using them to estimate some aspects of consumer benefit. If people will pay money to travel to a national park, or pay extra for a house on the beach, then parkland and oceanfront property must provide services with a measurable dollar value.

None of these methods is completely satisfactory for all services, and some services have no clearly appropriate method. Different methods give different results.

Beyond these problems lie others. The attempt to parse the value of individual ecosystem services to particular recipients does not fully capture the complex interactions of ecosystems and the fact that they exist on the planet as wholes, not as bundles of discrete multitasking service providers. The ocean that provides a beautiful view that increases house values is also home to fish, host to 70 % of planetary photosynthesis, and a major element in the planet's systems of climate control. Upland forest that purifies New York City's water also moderates flooding, yields forest products, holds recreational and aesthetic opportunities, and provides refuge to species that perform other services, like pollination and population control of prey and pest species, and so on. Interactions and synergies—the ones we know about—have to be mapped, to avoid undervaluing or double counting. And some ecosystem services have no replacements: the ozone layer that protects us (and all life) from radiation damage is crucial to the existence of life on the planet, and no human engineering could ever work as fully or as well. That suggests that the value of the ozone layer is the value of a habitable planet—which many of us would say

[16] The typology comes from Farber et al. (2002). Volume 41 of *Ecological Economics* is a special issue on "The Dynamics and Value of Ecosystem Services: Integrating Economic and Ecological Perspectives."

is infinite. There is no conceptually elegant way to put a dollar price on incremental damage to something infinitely valuable.

And there are deeper, philosophical issues. The selection of the valuation method is in part the selection of the result. Within the results of any one valuation method, the results that are obtained can be internally consistent—they can have reasonable, rational relationships that can serve as the foundation of economically rational decision-making. If, for instance, all other variables are equal, then we can logically assume that a certain amount of forest *here* would provide the same amount of ecosystem services as the same amount of the same sort of forest *there*. And we can identify formulae and algorithms that tell us at what rate the quantity of those services change as the forest area is increased or decreased (because of synergies between the elements of ecosystems, the relationship is not linear—when you halve the size of a forest, sometimes you reduce ecosystem services by more than half). However, the choice between methods can seem arbitrary, hence subjective. Rational choice theory does not take kindly to arbitrary decision-making rooted in subjectivity—not unless the subjectivity is consumer choice that has been laundered first, by being cumulated across an impersonal market.

Another problem—what is the present value of a cost, or the risk of a cost, that is avoided in the future? Which is to say, what might future generations pay us today, if they could, to stop the destruction of ecosystems whose services they will want in the future? Near-term costs can be estimated; for more distant costs, the only correct answer is "we cannot know." We need some kind of answer if we are to be economically rational about valuing ecosystem services, but any useful answer is as philosophical as it is technical.

Ultimately, putting a cash value on ecosystem services is like putting a cash value on a human life. Romantics protest that both efforts are impossible, morally suspect, and pretty certain to be wrong. All of these are reasonable objections. But we place a monetary value on human life, implicitly, all the time. Is it worth putting airbags in cars to save 2,788 lives a year?[17] Collectively we have said yes, and a bit of information on cost and a little arithmetic will tell you the implied value of a human life. Would an additional MRI machine in a city hospital be a wise investment? If we are going to make a rational decision, we have to equalize lives-saved-per-dollar-spent among competing choices and decide how much to spend. Unless we are willing to spend, literally, an infinite amount on health care technology, the amount we spend implicitly sets a value on individual human life. Such economic cost-to-benefit analysis aside, justice (and tort law) sometimes demand that we make an explicit calculation of the value of a human life, as when compensation is awarded to family survivors of a wrongful death.

Valuing ecosystem services is just as difficult, and just as necessary. The default is to continue to value them at nothing, and even the World Bank—an institution not noted for innovative, fresh-paradigm thinking—sees that that is wrong.

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[17] This is the estimate by the National Highway Traffic Safety Commission of lives saved by airbags in 2008. See "Lives Saved Calculations for Seat Belts and Frontal Air Bags," DOT HS 211 806, December 2009.

If in politics “follow the money” is apt advice, in economics and ecology “follow the energy” proves equally useful. An economy subsists on intake of matter and energy. With enough energy, all the matter that moves in the economy could be recycled. Because energy cannot be created (the first law of thermodynamics) and cannot be used over and over (the second law), it is ultimately the scarce resource. Flows of energy (or, more broadly, “negative entropy”[18]) define the relations within ecosystems and within economies, and competition to derive benefit from that flow is a prime dynamic driving both evolution and international relations. One of the most promising approaches to valuing ecosystem services looks to the energy embodied in ecosystems and their products. As developed by ecological economist Robert Costanza and others, this energy approach to the problem may yet produce a nonsubjective, nonanthropocentric, intergenerational system of valuation—one that can encompass ecosystem services (Farber et al. 2002, pp. 383–384).

Given all the problems, the task of putting a monetary value on ecosystem services begins to look like rocket science. Would that it were that easy. With rockets, at least you get a ready indicator of success: the machine either does or does not do what you intend. With valuing ecosystem services there is no direct experimental feedback, no chance to return to the drawing board. Generations to come will be the ones who know whether we got the numbers right. It is a daunting, difficult task, filled with potential for contentious disagreement, and the result will have to be implemented within political systems that are vulnerable to influence by entrenched interests.

Still, it is better than the alternative, which is to leave these critical services unpriced and watch them disappear. That is not just economically irrational, it is collective suicide.

8.4 Well-Being as a Psychological State

Behind the three categories of alternatives laid out earlier is another strong division in the field, a straightforward dichotomy: should we measure material well-being alone, or should we develop some broader gauge of overall well-being? Doing the latter involves a greater deal of subjectivity and invites easy criticism: “you want the government to be in the business of measuring psychological states?” and “life satisfactions are too personal, too individual, to be aggregated by any useful measure.” There are, however, answers to each criticism. The strongest such answer is this: if the point of the economy is not simply to increase throughput infinitely, but

[18] Because entropy is a law of dissolution, negative entropy is rare, organized matter or energy. Iron ores have greater negative entropy than the same quantity of iron molecules scattered more broadly in the environment. Gasoline has a higher negative entropy than the heat and motion we transform it into. The energy of the gasoline does not disappear—that is the other half of the first law—but is degraded by use to a more entropic state.

to augment that "immaterial flux, the enjoyment of life," then clearly it is beside the point (and, on a finite planet, self-defeating) to measure anything else. As conservative economist and *Freakonomics* coauthor Stephen J. Leavitt has said (quoting statistician John Tukey), "an approximate answer to the right question is worth a great deal more than a precise answer to the wrong question."[19]

While life satisfactions are indeed subjectively experienced, and are shaped by cultural norms and expectations, there is a great deal of research showing that its foundations are remarkably similar across cultures, time, and social groupings.[20] For instance, no matter where or how people live, for the vast majority of them the number and quality of their social connections are an important contributor to their well-being, as subjectively reported and as measured by objective markers (like physical health, which is easily quantifiable as health care expenses or doctor visits or disease rates or life expectancy). It is clear that for humans in any culture, stronger and deeper social connections are productive of health and happiness. Information about the level of social connection can be derived from survey data with answers to a few simple questions like "in the past week, how many meals did you eat in the company of friends or family?" or "how many people do you feel you could turn to in time of desperate need?" Social isolation has demonstrable negative effects on psychological and physical health. To fail to register these aspects of well-being in an indicator is to invite their continued degradation by processes (like the mobility of labor, the increase in hours worked per week, the dissolution of walkable neighborhoods and the growth of suburban sprawl, the outsourcing and commercialization of family-building domestic work like cooking and childcare) that augment material well-being at their expense. At some point, the loss of life satisfaction from the loss of social connection outweighs, in both subjective and objective measurements, the gains to be made by pursuing more work, more income, more commercial transactions; as with ecosystem services, a rational decision about maximizing benefits cannot be made unless we put a value on what it is that is decreased when material well-being is increased. The default, again, is to value social connectedness at zero—and to continue policies and approaches that heedlessly degrade this contributor to individual well-being.

Similar arguments and considerations apply to other elements of subjectively reported well-being, such as the feeling of personal efficacy and civic respect that come from participation in democratic systems and the confidence in governance and sense of justice that come from the effective and nonpartisan administration of law.

It is true that an indicator built solely on subjective reporting might be gamed or corrupted by policies that provide citizens with superficial satisfactions—the "bread and circuses" policy of ancient Rome (which, updated, looks a lot like "cheap beer

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[19] Levitt and Dubner ascribe this to the statistician John Tukey in *Superfreakonomics*, p. 224.

[20] Nicholas Buetell, "Life Satisfaction (2006)" in the Sloan Work and Family Research Network Encyclopedia, offers a good bibliography of recent work, including "The second approximation to an international standard for life satisfaction" by Cummins (1998).

and professional sports"). But surveys that measure self-reported happiness or degree of life satisfaction consistently show that humans in a variety of nations and cultures do not consistently and persistently mistake distraction and numbing for genuine life satisfaction. And any indicator that measures whether or not we are getting better at providing ourselves with that "immaterial flux, the enjoyment of life" has to be built on both subjective and objective measures.

Do we want a government that, in its policies, purposely aims to promote something as soft and squishy as "the enjoyment of life"? To that question I would respond the way realpolitik theorist Hans Morgenthau did to the question, "do the ends justify the means?" His answer: "Of course. What else could?" He went on to add, though, that people mistake the slogan "the end justifies the means" to mean "a desirable end justifies *any* means," and that assertion, he said, is one with which he most emphatically disagrees. Similarly, an effective response to the question "Should government actively promote the life satisfaction, the well-being of its citizens?" is "Of course; it should do nothing but." But that does not mean that the government is or should become the sole agent of increasing that well-being, or the arbiter of what that well-being is. It does mean that in order to be effective in its duties—in order to serve the ends for which it is constituted—a government needs to evaluate its performance with some kind of indicator that assesses the lived experience, the life satisfaction, the well-being of the citizenry that it serves. Getting clearer about the ends we seek, including the end-in-view of economic life, is not an automatic decision to achieve those ends with means that are odious or problematic. Nor is deciding to pursue well-being a slippery slope to employing the worst possible means of achieving it. Under any good, broad-gauged measure of well-being, movement toward an authoritarian mind-control government or toward a more open but shallow, bread-and-circuses society will not register as improvement. Policies aimed at numbing and distraction might produce progress in a few narrow areas, but will fail to boost the overall measure as long as that measure accurately reflects the full panoply of human satisfactions, because many elements of human well-being, such as a feeling of personal efficacy or satisfaction in achieving meaningful life goals, are not achievable by people who are numb and distracted.

To argue that we should not measure the economy's delivered well-being because if we do some politicians will be tempted to use unpalatable means to raise it is like arguing that all air travel should be forbidden because it has a proven potential to be used as a lethal weapon of mass destruction. Potential for misuse is not a telling argument against building an airplane or against developing an accurate indicator of well-being.

In the age of popular sovereignty, we came to understand that governments are instituted not to satisfy the wants and urges of those in power but for the common good—"to promote the general welfare," as the US Constitution puts it. The various pursuits of government, from national defense to energy policy, from road and school construction to the provision of a social safety net, are justifiable only in pursuit of this end. We should not let ourselves be forced into a false either-or choice between freedom or government, between measuring the commotion of money (and nothing but the commotion of money) or entering a slippery slope to serfdom. If promoting the general welfare—our collective well-being—is the end-in-view of government, it is only reasonable (and, ultimately, reasonable only) to measure progress toward fulfillment of that end. Even a minimalist government ought to monitor the progress of society toward the ultimate end for which it is instituted, rather than commit the fallacy of treating a poorly chosen instrumental end—the promotion of the sheer volume of commercial exchange—as its one and only measure of how well it fulfills its legitimate purpose.

8.5 GNH, GPI, GPI Plus

One of the strongest entrants in the clean-sweep, measure-total-well-being category is Gross National Happiness (GNH), an indicator developed in the small, mountainous Kingdom of Bhutan. In 1972, the young, Western-educated, and newly crowned King of Bhutan, Jigme Singye Wangchuck, used the phrase in a speech to his people signaling his intention to retain core Bhutanese values even as the country modernized: "Gross National Happiness is more important than Gross National Product." Whether an unstudied remark or a calculated policy choice, it eventually became the latter. By 2006, the Centre for Bhutan Studies in Thimphu had developed a sophisticated survey instrument to gauge the well-being of Bhutanese citizens in nine different domains: psychological well-being, health, time use, education, cultural diversity and resilience, good governance, community vitality, ecological diversity and resilience, and living standards.[21] The survey is long, "too long," says Michael Pennock, the Canadian health care epidemiologist who was one of the developers[22]—and can be criticized for cumulating subjective perceptions and reports rather than objective data. This, in itself, is not the completely devastating criticism that some economists take it to be. Most economists acknowledge the worth and utility of the US economic statistics—some of which are generated in the same way, through interviews with a randomized, statistically representative sampling of Americans: "How many hours last week did you engage in paid employment?" The whole point of survey research is to turn subjectively reported experience into objective data.

Some information that the Bhutanese collect by survey—about, for instance, geographical access to health care, with the question "how long does it take you to

[21] A comparison of GNH categories to the Stiglitz Commission's proposed dashboard shows broad agreement and some divergence. Both seek to measure health, education, and environmental values. GNH collapses material well-being and employment into living standards; enlarges interpersonal connectedness into community vitality, and political engagement into good governance; takes up time use, psychological well-being, and cultural diversity and resilience while dropping equity.

[22] Personal communication, Fifth International Conference on GNH, Foz do Iguassu, Brazil, November 2009.

walk to the nearest doctor?"—could, with greater effort, be answered "objectively" through analysis of the physical distribution of population, transportation routes, and health care service locations. More troubling is that the GNH survey instrument uses subjective reports to gauge some aspects of well-being that are better assessed with objective data. For instance, the GNH instrument gauges ecological diversity and resilience by asking, among other questions, "are the following environmental issues of concern in your area? Pollution of rivers and streams; air pollution; absence of proper waste disposal facilities; decreasing wildlife species …."[23] This substitutes the judgment of individual citizens, who may be misinformed or ignorant, for hard data about pollution and ecosystem degradation.[24] The health of ecosystems is an objective condition that is better assessed with data drawn from physical science than with data drawn from survey research. Pennock allows that this is a valid concern that will be addressed in future development of the instrument.[25] It is true, though, that as GNH's other primary codeveloper, Karma Ura of the Centre for Bhutan Studies, has said, "Self reporting of … experience along with objective statistics will provide a more accurate picture" of well-being (Ura and Zangmo 2008).

In Bhutan, the government has implemented a GNH Impact Statement process—proposals for major policy changes have to be evaluated for the impact the change would have on GNH. If the impact is unpredictable or would lower GNH, the policy is not undertaken. (This embeds a fundamentally conservative premise: in the absence of good information, the default is "no action.") This process led Bhutan to reject membership in the World Trade Organization; in the judgment of the cabinet-level ministers asked to make the review, membership would have increased some elements of well-being (material welfare, perhaps employment) but only at the cost of greater losses in other elements of well-being that the Bhutanese value. Confident that their nine domains measure the elements of a gratifying life, Bhutan has undertaken a revision of national standards in education to support "education for GNH." Thus, the index is being thoroughly integrated into policy and the life of the nation.

GNH has gained ground outside of Bhutan, in large measure, because of that country's generous support, in time and money, for the export of the idea to other places. Between 2005 and 2009, Bhutan cosponsored a series of annual conferences—in Nova Scotia, Brazil, Thailand—and the conferences have had noticeable effect in encouraging movement away from GDP and toward GNH or GNH-like measures. In April 2012, pursuant to a UN General Assembly Resolution adopted earlier that year, Bhutan convened a three-day "Special High-Level Meeting" at the UN with the specific intention of establishing a process and a timeline for articulat-

[23] The full text of the survey instrument is available online at the Gross National Happiness website of the Centre for Bhutan Studies at http://www.grossnationalhappiness.com/GNHSurvey/gnhquestionnaire.pdf.

[24] Bhutan remains a largely agricultural society, and its lower level of urbanization means that more of its citizens may have retained the direct contact with natural systems that would let them be decent judges of ecosystem health. This mitigates but does not fully resolve the objection.

[25] Personal communication, loc. cit.

ing, and for assisting UN member nations in implementing, an alternative indicator set Titled "Happiness and Well-being: Defining a New Economic Paradigm," the session brought together several hundred members of the international community of alternative indicator theory and practice to devise the indicator set and to envision strategies for moving forward.

The title of the convention reflects the realization that a changed indicator set will be a powerful lever to change economic practice. By pairing "happiness" with "well-being," the title also reflects the realization that GNH may prove a difficult sell in some countries. "Happiness" and "the economy" strike many Americans as disparate categories; the one does not seem to have anything to do with the other. After decades of commercial advertising premised on the idea that our pleasures and satisfactions are each our own, we have grown accustomed to thinking of happiness as a private rather than a civically relevant matter—despite the language in our Declaration of Independence that proclaims that the pursuit of happiness is one of the fundamental rights on which our nation is founded. Another alternative to GDP has made more headway in the USA: the Genuine Progress Indicator (GPI).

The GPI traces to work done in the 1980s by Herman Daly and John Cobb to create an Index of Sustainable Economic Welfare (see Daly and Cobb 1989, 1994). The idea is to subtract all relevant costs from GDP, and add uncounted benefits, to derive a single number—a monetary figure for positive economic change—that can be compared across time within an economy and across different economies. It takes as its starting point a figure for GDP, Personal Consumption Expenditures as reported in the US government statistics, adjusts it to account for income inequality, and then adds unpriced goods and services and deducts environmental losses and defensive expenditures. It does not try to measure psychological well-being (as does GNH) or social connectedness and political engagement (as the Stiglitz Commission suggested)—though it does deduct "loss of leisure time" from the account, and this loss has some relation to social connectedness. (If you are going to maintain friendships and family connections, you need time.) Until its recent disbanding, a nonprofit organization, Redefining Progress, calculated the GPI for the USA, running the number back in time to the 1960s; their work showed that while GDP had steady growth in that period, genuine well-being, as measured by the GPI, peaked in the early 1970s and has been relatively flat or declining since then. This reflects the experience of many Americans, who realize that even though GDP has increased exponentially in the past 40 years, they are scarcely better off, and in many cases worse off, than Americans of their parents' generation.

In February 2010, Maryland became the first US state officially to endorse the GPI and, through executive order, began compiling it at state expense; its exemplary and useful website describes it as "an educational tool" for Marylanders and "a complement"[26] to Gross State Product. The GPI figures are generated primarily from data already on hand, which are assembled in the Department of Natural Resources. The numbers are placed in front of—and, one hopes, are used by—policy

[26] The description is from the press release issued by the Governor's office, "Governor Martin O'Malley Launches Genuine Progress Indicator," Annapolis, MD, February 3, 2010.

planners and legislators as they make decisions that affect the things it measures. That same function has been performed by the GPI indicator in Nova Scotia, where Atlantic GPI, a nongovernmental think tank and research center, has compiled it for the province since 1997. The number is respected and used by policymakers and legislators, and has influenced the development of the quasi-official Canadian Index of Well-Being.[27]

In April 2012, Vermont became the first state to authorize the compilation of GPI through legislative action, commissioning the Gund Institute of Ecological Economics to compute the number and report it, along with recommendations for improving the databases it employs and for extending the indicator set into additional areas.

These signs of change are encouraging—much more encouraging than when the administration of George W. Bush put a halt to efforts begun in his father's administration, and advanced under Clinton, to have the Bureau of Economic Analysis add environmental "Satellite Accounts" to the national income accounts and create thereby a measure of "Green GDP."[28]

Even more encouraging is that the developing edge of thinking in this field points to a synthesis of the objective and subjective approaches represented by GPI and GNH. The two are not incompatible, but complement each other, with the results from one approach providing a back-check, a test, of the results of the other. Absent any attempt to survey citizens about their experience of well-being, a new indicator set may perpetuate one of the problems that make GDP so unsatisfactory. Any indicator set makes assumptions: "it would be good for this to go up" or "… good for this to go down." During the Great Depression, it seemed that increasing the sheer volume of monetary transactions was a worthy goal; today, reduction of pollution is a worthy goal. As goals go, pollution reduction is likely to be sturdier than increasing the commotion of money, but the assumption "it would be good if this went down" needs to be tested against reality, tested by collecting information about the economy's delivered well-being from the people to whom that well-being is delivered.

The most effective approach, then, is the construction of a dashboard of indicators that draw on both GPI and GNH, using both objective criteria and subjective reports. The two in combination allow assessment of a broader range of well-being than either measure gets when used singly and their joint use offers the means of assessing the validity of the result.

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[27] The Canadian Index of Well-Being is supported by The Atlantic Canada Opportunities Agency, a public-private partnership dedicated to promoting sustainable development. A bill to make the CIWB official was introduced to Parliament in 2001 but did not become law.

[28] See "Integrated Economic and Environmental Satellite Accounts," *Survey of Current Business*, April 1994, Bureau of Economic Analysis, US Government: "Work on the natural resources satellite accounts was given added impetus and extended in scope in 1993 when President Clinton, as part of his April 21 Earth Day address, gave high priority to the development of 'Green GDP measures [that] would incorporate changes in the natural environment into the calculations of national income and wealth.'"

At the Gund Institute for Ecological Economics, students and Fellows have been working to articulate "GPI Plus," an expanded indicator set that aims to integrate the standard GPI indicator set with additional measures that assess well-being, some of which are derivable from objective data (for instance, the percentage of Vermonters who have access to affordable housing, which is Federally defined as housing that costs less than 30 % of income) and some of which are generated through survey research.

Another promising development is that this movement to develop macro-indicators of the overall performance of the economy in a variety of areas can be integrated with the movement to assess governmental and NGO programs according to the results they produce per dollar of expenditure—the movement to implement "outcomes-based budgeting" for government.

With the historical decline in the Energy Return on Energy Invested driving us toward austerity in the provision of public goods,[29] there is increased interest in achieving efficiency in governmental administration. Policy makers have always faced constrained choices; no governmental budget has ever been infinite. But as civilization passes Hubbert's Peak, and enters an era in which the current subsidy to the economy from past solar income must necessarily decline, additional pressure is being placed on governments to provide their services in the least-cost, most efficient manner (I elaborate this point in "The New Austerity and the EROI Squeeze" (Zencey 2011)). That pressure is being met, in part, by outcomes-based budgeting: the effort to identify, for each policy or program that a government or nonprofit agency may choose to pursue, the expected costs and the expected benefits.

In 2005, Mark Friedman published *Trying Hard is Not Good Enough*, in which he made the case for "Results Based Accountability": governments and social service organizations should be given or should establish for themselves benchmarks (indicators) for what they intend to accomplish, and assess their performance in achieving them (Friedman 2005; see also Robinson 2007). Ultimately this can let policy makers and social service providers maximize benefit-per-dollar-spent by equalizing the marginal return of each expenditure.

The approach is being promoted by the Pew Foundation's "Results First" initiative, which assists states in implementing outcomes-based budgeting.[30] That program has developed a core expertise in corrections, where data show very clearly that a dollar spent on providing training to foster parents of juveniles at risk of becoming offenders pays off at 16:1 in terms of savings on crime and corrections expense down the road, while spending money on enlarging juvenile detention centers has a negative total payoff. ("Evidently, when you house juvenile offenders

[29] One of the foundational insights of the discipline of Ecological Economics is the idea that all wealth (understood as physical goods and physically provided services, not the accumulation of money that lets us purchase these) has a root in scarce "low entropy" (valuable matter and energy). The idea was articulated by Nicholas Georgescu-Roegen (1976b). It is explained lucidly by Daly and Farley (2010). When the low-entropy foundation of our economy costs us increasing amounts of low entropy to secure, less low entropy is available for production of goods and services.

[30] See the description of the Pew Foundation's "Results First" initiative at http://www.pewcenteronthestates.org/initiatives_detail.aspx?initiativeID=61282.

together, they teach each other things you'd rather they didn't learn," says Gary VanLandingham, Director of the Pew program.[31]) The Results First initiative is being "built out" into other areas of Health and Human Services policy. Were it also to be built out into environmental policy, it would make use of the kind of ecosystem service valuation previously discussed, and would also begin to provide the foundation for a broad-ranging indicator set that would better assess the sustainable, delivered well-being of the economy.

That is precisely what GPI Plus aims to do. At this point, GPI Plus is more concept than established fact; the Gund Institute is seeking funding to support the further articulation of the appropriate indicator set in a process that brings together the international community of alternative-indicator practice with government officials and nonprofit managers in the state of Vermont. (All have shown interest in the development.) When fully articulated, such a measure would, over time, provide the information that is necessary for macro-efficiency in state budgetary allocation. It is one thing to see that money spent on training foster parents has a higher payoff than expanding juvenile detention facilities, and quite another to be able to tell whether a tax dollar spent on corrections has more payoff in terms of citizen well-being than a dollar spent on, say, a program to improve water quality. Clear assessment of costs and benefits across a range of well-being indicators is necessary to accomplish that. As VanLandingham noted about the Pew program, possession of such data does not turn all budget decisions into technical ones, does not eliminate the need for judgments rooted in political processes. Having information about costs and benefits does not tell you which benefits to pursue. But good information about costs and benefits will make the terms of trade-offs a great deal clearer for all involved.

During the Great Depression, Simon Kuznets led the development of national income accounting in the USA and, hence, the world. The USA has lost the opportunity to be a world leader in developing a better, more accurate measure to replace it—but that does not mean we should not join the movement. In his very first report of national income to Congress in 1934, Kuznets listed GNP's shortcomings, warning that "the welfare of a nation can scarcely be inferred from a measure of national income." For lack of a better measure, and because GDP seemed to suffice when the planet seemed infinite and growth in economic activity seemed always and everywhere a good thing, we, nevertheless, have taken it as our primary indicator of economic well-being. Just as the Great Depression became the occasion for rethinking some of the structural features of our economy and new measurements for assessing it, the Great Recession that began in 2008 gives us the opportunity to begin recasting the nature-be-damned, more-is-always-better economy that flourished when oil was thermodynamically cheap. And it gives us the opportunity to act on Kuznets' wise warning. We are in an economic hole, and as we try to climb

[31] Gary VanLandingham, testimony in front of the Vermont House Appropriations Committee, Montpelier, VT, October 2011.

out, what we need is not simply a measurement of how much money passes through our hands each quarter, but an indicator set that will tell us if we are really and truly gaining ground in the perennial struggle to improve the standard of living we enjoy in society. That indicator set will have to measure the quality of the sustainable well-being delivered by the economy across the broad range of the human social and economic experience.

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Chapter 9
Epilogue-Confessions of a Closet Materialist: Lessons Learned about Money, Possessions, and Happiness

Miriam Tatzel

What we seek, at the deepest level, is inwardly to resemble, rather than physically to possess, the objects and places that touch us through their beauty.

Alain de Botton
The Architecture of Happiness 2006

9.1 Introduction

I observe with fascination the many ways in which people, myself included, handle money and possessions. One sees tightwads who begrudge almost any expenditure, and others who are alarmingly open-handed. Some live in homes where they pay little attention to the decor, while for others shopping to improve their material environment is a central life activity.

I set about learning what I could regarding money attitudes, materialism, and price-related behavior. One dimension on which people differ is how tight or loose they are with money, another is how materialistic they are. How people spend their money is the resultant of these two dimensions, desire (materialism) and restraint (money conservation). From the two dimensions I derived four basic consumer types (Tatzel 2002). The Value Seeker is tight with money and materialistic; this is someone who looks for the bargain that can satisfy material desires at a low price. The Big Spender is loose with money and materialistic and is attracted to big-ticket, high-prestige purchases. The Non-Spender is tight with money and not materialistic, reluctant to spend and not tempted to either. I call the last category the Experiencer, someone who is loose with money and not materialistic, and is therefore predicted to spend on experiential purchases like concerts, travel, and workshops. As for me, I am a Value Seeker; this is a cause for some concern, because while getting good value is a fine rational trait, I do not like to think of myself as materialistic (who does?) and being materialistic does not augur well for my well-being.

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While learning about consumption I stumbled upon positive psychology, which is the study of happiness, well-being, and quality of life, and it applies to collectives as well as individuals. Do money and possessions bring happiness? How do different styles of consuming align with happiness and well-being? These are important questions because so much of our personal life is dedicated to getting and spending, and also because for whatever good they bring, money and possessions are at the root of some big social and environmental problems. On the one hand, the ubiquitous and powerful drive for money fuels all sorts of crimes, injustices, and atrocities, and on the other hand, a materialistic consumer culture strains the earth's resources by producing so much "stuff." Ironically, the research overwhelmingly shows that more money and more possessions add little to happiness once basic needs are met (there are many sources for this position, for a review see Diener and Biswas-Diener 2002). The question that the perspective of positive psychology poses for us as consumers is, "What are ways of dealing with money and possessions that enhance well-being?" After all, we have to consume and participate in the economy. As with food, that other unavoidable form of consumption, there are opportunities for pleasure and well-being and also risks from overconsumption (and more rarely, from underconsumption). How we consume has ramifications for society, the economy, and the planet as well as for our personal lives.

Do I consume in ways that promote my well-being? As I read the studies, I cannot help thinking about where I stand in comparison to what the research shows. What I propose to do here is to present what I have learned about money, materialism, possessions, and happiness, with some pauses for self-reflection.

9.2 Money[1]

I had always considered myself above venal ambitions for money and status. I did not make life choices that would maximize money either in my career or personal life (the usual route to wealth for women is to marry it (Nickerson et al. 2007)), and I regarded those who chased money as crass and shallow (a lot of moralizing comes up when we judge money behaviors). However, in another sense, you could say I was obsessed with money. I made life choices with financial security, though not wealth, in mind: a Ph.D. at an early age, a job with tenure. My immigrant parents were so frugal as to keep track of the smallest expenditures, and some of that attention to small change rubbed off on me. I have suffered much anxiety over money: big expenditures, mistakes in spending, the scary sense of not being able to stem the outflow, are all fodder for insomnia and self-denial.

[1] A little family context of money. When I was 13, my father had his first cancer surgery, and his working career was over (he survived though). My mother then went to work at a factory for minimum wage but she liked the job and we were not destitute. In my adult family, my husband was a stay-at-home dad who looked after our two daughters.

9.2.1 Money and Happiness

As it happens, financial security has snuck up on me. This is largely a result of aging: the house is long paid off, my retirement fund has grown, and social security kicked in. However, money management and debt aversion had something to do with it too. (I was fortunate to come of age in the 1960s when education at Queens College, City University of New York was tuition-free and a National Science Foundation fellowship supported me through graduate school at Columbia.) Am I happy about having financial security? Does it feel good not to worry about money? You bet. I would even say it has changed the complexion of my life. You can call it security, but it feels like freedom.

According to the literature, an increase in money once basic needs are met should do little for one's happiness. People adapt to both increases and decreases in fortune and we wind up feeling pretty much as we started. Should we get more money, we are then likely to want even more, with our aspirations ever eluding our grasp. For me, as a result of feeling financially secure, I am easier about parting with money. I am less remorseful over misspending, and I enjoy the novel sensation that if I want something, it is OK, I can go ahead and buy it. Of course, price still matters. After all, I am a Value Seeker, but one can bargain hunt at all points all along the quality continuum (Bei and Heslin 1997), for cookware and clothing, for example.

9.2.2 It Pays to Be Thrifty

I regard frugality as a positive trait, and here the literature is with me (Chancellor and Lyubomirsky 2011, 2014; Guven 2012). Saving money and recycling are obvious benefits. Avoidance of debt is a big positive when compared to the negatives of paying interest, having to keep paying long after the thrill of the purchase is gone, and living in a psychological "debtor's prison" of constraint, guilt, and low self-esteem (Bernthal et al. 2005). I am deeply debt averse.

I like being frugal, especially when I am successful at it. Frugality means more than being conservative with money; it is also about not being wasteful, as in recycling. As an impecunious graduate student, I honed my bargain hunting and DIY skills. To this day, I delight in making things out of scrap wood or scrap fabric and I will paint anything. When clothes shopping, I'll patiently bottom fish the clearance racks.

Although I am almost reflexively price-conscious, I am lately becoming sensitized to ethical implications of unqualified price consciousness. By going for low price, am I supporting the cruelty of factory farming of animals, factory farming in general, the outsourcing of domestic jobs to the worldwide market for the exploitation of cheap labor, the cheapening and degrading of manufactured goods and craftsmanship, and so on (de Villiers 2012)? An early awareness of the moral implications of mass marketing traces back to the 1950s when chain stores began to put small merchants out of business. Stone (1954) distinguished among different types of shoppers, one of which he called "ethical" because of their loyalty to local merchants and willingness to support them by paying more than the chain stores charged. For myself, I am willing to pay more for eggs, for example, if I believe the hens are better treated, I will pay more for organic food if it is not too much more, and I avoid a "big box" store, among other small concessions by which virtue moderates price consciousness.

In spite of the undeniable draw of low prices, being tight with money (frugal, thrifty) has the negative connotation of being cheap and stingy. Materialism, I observe, is a negative trait in the abstract, and frugal values are paid lip service. In real time, however, there seems to be more of a stigma to looking cheap than looking extravagant. We look down on coupon clippers (Argo and Main 2008; Ashworth et al. 2005). Lavish spending, on the other hand, is impressive, it makes a big social bang, as Veblen (1899) informed us. We admire the rare and costly. But what is better for happiness, thrift or spendthrift? Maybe spending to impress is not about happiness but is meant to avoid being seen and treated as being low status. The desire for riches and to be rich may have less to do with personal happiness than with raising one's status and social influence (Ahuvia 2007). Yet, as important as status may be for our social relations and life circumstances in general, the quest for prestige, along with materialistic and extrinsic values generally, leads us down the path of dissatisfaction. Again and again we see a conflict between what is good for the "I," the subjective, personal self (intrinsic motivation) vs. what is good for the "me," the objective, social self (extrinsic motivation). So, we may spend more than we really want to in order to enhance our social image.

So far we have seen that money does not matter much for happiness, and frugality is good for well-being. How should we think about money and how should we spend it? The research literature provides suggestions, and what I learned from my studies challenges some of my ways of spending as well as how I was brought up.

9.2.3 For the Experience of It

One such message is that it is better for one's happiness to spend on experiences than possessions. When asked, people report greater satisfaction from the money spent on experiences. This is very well documented (e.g., Carter and Gilovich 2010, 2014; Van Boven 2005) with a small nod to bad experiences (Nicolao et al. 2009). There are several reasons why. One is that experiences have a longer "shelf life." They give us memories. We tire of our possessions but we treasure our memories (of the vacation, the concert, the workshop, etc.). Even inconveniences on a vacation can burnish into fondly remembered adventures and amusing stories. Another reason is that experiences are not as susceptible to invidious side-by-side comparisons as objects are; they are more singular. It is easier, say, to compare cameras and find that one is superior, and the next-generation smartphone may outdo the one we have, but experiences are unique, and in that way, matchless and un-trump-able. Thirdly, many experiences are social, which in most cases enhances the good time with the warmth of good fellowship. Ultimately, experiences are more central to the self and more personal (Carter and Gilovich 2012). Indeed, experiences make up who we are, our biography, more than possessions do (possessions are also important for self-concept and will be discussed later).

Here is an area where I fall short. I spend more readily on things over experiences. I was raised with the opposite point of view regarding the lasting power of purchases. I learned that it is objects that have staying power; experiences are fleeting, ephemeral, but objects are for keeps. Moreover, experiences are not typically "necessary." While growing up, events such as family vacations, eating out, and movies were rare. As a teen, activities like going to concerts or on ski trips with friends were things I did not "need." However, one does need furniture, and I had a good quality bedroom set. I have adopted that perspective even as I question it. Travel overseas to a wedding? Well, no, a new car comes first.

9.2.4 The Joy of Giving

Another research-based principle for hedonic spending is that it is better to give than to receive. Contrary to people's expectations, they get more pleasure from spending on others than spending on themselves (Dunn et al. 2008). This is an area where I have some ambivalences, harking back to my upbringing. My mother was generous in some ways. If she went visiting, she invariably brought one of her much desired cakes. She was concerned to know if I needed money and was willing to help out. However, she resented being asked for money for charity, she resented expectations to buy gifts and she pretty much did neither. The former was *schnorrerei* (cadging) and the latter was perhaps a mild form of extortion (being invited to an affair means you have to give a gift). Following in her footsteps, I get squirmy when charities call asking for money. I started donating to causes in recent years, thinking it is a good thing to do but it led to more and more solicitations, and it pains me to get gifts of stickers and cards and whatever; those resources should be going to the cause. I have, however, cultivated the pleasure of gift-giving and it is fun when I find something I know will click with the recipient.

9.2.5 Wait for It: The Pleasure of Anticipating Pleasure

Another bit of advice on how to spend is to delay gratification and thereby reap the pleasures of anticipation (Dunn et al. 2011). Prepaying theater tickets, planning out a vacation, dreaming of that new car, or imagining what you will order in the restaurant gives its own boost of enjoyment and savoring. It is fun to think about something good that is coming up. Anticipation also has the not unpleasant tension of impatience, as in "I can't wait." Making arrangements (transportation, lodging, tickets) can be a chore, but one leavened by pleasant imaginings. I am now planning an overseas visit. Following the research advice, I am using the waiting time to learn about my destination and imagine what I will do there.

The pleasure of anticipation is a strong admonition against impulse buying, a pleasure that the impulse buyer, in haste of the buying moment, forecloses upon. Impulse buying is part of the “dark side” of consumption, denigrated as a moral weakness of sorts (immaturity, lack of self-control) and as poor decision-making and hazardous money management, but I do not denigrate the impulse itself; it is through our attractions that we learn about our preferences and desires. So I say, hold on to that impulse, plan the acquisition (do research and budget as appropriate), and savor the anticipation. Nor can one say that all impulsive buying is a bad idea; spontaneous decisions and unexpected buying opportunities can work out well (Rook and Fisher 1995).

9.2.6 Think Small

Buy small pleasures rather than big luxuries (Dunn et al. 2011). Parceling out treats gives more total happiness than one big bang purchase. With the former you have daily pleasures spread over time, with the latter you get a spike of pleasure followed by the diminishing returns of adaptation, much like the child whose once fervently desired toy becomes a source of clutter and boredom.

I was raised with the contrary point of view. It is precisely by scrimping on the small things that you accumulate enough money to buy something special. “Look after the pennies” and all that. My mother, abstemious in so many ways, bought quite a bit of fine jewelry, which I derided at that time, and which I now possess. I too am very good at foregoing small pleasures. The allowance I did not spend as a teen got saved and plunked into my first home down payment (savings do add up). These days, as I become looser with money, the advice from the literature gives me permission to indulge in small treats and conveniences. For example, when driving into Manhattan, I am willing to put the car in a garage and pay way too much money for parking, something I once would not have considered doing, preferring instead to drive around for who knows how long and finding street parking far afield. I experience this new way of being as a disinhibition, a giving into impulse and convenience. Am I in danger of losing my grip on money management or am I more rational for overcoming “hyperopia” (an over-aversion to indulgence; Haws and Poynor 2008)?

9.2.7 Follow Your Bliss: Spend for Intrinsic Reasons

Kasser (2002) has presented much evidence in support of intrinsic life aspirations being key to well-being (self-development, interpersonal relationships, making the world a better place), while extrinsic goals (wanting to be rich, famous, and attractive) go along with dissatisfaction with life, if not outright mental illness. The lesson for consumption is that it is better to acquire possessions for one’s own enjoyment, meaning, and growth and in support of the basic psychological needs for competence, relationship, and autonomy (à la self-determination theory (Ryan and Deci 2000)) rather than for public display. In other words, beware of purchasing for status and prestige reasons. If you do buy to impress, you may wind up with something that does not work for you, you may spend more than you need to or should, and you may fail to wow those you intend to impress anyway. Here is a small example of how the imagined judgments of others can inhibit intrinsic choices. Did you know that there is a social norm that says variety is better than sameness? When people can choose candy bars in private, they tend to choose multiples of their favorite, but if they believe other people will see their choices, they will go for variety instead (Ratner and Kahn 2002).

Intrinsic purchasing requires knowing what you want, and distinguishing that from what you think other people will think of your possessions and self-presentation. It may be hard to disentangle intrinsic and extrinsic. I want to please myself, but I also hope other people like my choices. Why shouldn't both types of motives coexist? "Dress for success" is clearly an extrinsic orientation, but it seems to me that we ignore social status effects at our own peril. What others think of us, including our standing in social hierarchies, has real life consequences.

Social Status, Consumption, and Well-Being

Social class, social distinction, power, influence, and the resources, especially monetary, that status confers undoubtedly enhance our agency in the world, our regard by others, and even our health. So, why is status-seeking through acquiring high-status goods not a sound strategy for enhancing well-being?

Goods that signify status can communicate two contradictory meanings. One is that high-status people possess these goods, and these goods in turn signal high status. The other meaning is that these goods are acquired by those who are trying to achieve status through emulation. It is this latter group whose well-being suffers from the pursuit of status (extrinsic motivation). High-status individuals are more likely to consume for self-expressive, personal, and utilitarian reasons (intrinsic; Rucker and Galinsky 2008; Rucker et al. 2012). The signs of status may be subtle. Those with low cultural capital prefer the "display of wealth and consumption readable by anyone" whereas those with high cultural capital prefer an "inconspicuous form of display readable only by those sufficiently cultivated" (Corrigan 1997, p. 29). Thus, counterintuitively, those of lower cultural capital may be more materialistic than those with more money and status (Holt 1998).

I observe that academics, myself included, eschew ostentation. I have a diamond from my mother's ring that I had put on a chain, but I feel self-conscious when I wear it, too ostentatious, "not me." Possessions, even if high quality, should be unobtrusive and unassuming. I admit to self-monitoring and adapting my self-presentation to the social context; my consumption is influenced by how I want others to regard me.

High-status individuals have advantages—independence, agency, resources—but low-status individuals are in a way "nicer" people. By virtue of relative powerlessness and dependency, they are more sensitive and empathic toward others (Kraus et al. 2010) and more giving and generous (Rucker et al. 2011). In interactions with those of a lower class, upper class individuals tend to be distracted and disengaged. Is it personality or circumstance that shapes these behaviors? In support of the latter, experiments in which people were primed with the idea of money had the effect of making them more independent, self-sufficient, and disinterested in others (e.g., Vohs et al. 2008). There is even some weight of evidence that points to the wealthy (and those made to feel wealthy) as being “mean” and of lower ethical character (Miller 2012).

To summarize the relationship between status and happiness, it seems that having status is good for one’s well-being (if not necessarily good for one’s character), but aspiring to status is a well-being negative. Maybe status is a little like self-esteem, which has inner (mastery) and outer (recognition) components. Going for the ego recognition without establishing the mastery leads to putting on an appearance of success and confidence (“false fronts,” to use Carl Rogers’ (1961) term), a strategy that is ultimately self-alienating. Perhaps status, like self-esteem, best comes as a byproduct of achievement rather than through acquiring the trappings of achievement.

9.3 Possessions

Possessions can be a mixed blessing. They can enhance our lives and they can encumber us. The first part to follow examines materialism and the reasons behind materialism’s generally detrimental effects on well-being. Then comes the other side, how material objects in our lives bring psychological benefits.

9.3.1 Materialism

The discussion of spending money for intrinsic and/or extrinsic reasons, brings us to the topic of materialism. Materialism is generally understood as the preoccupation with possessions and their acquisition. It also has the connotation of wanting to impress others with the wealth and status that one’s possessions announce. Richins and Dawson (1992) developed a widely used measure of materialism that is made up of three factors: acquisition as a central life goal, believing that acquisition is the route to happiness, and seeing self-worth as measured by possessions. How *should* we regard the possessions in our life? There is a point at which the material (which we all need) morphs into materialism, where we fall into the trap of spending too much on stuff we do not need and start to see our possessions as reflections of our worth.

One of the allures of consumption is the implicit promise that through acquisition one can be transformed into a more desirable and better person. Advertisements promise to make us more wonderful, desirable, and enviable (Berger 1972) and interestingly, materialists (compared to the less materialistic) are more apt to believe in the transformative power of acquisition—that acquiring whatever will make one more beautiful, confident, loved, and happy (Richins 2011). However, evidence points the other way, that materialism is not good for one's well-being (for example, Kasser and Ryan 1993; Carver and Baird 1998). Right from the start when they developed the materialism scale, Richins and Dawson (1992) found that those who scored higher in materialism were less satisfied with their lives. My own research finds confirmation (Tatzel 2014): materialists have lower life satisfaction and happiness. Kasser, in *The High Price of Materialism* (2002) captures many of the drawbacks of materialism, such as self-worth being dependent on material success and how the work-and-spend lifestyle deprives people of time for intrinsic satisfactions, because of which self-development and interpersonal relationships suffer.

A lesson to take away is that happiness is probably not to be found through acquisition or from a change in external circumstances (new car, new residence). Improving one's material lot does bring happiness in the short term but then habituation sets in. Longer-lasting well-being comes from changes in what one does, not what one has (e.g., joining a book club, deciding on a career direction; Sheldon and Lyubomirsky 2006).

Materialism has a bad name. There is a social stigma to materialism, and we would rather associate with those who are less materialistic (Van Boven et al. 2010). It is not hard to guess that few people will self-describe as materialistic. And I am no exception: "I won't get caught up in consumer culture, not me." However, as is so often the case with the psyche, what holds at one level, is undone at another. The self-concept may be anti-consumerism, but behavior may reveal an alternate attitude. Our desires for goods may contradict our presumed indifference. We may care more about impressing others than we like to think. I and my students, as we look at the questionnaires and the research, come around to acknowledging that we may be just a little more materialistic than we had believed.

9.3.2 Materialism and Relationships: Time

Perhaps the blackest mark against materialism is that it does not contribute to, and in some ways undermines, good relationships with others. Yet, it is precisely having good relationships that appears to be an essential component of a happy life. A characteristic of very happy people is that they have positive, loving, and overall good relationships (Diener and Seligman 2002). Along comes materialism, and what happens? The early study by Richins and Dawson (1992) found that high scorers on materialism emphasized financial security over interpersonal relationships, and they would spend windfall money on themselves rather than save it or spend it on others. Belk's (1985) definition of materialism as a personality trait that is comprised of envy, possessiveness, and nongenerosity, is hardly a recipe for intimacy or mutual affection. Also, wealth, while it may bolster satisfaction in many life domains, from one's residence to one's health, does not extend to better family relations (Nickerson et al. 2003).

One reason for the detrimental association between materialism and relationships may simply have to do with time. As Kasser (2002) pointed out, being busy chasing material success of necessity cuts short the time available for intrinsic pursuits, a prime one of which is socializing. Following this line of thought, Mogilnor (2010) found that when people are surreptitiously primed with the idea of time (vs. money), they socialize more, which in turn leads them to feeling happier; the alternative scenario of being primed with money leads to people working more but not to feeling happier. Thus, time = socialize; money = be productive. But wait, isn't it good for people to work and be productive? Maybe in the short run we have a better time socializing than working, but in the long run, isn't it worth the sacrifice of immediate gratification for the long-term benefits of achievement and reward, with greater overall happiness in the end? Wouldn't working today be an investment in a happier future? Research such as Mischel's well-known marshmallow study showed that children who can delay gratification (postpone eating the candy) grow up to have a brighter future than those with less impulse control (Mischel et al. 1989). A possible compromise between socializing and productivity is glimpsed in the Oishi et al. (2007) study of the happiest people: in a college population, happiness and achievement are correlated, but the *most* happy ones are the next-to-the-highest achievers; basically, the happiest ones party more.

As for myself, I can understand why "time" would trigger intrinsic pursuits, but why particularly socializing? I think "time" for me would mean more time for my projects, the things I want to do and make and learn but do not get to. Yes, to me too time signifies time with others but not exclusively or maybe even primarily. I am on the introverted side and after too much hanging out and talking I can get "peopled out." Alas for me, then, because I learned that extraverts are happier (Lucas and Fujita 2000; Weiss et al. 2008), so in the big picture, Mogilor's time-socialize-happy finding may predominate. Harking back to our earlier discussion on spending for experiences, we can think of time as our ongoing experiential life; time has a personal meaning, whereas money signals mere inanimate possessions (Mogilnor and Aaker 2009).

9.3.3 Materialism and Relationships: Developmental

There is another deeper way in which disturbance in relationships is associated with materialism, and this goes back to the parent–child relationship. It has to do with feelings of insecurity and deprivation vs. safety and nurturance. If children grow up feeling insecure and deprived, they are more likely to be focused on deficiency motives (extrinsic goals) than on growth motives (intrinsic goals); following the reasoning of Maslow (1954), the basic, lower needs come first. There are two sorts of deprivation children may suffer from. One is material and the other is emotional. One can understand that material deprivation can lead to material longings. Emotional deprivation is different, it is interpersonal in essence.

Concern for a child's material success in life, when stemming from parents' own economic insecurity, can translate into a more restrictive, controlling, and less nurturing parenting style (Kasser et al. 2002). A nurturing parental style, by contrast, conveys warmth and supports the child's self-expression and self-direction (Biglan et al. 2012). Economically insecure families may instill conformity and obedience to authority in children as necessary traits for getting ahead in life, and the children may adopt consumption as a means of meeting several goals: fulfilling the parental value of material success; achieving success and security for themselves, gaining social approval both inside and outside the family, and hopefully, feeling better as a result.

Family stresses such as divorce and instability may limit available nurturance, undermine children's sense of security, and in the process foster materialism (Flouri 2003; Rindfleisch et al. 1997; Roberts et al. 2005). Materialism can be thought of as a compensatory substitute for the attention that was in short supply. Such children, and in time the adults they become, may put their faith in possessions as a means of obtaining the comfort, security, and even companionship (Lastovicka and Sirianni 2011) that has not been forthcoming from people. It is not the socioeconomics or the unstable family per se that undergirds materialism. It is the lack of nurturing support for the child's selfhood that appears to be the crucial factor.

Materialism can thus be seen as a compensation for the *lack* of good, close relationships. Yet, in a way the goal of materialism has an interpersonal purpose: to gain the respect and esteem of others. The irony is that achieving material success often calls for putting one's energies in working and spending over cultivating relationships, even if the purpose of this sacrifice is precisely to improve one's standing with others.

9.3.4 In Defense of the Material

If materialism and attachment to possessions are negatives in the quest for well-being, how *should* we live with possessions? What do possessions do for us? Russell Belk (1988) has famously said that possessions are the "extended self," they are our identity props and we identify with them (e.g., my home, my car). Our possessions place us in time (history), in our social spheres, and they express our individuality within those conventions. Now that we have seen the negatives of materialism for well-being and the limitations of possessions (vs. experiences and interpersonal relationships) for meeting basic needs, it is time for a redress on behalf of the material. There are ways in which objects are important for our psyche and our well-being.

Animating Objects

The importance of possessions starts in infancy. The psychoanalyst D. W. Winnicott (1971) coined the term "transitional object" as the general name for what is sometimes called the "security blanket" or that special object that babies adopt as a comforting companion. The object is *transitional*, meaning it is at the boundary between inner and outer, between self and not-self. In a sense, the child creates the object. Further along in childhood, imagination animates objects, as in pretend games and when playing with toys. In adulthood, do we not still have special objects that we imbue with emotion and may even attribute power to? Objects from childhood, things owned or given to us by loved ones, and religious or patriotic tokens are among the objects that may seem like more than mere inert matter. The child's investment in objects and the attribution of magical powers to them extends into adulthood where such investments can become part of our consumer behavior.

The “magic” of objects goes beyond our personal associations; there are shared, cultural attributions as well. Fine art, for example, is felt to carry a spiritual quality that can rub off on the owner/collector who thereby demonstrates taste and rarefied sensibilities that complement successes in commerce (Hirschman 1990). An article of clothing gains in value if it was worn by a celebrity and is thus imbued with the essence of the person. John Lennon's white suit from the cover of *Abbey Road* sold for $ 118,000 (as reported on a cable music station, May 12, 2012). Provenance matters of course. However, even a replica, say of a guitar once owned by a revered musician can come with a magical aura (Fernandez and Lastovicka 2011).

Loving Objects

We may go so far as to “love” certain possessions. Think of hobbies one can be passionate about. There are different types of love. By utilizing Sternberg's tripartite theory of love (passion, commitment, and intimacy and combinations thereof), Lastovicka and Sirianni (2011) showed that car enthusiasts and computer aficionados, for example, can experience the whole variety of types of love for their special object. (In these cases, “intimacy” means hands-on work with the object.) Object love, even if we rate it on a lower plane than true interpersonal love, can nevertheless function for the owner as an “interacting” partner, with whom the owner spends time and cares for; in all, a beneficial relationship. Thus, loved objects can ameliorate loneliness (see also Lastovicka and Anderson 2014).

Objects can come to be loved because they are experienced as an outward manifestation of one's inner self—a “that's me” connection. Not only do our possessions help define us for others in our social world, they also help define us for ourselves. The objects to which we feel an emotional tie give us an external frame of reference for reflecting on our personality. In two case studies, Ahuvia (2005) explored how loved items can represent alternate identities such as: one's feminine vs. feminist sides or artistic vs. practical aspirations. The successful resolution depends on finding complementarity among the objects and thereby integrating the selves. In one case, rural furniture (childhood) adds character to a sophisticated urban setting (adulthood).

Possessions for Happiness

So far we have looked at a range of ways in which objects can contribute to wellbeing: objects to comfort a baby, objects to which we attribute magical or spiritual qualities, objects we form interactive relationships with, and objects we identify with. These reasons for valuing possessions, and which contribute to well-being in one way or another, tend to be personal rather than materialistic.

Not surprisingly, people who score high on materialism value their expensive possessions. Publicly visible, expensive possessions announce the prestige of the owner. By contrast, those lower in materialism tend to value possessions more for their private meanings—possessions they have had for a long time, heirlooms that have been passed down the family, mementoes from loved ones, and things that bring enjoyment (Richins 1994). The lesson is that it is better for our well-being to value possessions for the pleasure they bring and the sentiment they evoke (intrinsic reasons) than for costliness and social cachet (extrinsic reasons). The part of me that I see as materialistic is that I do value appearance, particularly mine, and I own up to being house proud. On the sentiment side, I can cite a special feeling I have for an old cardigan that was my father's. I do not coddle or preserve it; I wear it for yard work and it is pretty ratty by now. But it is comfy and warm. I wrap myself in it and feel a little of his spirit.

We have seen that people gain more pleasure from spending on experiences than on things. By extension, a good way to get more pleasure from things is to turn them into experiences (Sheldon and Lyubomirsky 2012). There is already a blurry line between the two: a bike for example is an object that is meant for an experience. Because of the process of hedonic adaptation, our possessions come to lose their glow in time. The thrill of the new car or the remodeled kitchen, to take expensive examples, wears off, and in time these possessions fade into the background of our lives. Then we are on to the next purchase with its own dissipating thrill. This is the hedonic treadmill, the insatiable desire for more and better. However, we can head off adaptation. The way to prevent boredom from setting in is to stay aware, to savor, and appreciate the qualities of our possessions—the beauty, the craft, the technology, the fun, the utility, and the convenience. I try to remember this lesson regarding, to take an example, my stove (range). After some years of needing a new stove and not knowing what to buy, I decided to go for what I really wanted: a dual fuel (gas and electric, I had only electric before) with a second oven, five burners, and all fitting in the 30″ space (it is not high-end). We eat at home a lot (good for frugality and also a preference), and while using the stove I still notice how pleased I am to be using it. Much of my home environment was designed or made by me, because of which I find it natural to savor and appreciate (and also criticize) what I see.

9.4 Shopping

Now we come to shopping. Shopping and materialism are a natural combo. Indeed, shopping is pretty much a requirement for materialism; how else do you learn about the marketplace and acquire all those possessions? Shopping as an activity comes in for derision. It has come to symbolize consumerism in all its wastefulness, emptiness, and excess. It is a female-typed activity, low in status and lacking in gravitas, a trivial pursuit. The literature warns that shopping is a "low flow" activity (not good for self-development; Kasser 2002, p. 82). The question for the materialistically inclined is whether it is possible to enjoy shopping and yet be spared the drawbacks of materialism like the hedonic (expensive) treadmill, overconsumption, and the time shopping takes away from intrinsic pursuits and socializing. Unless shopping is an intrinsic pursuit.

What is good about shopping? If one is going to be a wise and successful consumer, and we are all consumers, then it is important to be knowledgeable, for example, knowing which sources carry which kinds of merchandise and for what prices. There is a lot to learn. There are two basic shopping motives, hedonic and utilitarian (Babin et al. 1994; Bloch et al. 1986). Those who enjoy shopping (recreational shoppers, Bellenger and Korgaonkar 1980) acquire knowledge along with pleasure. Shopping is a form of research. Involvement in a product category (interest in cars, fashion, technology) can be like a hobby, including subscribing to enthusiast magazines, browsing stores, hunting the Internet, and in general keeping up with the latest offerings mainly for the fun of it. People specialize in their hedonic searches. For me, it is mostly household and clothing, while shopping for cars or technology is less hedonic.

Of course there are a lot of negatives about the shopping experience—the crowds, the confusing choices, the time, and the expense. Particular frustrations occur when you cannot find what you need. Clothes shopping, for example, is especially difficult for people who are hard to fit, are conflicted over how to dress, and have put off shopping until the need is urgent (Tatzel 1991). For those who like shopping there is the danger of using shopping as "retail therapy" to salve the irritations of life, with the prospect of adding to one's troubles if one becomes a compulsive buyer, a "shopaholic," addicted and in debt (Schor 1998).

My entrée into the study of consumption began with shopping, specifically shopping for clothes (Tatzel 1982). I identified types of clothes shoppers based on their levels of skill and motivation. Thus, there are Fashion-Conscious shoppers (high skill, high motivation), Anxious (low skill, high motivation), Independent (high skill, low motivation), and Apathetic shoppers (low skill, low motivation). The work on shopping led me to an interest in psychological aspects of money and from there to positive psychology.

I self-describe as a Value Seeker, my desires to acquire being tempered by frugality. A frugal disposition helps distance me from marketplace appeals and thus affords some protection from the dangers of imprudent impulse buys, overspending, and debt. I usually enjoy a shopping outing (online shopping can be very effective, but it is not an outing). Shopping has elements of an aesthetic experience, not so unlike going to a museum. I am a museum-goer too, and while I do not equate the experiences, there is overlap. In addition to visual displays and craft (by hand or manufacture), the commonalities between shopping emporia and museums include walking around, looking at objects and settings, and having a response (emotional, cognitive) to things one does not own. With both, one can indulge in a kind of vicarious ownership, enjoying the art in museums as much as if it were in one's living room, and in stores you can literally try things on, touch them, or see how they work.

Although shopping may put one at risk for unwise spending, the shopping experience itself is free. As a frugal sort, if I wind up buying nothing, I am at least pleased that I did not spend money. It is easy to be a disciplined shopper when there is little that I need or want. The closets, the drawers, and the cupboards are full. I welcome requests from my children to shop for what they need, given that I need little for myself. I have occasionally fallen prey to the curse of the bargain hunter, which is buying a "steal" that I do not wind up using, but at least I did not spend a lot for it.

Now about that closet. A wardrobe is a little like a garden. We plant and we prune, and the array changes with the seasons. We cultivate our wardrobe so as to have the types of items we need for the occasions and the weather of our life space. Getting dressed, then, becomes a kind of floral arrangement.

9.5 Conclusion: Lessons Learned about Money, Possessions, and Happiness

If I try to pull together the various pointers and insights that emerge from the research for achieving happiness and well-being with respect to money and possessions, what is the composite? Let us say, I (or substitute another pronoun) were to follow what I learned. What would such a person be like?

I would not be overly driven to acquire money. Once a comfortable threshold has been reached, additional income will contribute little to my life satisfaction (in 2010, this was approximately US$ 75,000 (Kahneman and Deaton 2010)). Therefore, I would not sacrifice time, relationships, or intrinsic pursuits in order to acquire more money. I would be frugal, cautious about spending money, and take good care of the possessions I have. I would avoid debt, impulse buying, and over-accumulation of unneeded "stuff."

How would I spend my money? I would be especially open to spending on experiences that will enrich my life, that can be shared with others, and that will leave me with fond memories. I would cultivate the side of me that enjoys giving to others ("my treat," or "come for dinner," or "happy birthday"). I would make plans for future enjoyments: knowing that I will be going to see a show, or to a vacation spot, I can savor in advance what the event will bring. I will get more happiness per dollar by spending money on small purchases spread over a long time than on the one big bang purchase that I am likely to take for granted or tire of before long.

A guiding principle will be to spend for intrinsic reasons. What will be uppermost in mind is how expenditures will support my personal growth and relationships, my interests and likes. I would do well to avoid spending in order to impress others, likely a sign of insecurity. Yet, I am mindful that money and status, even if they do not bring happiness, can shield me from the stresses that come from the lack of economic and social standing. Too often, it seems, extrinsic needs take precedence. It is as if inner needs whisper and outer needs shout (Maslow 1962/1965). I should take care not to let extrinsic needs overshadow the intrinsic.

I would be wary of my materialistic tendencies and question my motives for spending—intrinsic and/or extrinsic? How much am I being influenced in my purchases by how I imagine other people will regard me? I would draw a line at spending more than I would like to just to impress others or avoid embarrassment. The research on materialism is consistent: holding material values (and extrinsic values in general) is associated with lower well-being. To put it another way, less materialistic people are happier. Thus, I would not work long hours to buy expensive goods while neglecting relationships. I would resist conforming to consumer trends and support others in their autonomy.

There are of course also positives in the material world. Beyond the obvious benefits we get from the utility, technology, aesthetics, and convenience of our possessions, we get psychological benefits as well. I can attune myself to noticing my emotional responses to the objects around me. There are possessions that are like "old friends" and connect me to former times; possessions that are comforting; some that have great sentiment attached, remind me of loved ones or have a spiritual quality; some that are like companions, a camera maybe, or a smartphone; and some that express my social roles (my "professor" wardrobe is selected to be casual enough to make students feel comfortable but formal enough to communicate that this is serious business). I would value possessions for their personal and private meanings more than for their expense and public display. In order to extend the pleasure I get from my possessions, I would stay mindful of the experiential aspects of the objects I use (that I play, or drive, or cook with) and I would appreciate the beauty in my environment.

I would hope to be a knowledgeable shopper, wise in the ways of the marketplace, but able to separate myself from its pressures, both subtle and not so subtle. I would hope to get beyond anxieties about money so that money and possessions weigh lightly upon me and I am free from anxiety, avidity, or obsession.

I do not know if my learning process has tempered my materialistic leanings, but I am certainly more self-aware as a result. I enjoy watching the process in action, whether it is spending on experiences, being tempted to buy on impulse, deciding if a wine is good enough (expensive enough) to bring to a friend's house, buying small treats, debating how much to pay for something, and so on. I like feeling knowledgeable, and in the end, I am enjoying the place of consumption in my life.

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Index

A
Adaptation, 32, 33, 51, 180
Advertising, 149, 169
Affective endowments, 33
AIBO robotic dogs, 66
Ambiguity and memory, 57
Anthropomorphize objects, 63
Anticipating pleasure, 25, 27, 179
Appreciation, 33
Arab spring, 157
Art, 186
Attention, 33
Attitude toward debt, 86

B
Bargains, 22, 27, 79
Belongingness, 65, 92
Bereaved, 68
Bhutan, 167
Big Five, 82, 91, 100
Big spenders, 76, 79, 175
Buyer's remorse, 17, 52

C
Cantril Self-Anchoring Striving Scale, 157
Capital Economics, 135
Capitalism, 150
Carbon emissions, 131
Carbon intensity, 132, 142
Climate change, 129, 154, 159, 162
Close relationships, 28
Clothes shopping, 188
Collectivism, 123
Collectivist societies, 122
Collectors, 33, 65
Commercial friendships, 65
Common good, 19, 166
Comparative information, 54
Comparing cultures, 118
Comparisons, making of, 32, 54, 60, 178
Compensatory consumption, 64, 65
Compulsive buying, 81, 87
Consumer classification, 76
Consumer culture, 1, 176
Consumerism, 2, 7, 8, 36, 149, 187
Consumer-object relationships, 63, 67
Consumer taxonomy, 5, 82
Consumer types, 5, 76, 98, 102, 175
Consumption communities, 69
Consumption loss, 135
Counterfactual thinking, 34
Credit cards, 23, 83, 90, 102, 104
cross-culture comparisons, 6, 110, 119
Cultural context, 115
Cultural differences, 94, 119, 122

D
Dashboard of indicators, 160, 170
Deactivation, 64
Debt, 23–25, 77, 80–83, 104, 177
Debt repudiation, 157
Decision making, 26, 54, 163
Deficiency motives, 184
Delay gratification, 26, 87, 179, 184
Depression, 66, 68
Deprivation, 92, 103, 148, 184
Display of wealth and success, 95, 123, 148, 181

E
East Asian culture, 119
Ecological economics, 171
Economic well-being, 7, 155, 172
Ecosystem services, 7, 154, 155, 161–165
Effort and wealth, 116
Energy use, 130, 133, 137–138, 149, 164, 166, 171
Enjoyment, 31, 34–36, 52, 166
Environmental well-being, 7

M. Tatzel (ed.), *Consumption and Well-Being in the Material World*,
DOI 10.1007/978-94-007-7368-4,

Evolutionary perspective, 70
Experiencers, 33, 76, 82, 85, 102, 175
Experiential memory, 58
Experiential purchases, 4, 31, 50–59, 79, 81, 178, 179, 184, 187
Extrinsic motives and goals, 2, 5, 8, 28, 29, 91–93, 77, 98, 101, 103, 119, 178, 180, 184, 189

F
Financial aspirations, 16, 25, 98
Financial management, 81
Financing, 23
Flourishing, 149
Flow, 98
Focusing, 34
Folk theories of the good life, 110, 115, 120
  role of age in, 117
Forecasting errors, 17
Frugality, 5, 19, 27, 28, 77, 82–104, 177
Frugal shoppers, 24–28

G
Generalized other, 121
Generosity, 30, 59, 179
Genuine progress indicators, 167–169
Gini co-efficient, 147
Global financial crisis, 118
Global settlement, 132
Global warming, 6
Good life, 6, 80, 109–121
Gratitude, 33
Great Depression, 154, 170, 172
Great recession, 172
Green GDP, 170
Greenhouse gas intensity, 130, 131
Gross Domestic Product (GDP), 7, 15, 132, 153–161
Gross National Happiness (GNH), 167
Gross National Product, 154
Growth motives, 29, 91, 92, 98, 103, 184
Gund Institute of Ecological Economics, 170

H
Habituation, 92, 183
Happiness, 3, 4, 16, 20–26, 37, 49, 93, 97–103, 98, 112–120, 176, 186
Happy people, 31, 183
Hedonic adaptation, 17, 30, 35, 187
Hedonic return, 51
Hedonic treadmill, 18, 78, 92, 187
Helping others, 30
Hurricane Katrina, 156
Hyperopia, 19, 80, 180

I
Identity, 56, 57, 94–97
Impression management, 122
Impulsive buying, 26, 82, 87, 180
Income redistribution, 129
Independent self-construal, 95, 101
Indicators, economic, 153, 166
Individualist societies, 122
Inequality, 130, 138, 147, 158
Inflation, 157
Infrastructure, 130, 132–135, 149, 156
Integrated Science Model, 133
Interdependent self-construal, 94–97, 101
Intergovernmental Panel on Climate Change (IPCC), 133
International Energy Authority (IEA), 133
Interpersonal relationships, 98, 183
Intersubjective culture, 120
Intrinsic, motives and goals, 2, 5, 8, 28, 29, 91–93, 97, 98, 101, 103, 119, 178, 180, 189
Involvement, consumer, 66, 188

K
Kindness, 30

L
Leisure, 7, 8, 130, 146–149
Life satisfaction, 36, 148, 165
Loneliness, 4, 64
Love, 65
Loved possessions, 63, 186
Luxury consumption, 18, 22, 33, 65, 80, 123

M
Marriage, 122
Materialism, 1, 6, 8, 16, 18, 76, 78, 95, 118, 175, 178
Materialism and culture, 6, 118, 122
Materialism and relationships, 183, 184
Materialism and well-being, 1, 5, 16, 78, 99, 119, 183
Materialism in Collectivist societies, 123
Material possession attachments, 68
Material purchases, 50, 118
Material success, 110, 118–121, 184
Material success in theories of the good life, 121
Maximizing strategy, 54
Meaning in life, 16, 19, 112–118, 149, 184
Memories, 32, 55–58, 178
Minimizing negative affect, 20
Missed opportunities, 52
Money, 14, 16, 49, 55, 77, 98, 109, 112, 115, 176, 184

Money and happiness, 2–4, 13–20, 49, 98, 112, 177
Money attitudes, 77
Money conservation, 76, 82, 175
Money worlds, 75, 102
Motivation, 5, 8, 64, 91, 97, 101, 178

N
Natural capital, 155
Negative well-being, 66
New economics foundation, 133
Non-spenders, 76, 80, 102, 175
Norms, 122, 149, 165
Nostalgia, 56
Nostalgic products, 65
Nurturing, 67, 184

O
Object love, 186
Obsessions, 68, 69
Organisation for Economic Co-operation and Development (OECD), 133
Outcomes-based budgeting, 171
Overconsumption, 13, 176
Oxytocin, 66

P
Para-relationships, 65
Parent-child relationship, 184
Physical well-being, 63
Physiological outcomes, 66
Pollution, 170
Positive psychology, 2, 97, 176
Possession love, 64, 186
Possessions, 4, 16, 31, 56, 63, 78, 118, 176, 185, 186
Potsdam Institute for Climate Impact Research, 132
Potsdam model, 135
Poverty, 114, 154
Price consciousness, 85, 177
Price expert (maven), 79, 104
Price-Quality schema, 85
Productivity, 130
Prosocial behavior, 30
Protestant work ethic, 115
psychological, Needs, 2, 21, 28, 32, 91, 98, 109, 119, 180
Public policy, 129

Q
Quality of life, 36, 66, 98, 113, 160

R
Redistribution, 129, 137
Regret, 52
Relative income, 148
Reminiscence, 33
Robot companion dogs, 66

S
Satisfaction with life scale, 99
Satisficing strategy, 54
Savings, 24, 89, 134
Savoring, 34, 179
Scaffolding, 68
Security, 149, 161, 177, 185
Security needs, 92
Self, 56–60, 94, 97, 121, 178, 185
Self-actualization, 91, 98
Self-concept, 57, 58, 94
Self-construal, 5, 94, 102, 111
Self-control, 26, 27, 35
Self-determination theory, 181
Self-esteem, 30, 92
Self-image, 57
Self-presentation, 78
Self-regulation, 27
Semantic memory, 56
Shared self, 69
Sharing, 30
Shoppers, 23, 27, 177, 188
Shopping, 21, 25, 28, 31, 78, 187
Social bonds, 69
Social capital, 58
Social comparisons, 29, 55
Social connectedness, 58, 60, 64, 69, 165
Social Connectedness Scale, 59
Social deficit, 69
Social hierarchy, 123
Social influence, 29
Social isolation, 64, 66, 165
Socializing, 184
Social judgment paradigm, 111
Social status, 65, 78
Spare capacity, 134
Spendthrifts, 27
Status, 148, 178, 181
Status and happiness, 182
Status-seeking, 181
Stiglitz commission, 160
Subjective well-being, 99, 112
Sustainability, 37, 149
Sustainable well-being, 154, 173

T
Technology, 130, 150
Thrift, 3, 13, 18, 35
Thriving, 157

Tightwadism, 19
Tightwads, 27
Transitional object, 185
Treats, 180
Trickle Down, 15

U
Utilitarian purchase, 22

V
Vacations, 27, 32, 50
Value seeker, 76, 79, 175, 188
Variety, 32, 181
Voluntary simplicity, 19

W
Wealth, 16, 92, 109, 112, 113, 115, 121, 154, 171, 183
Wealth and the good life, 117
Well-being, 4, 5, 14, 66, 78, 93, 97, 98, 110, 122, 129, 153, 176, 180
Working week, 129, 137
World Top Incomes Database, 141, 145