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One More Time, Does Money Buy Happiness?

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Abstract
This paper integrates multiple positions on the relationship between money and well-being, commonly referred to as happiness. An aggregation of prior work appears to suggest that money does buy happiness, but not directly. Although many personal and situational characteristics do influence the relationship between money and happiness, most are moderating factors, which would not necessarily rule out a direct link. Here, we discuss the cognitive and affective elements within the formation of happiness, which we propose play a series of mediating roles, first cognition, then affect, between money and happiness. The paper concludes with a discussion about how this proposal influences academic research and society as a whole.

Keywords Happiness · Income · Subjective well-being

Introduction

One More Time: Does Money Buy Happiness?

The connection between income and happiness is an issue that has interested researchers from various disciplines and perspectives. While the statistical relationship between higher income and greater happiness has been widely reported[1] and well-established,[2] its significance finds wide interpretation and differing

[1] "As far as I am aware, in every representative national survey ever done a significant positive bivariate relationship between happiness and income has been found." (Easterlin 2001, 468). Easterlin supports this assertion with references to Andrews 1996, xi; Argyle 1999, 356–57; and Diener 1984, 553.
[2] A simple correlation of 0.2 is an oft-cited benchmark (cf. Easterlin 2001, who labels it "highly significant"). At the same time, many researchers qualify the relationship, saying that income ultimately explains relatively little of the variance in self-reports of happiness: e.g., Ahuvia (2017, 18) generalizes that "typically studies in developed economies indicate that income explains only about 3% of the difference in happiness." Some twenty years prior to Ahuvia's assessment, Frank (1997) offered a similar conclusion: the relationship between income and happiness is closer at lower levels of income than

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conclusions. The provocative question underlying much of this research is: Does money buy happiness?

There is no single or even simple answer: "The topic has been addressed in a vast and inconclusive research literature" … "[n]o single article can settle this complex question definitely" (Kahneman & Deaton, 2010, p. 16,389, p.16489). Over time, the happiness/income research has progressed through a series of stages in which the prevailing focus has shifted. Early research was characterized with simply demonstrating the existence of a relationship between money and happiness, as well as attempts to explain why happiness appeared to rise steadily at lower incomes but plateau at higher incomes, an effect called the Easterlin Paradox. Later, the field established that the development of happiness occurred along multiple dimensions. For example, one stream of research showed that happiness can manifest as either an emotional response or as a cognitive evaluation. Other work established that happiness is not only about money. In fact, factors collectively called life-events may have a greater and more permanent effect on happiness.

With such a vast research stream established, just trying to synthesize such a body of work is an ambitious undertaking, never mind attempting to make a contribution. This paper does both, but with a very specific, and we feel, manageable, focus. Although the discussion that follows will touch upon the Easterlin Paradox, the distinction between money and life-events, as well as the emotional versus cognitive dimension, it is all to create context. The paper deals with the pecuniary domain and offers propositions related to experienced well-being, or the emotional side of happiness.

Taken together, a relatively recent trio of articles give a good snapshot of where the income/happiness research is today. Kahneman and Deaton (2010) advanced an important clarification within the scholarly debate over income and happiness: the distinction between emotional well-being (a proxy for happiness) and life evaluation (a more expansive cognitive measure of subjective well-being). By separating the emotional and cognitive dimensions, they concluded that happiness (the emotionally derived version of well-being) increases with income, but only up to a point: "the effects of income satiate fully at an annual income of ~ $75,000" (p.16490). Income's influence on life satisfaction (the cognitive dimension), on the other hand, persists beyond this income limit: "When plotted against log income, life evaluation rises steadily" (p.16489). They demonstrated what appeared to be support for the income/happiness plateau, but with a new and significant boundary condition: the plateau existed for emotional well-being but not for cognitive well-being.

Footnote 2 (continued)
for middle- or upper-income households, where "variations in income explain less than 2% of variations in reported satisfaction levels" (citing Diener and Diener 1995 on 1835). Diener and Biswas-Diener (2002, 123) summarize over a dozen correlations between income and subjective well-being, most ranging between 0.15 and 0.25. Kahneman and Deaton (2010) recommend that efforts to estimate the relationship between that subjective well-being and income should rely on a logarithmic transformation of income, providing a rationale based on Weber's Law, having to do with the perception of change reflecting the percentage change and not the absolute change.

The contributions of this "single article" were widely cited and appreciated, but in 2021 another respected scholar in the field, Matthew Killingsworth, published a study with a competing conclusion. Killingsworth (2021) used a smartphone app to capture in-the-moment reports of well-being, as well as reflective evaluations. The data set was large by any comparison ("1,725,994 experience-sampling reports from 33,391 employed US adults"). His central finding is stated in the article's title: "Experienced well-being rises with income, even about $75,000." Killingsworth suggested that many prior studies make a fundamental mistake by intending to measure experienced well-being, the emotional in-the-moment state, but actually measured a cognitive appraisal. The error is made by asking subjects to report on well-being from a moment that is not the present one. The smartphone app data collection method allowed for real time measurement, the result was no plateau for either emotional or cognitive measures of well-being.

Killingsworth and Kahneman (in 2023, together with Barbara Mellers) then conducted an 'adversarial collaboration' on a third study to reconcile the contradictory findings. The different findings are rectified if particular subgroup analyses are conducted (e.g., distinguishing between dispositional happiness/unhappiness among respondents in the sample) and if systematic differences in the happiness distribution that occur as income varies are incorporated into the analysis. In general, the authors conclude that these technical issues likely resulted in Kahneman and Deaton previously overstating the "flattening pattern" and Killingsworth failing to tease it out. Or, as Killingworth has pithily put it, "If you're rich and miserable, money won't help" ("Actually, it is nice to be rich," 2023, 33). This collaboration thus reminded us that personal disposition still matters, and that measurement matters a lot (continuous versus dichotomous variables, and measuring happiness versus unhappiness). Beyond the methodological implications, this third study illustrates the continued focus on both the cognitive and affective dimensions within well-being.

The Future of Applied Research on Income and Happiness: What's Past is Prologue

Sustained social scientific research into the relationship between money and happiness now extends well beyond 50 years and reaches into a wide range of disciplines. Throughout this process findings have accumulated and research into both the determinants and measures of quality of life have broadened, the once simple question – Does money buy happiness? – has given way to more complex and qualified research questions. Applied research findings may similarly emerge on ground that has appreciably narrowed and thus no longer directly answer the question of whether money can indeed buy happiness.

Happiness, for example, is obviously a subject that most people have an intuitive understanding of and one that they can relate to their own life and circumstances. Most, one suspects, are engaged in their own personal or familial pursuit of happiness. At the same time, however, the surplus meaning that attaches to happiness (and money, too, for that matter) can thwart the kind of measurement and analysis that would in turn allow for a satisfying and valid answer to the original question.

This paper recognizes that research on the connection between money and happiness, which now spans two centuries, has become interdisciplinary. It also appreciates that, at times, different disciplines have applied different theoretical perspectives and asked somewhat different research questions when seeking to unravel the causal linkages between money and happiness and conceptualizing and measuring the outcomes of interest. In the process, however, the power of that original question – Does money buy happiness? – can be diluted or even eclipsed by others that are more theoretically precise and methodologically tractable.

We value this interdisciplinary focus and the broad range of applied research findings it has generated. But the more narrow purpose of this article is to harness this interdisciplinary research through a relatively concise summary and evaluation and in a way that also us to return the underlying question of when, where, and how does money buy happiness. In so doing, we seek to outline how further applied research can advance and what implications those advances might have for practice and quality of life (QOL) concerns.

The Economics of Happiness

Does *Money* Buy Happiness?

The question implies the possibility, if not precisely the likelihood, that money plays an instrumental role in the pursuit of happiness. Moreover, this gives rise to a series of related questions about "how"? Not surprisingly, as the question gets viewed through a range of disciplinary lens[3] – reflecting different research orientations and applied methodologies – common ground shrinks appreciably, and the controversy intensifies.

Economists have long considered the relationship between income and choice, variously examining how the individual or household decides to allocate income between spending and saving or, given most consumers' predictable propensity to consume, how that income gets spent in a way that reveals preferences according to a presumed utility-maximizing calculus.

Homo economicus rationally inclines toward more and more: more income, more consumption, more utility, which has characteristically been tied to pleasure and human happiness. This outcome follows antecedent assumptions rather than reliance

[3] This literature review reflects the authors' point-of-view that in answering the question of "how" money buys happiness economists have offered the highest-level, abstract answer (i.e., through a process of utility-maximization); psychologists and researchers into subjective well-being have sought a more precise accounting of what money buys vis-à-vis individual dispositions (e.g., personality) and motivations (e.g., materialism) as well as cultural or national determinants (e.g., individualism versus collectivism); and marketers and consumer researchers have inquired in the most detailed way as to how money delivers particular experiences and effects throughout the continuum of pre-purchase processes, the experience of consumption and post-purchase satisfaction.

on what people say about their material circumstances or emotional states. More is preferred to less, and money reliably purchases more.[4]

Easterlin's Evolving "Yes"

Among economists, Richard Easterlin is the figure most closely identified with the research question we are reconsidering: Does money buy happiness? Easterlin offered in his 1973 article: "In all societies, more money for the individual typically means more individual happiness" (4). And even more emphatically, later in that same piece: "Does greater happiness go with higher income? The answer is, quite clearly, yes" (6).

At the same time, Easterlin (1973, 7), as he summarizes the empirical evidence, is attuned to certain paradoxes attendant to the income-happiness relationship, stating, for example, "Richer countries are not typically happier than poorer ones."[5] The core paradox, which carries his name, reduces to something like this: despite the happiness-income relationship estimated in cross-sectional research, increases in income that typically occur over time, both individually and collectively, often do not reliably result in the proportionate or expected increases in happiness. To explain these paradoxes, Easterlin evolved from a narrowly conceived economic analysis to apply psychological and social considerations that broaden the assumptions that typically inform our standard theories of economic well-being (Suranyi-Unger, 1981).

Psychological Aspects: Comparisons and Adaptations

Easterlin (2003) went beyond the money/happiness frame to include life-events (e.g., changes in health) and family circumstances (e.g., divorce). This approach reinforced that the field now sees a pecuniary domain (money) and a non-pecuniary domain (life events) as real and different, with both contributing to well-being. The paper also concluded that each domain may experience different influential factors (hedonic adaptation and social comparison don't happen much with life events, thus the Easterlin paradox is mainly found in the pecuniary domain).

Finally, in the paper Easterlin discussed, paradoxical on its own level, that people underestimate the influence or existence of hedonic adaptation and social

[4] Happiness data are a relative late-comers to economic analyses of this sort: "[T]he approach departs from a long tradition in economics that shies away from using what people say about their feelings. Instead, economists have built their trade by analyzing what people do and, from these observations and some theoretical assumptions about the structure of welfare, deducing the implied changes in happiness" (Di Tella and MacCulloch 2006, 43). Kahneman and Krueger (2006, 3) express a similar opinion: "[E] conomists have had a long-standing preference for studying peoples' revealed preferences; that is, looking at individuals' actual choices and decisions rather than their stated intentions or subjective reports of likes and dislikes.".

[5] An assertion strenuously challenged by Diener and Oishi 2000 and more modestly objected to by Frank (1997, 1820), who interprets the data to say that there "is only slight evidence … that greater economic prosperity leads to more well-being in a nation.".

comparison (and thus chase money but with low returns on well-being). Essentially people don't realize that money has diminishing returns to happiness, yet continue to devote more and more resources towards its attainment. Not only is 'money isn't everything', but in fact it doesn't even give a consistent return. People may be happier focusing on life-event factors, but paradoxically do not. When asked what factors they attribute personal happiness to, people consistently and overwhelmingly say money. Easterlin (2001) finds that when asked upon what their happiness depends, people will reliably (i.e., three out of four) cite material circumstances. Family concerns are a distant second.

Overall assessments and evaluative appraisals of this research on both income as a determinant of happiness and income nested within a broader set of social indicators of subjective well-being (SWB) typically warn that the role of income is relatively limited (e.g., Cummins, 2000; Diener & Biswas-Diener, 2002; Muresan et al., 2020). We will consider these reservations in greater detail in the next section of this article.

Happiness and Subjective Well-Being

Does Money Buy *Happiness*?

Psychologists and other social scientists have, in explicating the link between money and happiness, widened the scope of their inquiry, often constructing categories, frameworks, or models that typically subsume income and happiness into broader categories such as values, cultural norms, social support, and, at a more individualized level, personality (Diener, 2012). As happiness gets eclipsed by subjective well-being, so too can income get crowded out by a more extensive set of determinants – which may consist of objective and subjective measures that variously tap cognitive as well as affective traits. Now, with more studies considering a broader range of factors related to SWB and with many of these constructs more precisely defined, some of these studies on the quality of life allow for the possibility that more is not necessarily more and may, in some instances, be less[6] – at least as it relates to income and, more generally, wealth.

Thus, in the literature on subjective well-being (Diener et al., 1999), happiness is conceptualized as largely positive feelings, which typically correlate with income, but also with a range of other variables, which can include verbal expressions of

[6] Cummins (2000), in his review of personal income and subjective well-being, constructs a couple of straw men that reflect his estimation of how researchers into quality of life may view income ambivalently. At the outset of the review article, his abstract announces, "Conventional wisdom holds that money has little relevance to happiness." Later in the same review article, he identifies a bias "that can quite commonly be found within the QOL literature" (p. 139) that the rich are not as satisfied with their lot as commonly imagined. Chambers (1997) provides him with a suitable proof text in which "the link between wealth and well-being is weak or even negative" and therefore, "amassing wealth does not assure well-being and may diminish it" (at 1728 in Chambers). Cummins himself disavows this disciplinary tendency, ultimately labeling it "fanciful.".

positive emotions, sleep quality, the happiness of close relatives, self-reported health, religiosity and even frequency and authenticity of smiling (Kahneman & Krueger, 2006, Layard, 2006 and Frey & Stutzer, 2002).

A Measure of Happiness: Happiness and its Connection with Subjective Well-being

In most of these conceptualizations, happiness is but a component of the larger construct of subjective well-being.[7] This SWB construct typically integrates affective or cognitive components but can also point beyond to more integrative and evaluative notions of life satisfaction. Similarly, happiness itself can also be subject to more precise specification. Drawing on the legacy of Bradburn (1969) and Bradburn and Caplovitz (1965), researchers will sometimes conceptualize happiness as a complex emotion that balances or compares positive and negative affect (cf. Diener, 1984; Kahneman & Krueger, 2006). Insofar as happiness might be decomposed into negative and positive aspects, and insofar as those measures of affect demonstrate some significant degree of independence, researchers might isolate the impact of income in more precise or differential ways. For example, Diener et al., (2010, 56) report zero-order correlations between the log of household income and positive and negative feelings at 0.17 and -0.09, respectively. The correlation between positive and negative feelings is -0.38.

As measures of subjective well-being and concepts of life satisfaction become defined, elaborated, and operationalized, similar refinements attach to them – variously described as "types of well-being" (Diener et al., 2010)[8] or "components of subjective well-being" (Diener et al., 1999).[9] Distinctions are made between different types of emotion, such as pleasant and unpleasant affect, as well as between more general measures of life satisfaction and more tightly specified domains of satisfaction that revolve around work, family, health, and finances (Pearlin & Schooler, 1978).

Income, Financial Satisfaction, and Life Satisfaction

These avenues of analysis and inquiry lend additional tractability to our more general question of whether money can buy happiness and what type or aspect of happiness is subject to purchase. For example, is there the prospect that more money

[7] When it comes to terms like subjective well-being, life satisfaction, and happiness, there is some variation in the precision of the terminology. Thus, Kahneman and Krueger (2006) use life satisfaction and happiness as roughly synonymous in discussing the measurement of well-being and in emphasizing the measurement of emotional states. On the other hand, Diener may commonly use the term happiness as a convenient and widely used construct but will employ more precision in measuring or analyzing "types of well-being.".

[8] E.g., basic needs met, psychological needs met, and satisfaction with living standards in Diener, Ng, Harter and Arora (2010, 56).

[9] E.g., pleasant affect, unpleasant affect, life satisfaction, and domain satisfaction in Diener, Suh, Lucas and Smith (1999, 277).

buys more luxury goods, which then generate positive feelings, or might it be that less money brings the strain of unpaid bills that creates worry and stress (i.e., negative feelings)? More money can also contribute to a positive assessment that one's life successfully measures up to societal aspirations or referent group norms – a determination made somewhat independently of strictly emotional responses. Such self-appraisals may be a constituent element that provides a basis for significant life satisfaction or, more narrowly, a dimension or domain of life satisfaction, such as financial satisfaction. By making distinctions of this sort, Diener et al., (2010, 52) report finding that "(i)ncome was a moderate predictor of life evaluation but a weaker predictor of positive and negative feelings." The implication drawn in this study is that income relates separately to distinct types or components of well-being. In explaining this particular outcome of income, Diener et al. focus on measurement issues: "In past studies, measures might have been used that were about feelings or that mixed feelings and judgments (e.g., reports of happiness)."

These theoretical or measurement considerations can help us unravel uncertain or paradoxical results, but they can also serve as stimuli for more precise theorizing and new research directions. For example, Diener and Biswas-Diener (2002) observe that financial satisfaction and income correlate across different national samples at approximately 0.25, substantially higher than the 0.13 correlation they report between life satisfaction and income. They explain the result this way:

> This finding makes sense because life satisfaction can be influenced by many important factors that are relatively unrelated to income, whereas financial satisfaction should have income as a major input. This pattern suggests the possibility that financial satisfaction is closer in the causal chain to life satisfaction than is income. (Diener & Biswas-Diener, 2002, 130)

These insights provide greater clarity in our attempts to understand, model, and measure how income contributes to self-reported happiness. For example, one might extend the reasoning of Diener and Biswas-Diener to propose and test a causal path with income contributing to financial satisfaction, which directly affects self-reported happiness. To press this approach further, one could seek to step "closer in the causal chain" between income and financial satisfaction by examining the success (or failure) households have in managing their income in relation to household spending requirements (i.e., financial strain) and then the emotional or affective response to those conditions of budgetary pressures (i.e., financial stress). Mureșan et al. (2021) apply these sorts of conceptual distinctions and then also develop a causal model in which income and financial satisfaction are the hypothesized determinants of happiness, thereby specifying intervening links in the causal chain.

In other words, the economists are correct in their conception of the household facing a more or less continuous *problem*: allocating its scarce financial resources in beneficial ways. However, we submit that different households have differing degrees of success in coping with the enduring challenge of living within their budgetary constraint. All things equal, more income may facilitate constructing a rewarding and meaningful material lifestyle (which can also support non-material aspirations), but the antecedents and consequences of financial strain and stress are not well-understood, and their distribution across different incomes levels provide us with research questions relatively unexplored in attempts to explain the relationship between income self-reported happiness. We find an example of this approach in a study by Brzozowski and Spotton Visano (2020), in which they consider whether financial stress moderated or mediated the relationship between income and life satisfaction. A sample of Canadian households found that while financial stress and dissatisfaction were tightly linked, absolute income levels only "modestly and inconsistently" affect financial stress. These findings are suggestive and point to new avenues of research on the income-happiness relationship.

Happiness and Consumption

Does Money *Buy* Happiness?

Marketers and consumer researchers are routinely interested in what money potentially buys, and presumably this includes happiness. However, the marketer's analytic focus tends to be tight, taken up against a backdrop of shopping or other transactional activity in which a choice is made among a set of comparable alternatives. Thus, marketers and other social scientists taking up individual purchase decisions (and, much less often, their household equivalent) in this consumption role are less likely to focus on spending versus saving or on how spending might be allocated across a range of categories such as housing, food, clothing, and health and more likely to seek specification of the determinants for this or that purchase, itself an example of purposive problem solving or an expression of lifestyle preference.

Locating Happiness along the Consumer Journey

Methodologically, the economist's analytic apparatus seeks to explain the outcome of choice; itself assumed to be a utility-maximizing exercise in the pursuit of happiness. In contrast, the consumer researcher is more likely to attend to the pre-purchase processes that culminate in choice. The outcomes of purchase and consumption are hardly matters of relative indifference for those with a marketing orientation. However, the assumption that choices drive a presumably utility-maximizing outcome more typically gives way to research questions about the variability of outcomes and the extent to which purchase expectations are disappointed, fulfilled, or exceeded. These outcomes, frequently framed in terms of post-purchase satisfaction/dissatisfaction, are conceptualized and measured in ways that reflect consumption's functional and emotional benefits. The former reflects more cognitive dimensions, while the latter has more to do with affective reactions. Thus, viewed through a marketing lens, happiness with a monetary purchase may be most closely associated with a post-purchase state or emotion. However, the total consumer experience or customer journey is increasingly the target of marketing management design, which assumes that happiness is a time-conditioned process and that its ultimate realization is a mix of pre-purchase, consumption, and post-purchase processes.

Ahuvia (2017), for example, observes that the emotional aspects connected with purchase and consumption are typically spooled out sequentially as we anticipate a future purchase, consume the product or service in the present moment, and then recall or re-live this past episode. Dunn and Weidman (2015) delineate a similar progression of consumption-related experience with their identification of the *anticipatory value* of future product use, the *momentary value* while consuming the product, and then the *afterglow value* from the memories of the experience. In general, consumer research into post-purchase satisfaction and its antecedent consumption experiences often hypothesizes that this connection between spending and its emotional payoff is uncertain and variable. Whether or not money buys happiness, therefore, becomes contingent on the kind or type of spending undertaken.[10]

Retrospective measurement of happiness will not "necessarily correspond" with the experience of happiness in the moment (Jarden, 2011).

Consumer skill and its Impact on Happiness

Consumption is a learned skill. This assertion s a valuable historical insight developed by economists and historians alike (Dreilinger, 2021; Scitovsky, 1976). Once the preserve of the rich or aristocracy and sometimes protected by sumptuary laws, consumption was restricted in many areas (e.g., art, literature, music, and other significant types of cultural consumption).

However, as mass production, marketing, and consumption has scaled and diffused across all segments of society, consumption has become the linchpin in our material lifestyles and very much the norm. Yet, from the perspective of some critics (Fussell, 1983; Goffman, 1951; Scitovsky, 1976,), cultivated tastes and consumption skills for broad swathes of the populace have remained stubbornly banal and pedestrian, and the consumption experience less than satisfying, invoking analogies to a hedonic treadmill.[11]

The Household as the Context for Consumption and the Occasion for Happiness

Home economists and others working in the fields of family and consumer science apply a similar perspective but a different emphasis on the management of both household production and consumption that give rise to a range of domestic activities that extend to such activities as child rearing, home maintenance, and improvement, and financial budgeting and planning. These are typically time-consuming activities, often with poor or expensive market substitutes, and inevitably require a mixture of knowledge, skill, time, and experience. The financial piece of household management is, in particular, an aspect that is challenging for individuals and families at all income levels, complicated by transitions through different stages of

[10] Dunn et al. (2011) stake out this position with their article's title "If money doesn't make you happy, then you probably aren't spending it right.".

[11] Thus, Scitovsky's title, *The Joyless Economy*.

the life cycle (e.g., marriage, family formation, education, and retirement), the likely necessity of smoothing expenditures in the face a variable income stream, and the possibility of illness, unemployment and other potentially high-stress producing life-events can exact a significant toll on both emotional and financial stability. Brzozowski and Spotton Visano's (2020) empirical investigation into the relationship at work among income, financial stress, and life satisfaction provided them with the basis to identify a need for more research on the role of financial literacy in ameliorating financial stress and improving life satisfaction.

Happiness Across Cultures

Does Money buy Happiness among Different Countries (and over time)?

Research studies and their corresponding conclusions about the nature and persistence of the money-happiness relationship across different nations and at different times are challenging in their conception, difficult to execute, and also to review and summarize. The data sets may be more difficult to collect or manage; they may need more standardized measures or common conceptualizations; consequently, methodological and interpretive results cast a larger shadow that often resists tidy summaries. Moreover, even money income and self-reported happiness are concepts with surplus meaning, making conceptualization, measurement, and interpretation difficult. At the same time, these intuitive ideas of money and happiness invite comparisons to related concerns like well-being, financial satisfaction, and life satisfaction.

Statistical Evidence

Still, the core relationship between money and happiness can be expressed as a visual or statistical snapshot of a bivariate relationship across different countries (see Fig. 1). That scatterplot clarifies that the two measures are similarly related across different national and cultural contexts.

This first figure, from Diener and Seligman (2004), describes a curvilinear relationship between income and life satisfaction across nearly 70 countries. The pattern suggests a diminishing return on happiness (or life satisfaction) with higher income, a finding the authors judge consistent with Frey and Stutzer (2002) and is also replicated in an analysis of 26 European countries over the period of 2008–2016 by Muresan et al. (2020).

The second figure, from Diener (2012), uses similar data but with a much larger sample that extends to over 150 nations. The same life satisfaction measure is now regressed on the log of household income. This transformation reveals a strong statistical correlation between the two across different countries (Fig. 2).

Inglehart and Klingemann (2000) find evidence in their international study that wealthier societies are, on average, happier. Instead of relying on individual-level analysis, they provide aggregate or mean statistics, comparing mean income per person to the relative share of the population reporting above neutral on a life

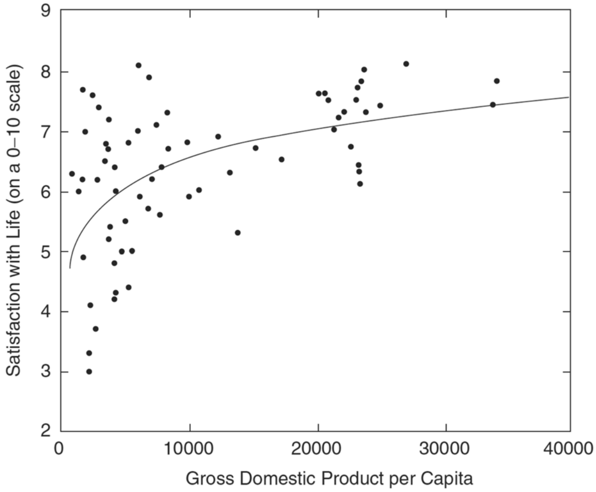

Fig. 1 The income and life satisfaction curvilinear relationship (Diener & Seligman, 2004)

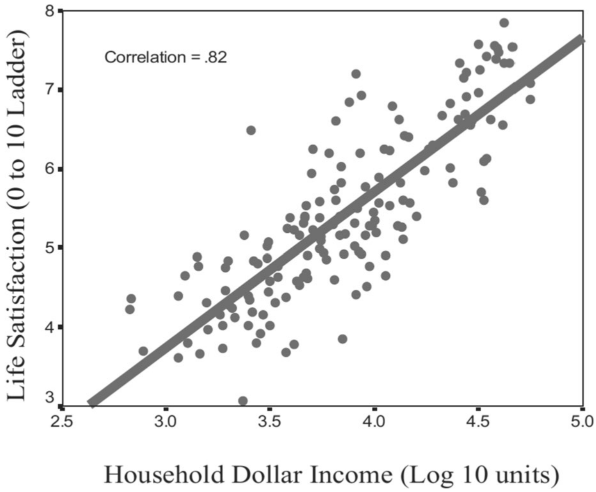

Fig. 2 Income and Life Satisfaction in Nations (Diener, 2012)

satisfaction scale. They report the correlation between per capita income and this life satisfaction measure at 0.70. Diener and Biswas-Diener (2002) summarize these findings of Inglehart and Klingemann together with eight other similarly conceived studies which correlate per capita income with mean subjective well-being and found similarly significant correlations, ranging from 0.51 to Inglehart and Klingemann's 0.70.

More recent data analysis continues to add context to the discussion about the effect of income on happiness among and within nations. For example, Li et al. (2022) examined data from an extensive 2008 survey in China. Although individual-level analysis did show a positive association between subjective well-being and both absolute and relative income, a second analysis revealed that "at the city level absolute income has no significant effect on average subjective well-being, which provides new evidence for the Easterlin paradox" (Li et al., 2022, 2051).

Easterlin's Interpretation

From his economic perspective, Easterlin looks to the wealth of international data on income and self-reports of well-being and finds broad affirmation of the reliable connection between money and happiness. At the same time, Easterlin observes that generally, there is no discernable pattern of richer countries reporting greater happiness than poorer ones. This finding is consistent with his emphasis on relative income – one's income within the relevant distribution – as a primary determinant of reported happiness.

As a historical aside, this notion that wealthier nations are happier on balance was by no means a consensus. Writing in the 1970s and commenting on data collected mainly in the sixties (e.g., Cantril, 1965), Easterlin finds population parameters or summary statistics for national samples seem to cluster within a narrow range of measures. Thus, despite substantial differences in national wealth and economic systems and notwithstanding the representation of diverse cultural and ethnic traditions, personal happiness approaches a set point. He summaries the evidence this way:

> What is perhaps most striking is that the personal happiness ratings for 10 of the 14 countries lie virtually within half a point of the mid-point rating of 5…. While a difference of rating of only 0.2 is significant…there is not much evidence for these 10 countries, of a systematic association between income and happiness…. The happiness differences between rich and poor countries that one might expect on the basis of the within-country differences by economic status are not borne out by the international data. (Easterlin, 1974, 106-107)

Figure 3 is created using data from Easterlin (1974) and shows that happiness did not vary appreciably with GNP (in $ US).

Easterlin was appropriately cautious with the relatively sparse data set he had to work with. However, his interrogation of this spotty evidence was pointed: "Are richer countries happier countries? (104)" and then, echoing Inkeles (1960, 18), "Will raising the incomes of all increase the happiness of all…?".

As a preliminary approximation in sketching a potential answer, Easterlin used his available data for the United States from 1946 through 1970 and found little evidence that a rise in self-reported happiness similarly echoed the increases in income during that post-war period. His circumspect conclusion: "[I}t seems safe to say that if income and happiness go together, it is not as obvious as in the within-country cross-sectional comparison" (111).

Of course, as more data accumulated, Easterlin was able to pursue this line of analysis and frame his conclusion into what is now the well-known Easterlin Paradox. Here is his succinct statement of it:

> Simply stated, the happiness-income paradox is this: at a point in time, both among and within nations, happiness varies directly with income, but over time, happiness does not increase when a country's income increases. We

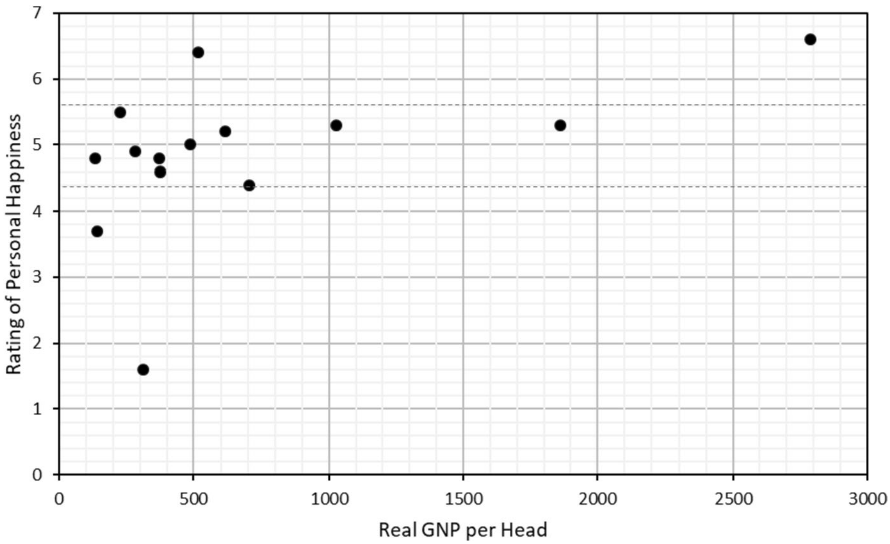

Fig. 3 Personal happiness rating and GNP per head

are talking here about the time series relationship in the long term, usually at least ten years (Easterlin et al., 2010, 224630)

The paradox's driver is social comparison, examining one's income relative to a comparison group (Easterlin & O'Connor, 2020). As individual incomes rise in nations and societies, those in the relevant reference group will likely track this upward ascent. Relative financial positions remain stable, as will self-reported happiness. Conversely, as incomes fall, comparisons take on an introspective cast. Instead of comparing oneself to external reference groups, the comparison pivots to one's own previous higher income. In this way, happiness can remain static as incomes rise, yet drop as they fall.

Critics of this Easterlin Paradox have argued that differences in happiness (or, more generally, SWB) across nations are material and require analysis and explanation. Some, for example, argue that absolute income differences across nations contribute to subjective well-being (e.g., Stevenson & Wolfers, 2008). Clark, Frijters and Shields (2008) have helpfully collected competing "explanations" in their review and critique of the Easterlin Paradox. Similarly, Hagerty and Veenhoven (2003) challenged Easterlin's conclusion that growing national incomes does not generally lift self-reported happiness. But Easterlin (2005) has, in turn, countered with his own reply to Hagerty and Veenhoven, defending his position – one to which Veenhoven and Hagerty (2006) have gamely responded. For their part, Diener and Oishi (2000, 214) offer an analysis that they believe leverages larger samples and stretches across more nations than many previous studies and find that "wealthy nations are happier" while also agreeing that "wealthy societies have not grown in SWB as they achieved even higher levels of wealth." Recent studies, however, continue to produce empirical results that suggest “that rises in national wealth lead to higher life satisfaction" (Ng & Diener, 2019, 166).

Veenhoven’s research has considered the relationship between money and happiness across nations from various perspectives. For example, Veenhoven (1991) observed that the correlation between income and SWB is stronger in poorer nations than in richer ones. In a different type of analysis, Ouweneel and Veenhoven (1991) have taken the average for income and SWB from across 28 nations and found the correlation between these two variables to be 0.62. This is comparable to the work Diener and Biswas-Diener (2002) summarized above that collecting the finding of several studies found similar-sized correlations (i.e., 0.51 to 0.70) with various sample sizes, ranging from 9 to 70 nations.

Explanations for why the correlation between income and happiness is not higher – it is often estimated at about 0.2 – split in two directions: 1) that a variety of non-economic factors likely determines one’s happiness or 2) that income adequacy or satisfaction is itself a complex determination only partially explained by income level. The cross-cultural perspective provides useful insights in identifying and assessing these influences and processes that are only partially economic.

For example, Lim et al. (2020), inquiring about the effect of income on happiness in specific Asian countries, consider that East-Asian societies, such as China, Korea, and Japan, have reported lower levels of happiness as compared to other Asian societies. The causes of this phenomenon could have to do with the emphasis on collectivism in these societies compared to individualism in others. Citing Ng (2002), they also hypothesize that the happiness gap could be due to values aligned with the Confucian tradition that elevated abstinence and restraint compared to indulgence and hedonism. This type of analysis emphasizes the importance of societal values.

Conclusion: Applied Research Directions

The question “Does money buy happiness?” continues to provoke interest, debate, and research. While we agree with the assessment of Kahneman and Deaton (2010) that the literature on this question is “vast and inconclusive,” our summary has attempted to chart how researchers have coalesced around certain key issues and approaches, while also diverging along others. Theoretical frameworks and the interpretation of applied research proceeding from them have often traveled along different paths that merge infrequently.

The interdisciplinary nature of research offers a partial explanation of why this question lands differently and provokes such a range of different research emphases. Though sometimes resonant and other times provocative, the question of whether money buys happiness often evades a simple “yes” or “no.” Instead, different sensibilities find analytic applications that in turn refine or reframe the original question.

These different disciplines, with their somewhat different interrogations of the data, can in turn undermine a consensus answer. We have taken a different tact, choosing instead to parse the various terms “money,” “happiness,” and “buy” in a way intended to provoke fresh research questions that harken back to the fundament question that Easterlin asked with such force and clarity in 1973.

To deliver on this intention and conclude this article, we offer a handful of propositions, which extend our previous critical examination of the key concepts that inform the money-happiness connection. While recognizing their provisional nature, they find enough conditional support to warrant a specific directional influence on this enduring inquiry into the relationship between money and happiness.

Necessary Conditions for the Pursuit of Happiness: It's Money that Matters

Suranyi-Unger (1981), in his "Economist's Digest" for consumer behavior, identifies three distinct economic approaches to the definition and measurement of consumer well-being. The *hedonic approach* is linked with economic concepts of utility-maximization and revealed preferences; the *commodity-specific approach*, with consumer access to commodity bundles or market baskets (e.g., food, energy, apparel, shelter, medical care) and *income-specific*, with benchmarks used to identify critical income levels associated with poverty or affluence.

These three categories roughly correspond with the differential emphases developed in this article on money (an income-specific category), what money buys (corresponding to commodity-specific purchases), and then the appraisal of the outcomes – especially those with some emotional valence – that can contribute to our sense of well-being (reflecting the hedonic approach).

Thus, our first proposition is a tacit endorsement of the Easterlin position that income-happiness connection has been reliably established in a statistical sense that in turn signifies a causal relationship:

Proposition 1: Money does buy happiness.

The unstinting effort of many to make money or more money suggests the perceived instrumental value of money, its suitability for enlistment or harnessing in the pursuit of happiness. Money's fungible character also allows the purchase of a bewildering variety of goods and service, but there is also a case to be made that money in its essential liquidity delivers a kind of satisfaction or even exhilaration in its mere existence: part psychological assurance and part symbolic significance.

The statistical correlation between income and self-reported happiness is consistent with this proposition. However, many characterize it as modest and that money ultimately explains little of the variance in the happiness data. Thus, money does not invariably buy happiness, and for many, it disappoints with respect to anticipated happiness and, more generally, satisfaction and subjective well-being.

As research into the question of money's relationship with happiness has proceeded across the years, much effort, both in theory development and empirical investigation, has focused on better or more precise definitions of well-being and their overlap or alignment with measures of happiness (of perhaps positive or negative emotions that are associated with either happiness or unhappiness). A similarly close consideration of income as a proxy for money or purchasing power might also advance the applied research agenda.

For example, Ekici and Koydemir (2016) found that expectations of future income played a role in the relationship between income and SWB. Moreover, over- and under-estimating income levels affected the relationship between income and SWB. We interpret this as an example of the series of effects in our propositions: knowledge of current income levels, then a cognitive interpretation of those income levels, followed by an emotional response to that interpretation, and finally, the perception of well-being.

We also find distinctions in the classification or understanding of income streams in Friedman's permanent income hypothesis. Consumer choice as it relates to the allocation of income between spending and saving is in part determined by whether the nature and duration of income changes. When income increases are anticipated and permanent relatively more of that income will likely be spent and less saved as compared to those that are unexpected and unlikely to continue. In a similar vein, happiness researchers who study lottery winners typically find that while winning the lottery can lead to a short-term increase in happiness, the effect tends to be small and temporary.

Frequent operationalizations of income as annual income may fail to capture such the impact of the many ways in which disposable income can be augmented: the liberal expansion of credit (Rajan, 2010), government expansion of income support payments, intergeneration transfers of financial support, and the rapid appreciation of asset values. During the COVID pandemic, many US households – more than 90% in certain rounds – received Economic Impact Payments (EIPs) or "stimulus checks." These direct payments provided up to $1,200 per adult and $500 per child. Despite economic hardship (e.g., unemployment) during the pandemic, many households registered increases in household liquidity.

Public opinion polling reported that stimulus checks did provide an increase in various measures related to financial well-being and happiness across the US recipients. A Gallup survey conducted in April 2020 found that nearly three-quarters of respondents that this financial assistance benefited them appreciably – 31% reported that it helped them "a lot," and 42% saying it had helped "some." The follow-up survey in May of 2020 found that 71% of those receiving a stimulus check felt "less financial stress" as a result.

Alternative Routes to Happiness: Specifying the Causal Chain

Spending money is often an uncertain endeavor, fraught with the ambiguity of risk and reward. Managing money and household finances takes a measure of skill that must be acquired. At the experiential level, it can be a daily hassle and chore that wears on one's emotions. As some of this psychological stress and strain can be managed, controlled, or reduced, the likelihood of happiness will increase. Nevertheless, the persistent challenge of managing financial resources endures, resources remain stubbornly scarce and typically require coping strategies or other practical approaches that manage external factors or marshall internal resources or some combination of the two (Ahuvia, 2017; Pearlin & Schooler, 1978). Beyond the daily rewards and hassles connected with buying and spending money, there is also the challenge that generally attends to affective or hedonic forecasting (Gilbert & Wilson, 2007). As a result, expectations for happiness and their ultimate realization often diverge.

Proposition 2: Money buys happiness indirectly.

A set of intervening variables will likely stand between money and the experience of happiness. We need to illuminate what Diener and his collaborators have labeled the "causal chain" that connects our money-making efforts with our pursuit of happiness and the extent to which it is realized. The location of experienced happiness, especially as it relates to consumption and material comforts, resists precise identification and measurement as it moves fluidly from past (anticipation), present (consumption), and future (remembrance). Cross-sectional research can leave this dynamic process relatively unexamined or otherwise ignored in explaining those measures captured at a particular moment.

Throughout this review, we have noted several empirical studies that have sought to model household financial management as part of an extended causal chain, subject to various mediating and moderating influences. Consumption activity frequently organizes around households, and many of these are multi-person households, facing the distinctive demands having to do with marriage, time allocation, lifestyle, task specialization, and role conflict. These interact in complex and idiosyncratic ways with money and spending patterns – all this with variable results. Satisfaction with home life likely reflects on that household's material lifestyle and its relative financial strength. These, in turn, are plausible determinants – variably positioned in the causal chain – of personal happiness as experienced both cognitively and affectively, both in the moment and at a remove.

Certain macroeconomic conditions may mask the effect that income has on happiness. In some contexts, price rises may outpace income growth, and, under such conditions, even as income advances, its relative effect on happiness would appear to retreat (Klein, 2022). There are also analytic approaches that emphasize consumption rather than earning, finding spending power as more predictive of happiness than either income or wealth (Auerbach et al., 2016; Coy, 2022),

The Context for Happiness: Aspirations and Comparisons

Money is the primary means through which market goods and services are purchased, but the settings, situations, and processes for consumption are subject to a myriad of descriptors and influences. The cultural or subcultural context, for example, may influence the formation of income reference groups, predisposing people towards more aspirational, pragmatic, or even endogenous reference points. Variation in baseline reference formation suggests cultural differences in the shift between external and internal reference points.

The Easterlin Paradox suggests that despite national wealth and affluence variations, the statistical connection between income and happiness persists across countries. Others have challenged this, emphasizing how national or subcultural factors might explain differing levels of happiness. China offers a helpful example in this regard. On the one hand, China has experienced sustained and rapid growth for decades now, yet, on the other hand, some researchers point to a Chinese happiness gap that finds various explanations, including the hypothesis that the people are more aligned with a collectivist attitude or value-system as compared to an individualist orientation.

Money is a facilitator, allowing for more agency over what one has or does. However, this assumes that people can accurately choose paths that result in happiness. Simple, even intuitive behaviors such as spending time in natural environments or with friends (MacKerron & Mourato, 2020) can result in the most efficient return of happiness. But people often choose otherwise: spending time on efforts that have shown negative returns on happiness, such as working harder at a job (Bryson & MacKerron, 2017), moving to a bigger city (Glaeser et al., 2016), or consuming social media (Allcott et al., 2020). Collectively, we are often poor at judging how our money and effort will result in happiness. Culture, country, class, and community provide more than a backdrop for our material strivings, they frequently deliver subtle reinforcements (both positive and negative) and provide the frame of reference in which our own personal judgements and evaluations. Thus, our final proposition:

> Proposition 3: The psychological and cultural context conditions the way money potentially buys happiness.

Cultural context may influence, for example, the formation of income reference groups, predisposing people towards more aspirational, pragmatic, or even endogenous reference points. From a cultural standpoint, the formation of income-derived happiness may be even more nuanced than is currently understood. Personal and societal factors matter, but are moderators, not mediators. The money-cognitive-affective-happiness chain will hold even under interpersonal and intercultural conditions.

Cultural and anthropological consideration provides us with the helpful reminder that although the pursuit of happiness in played out in the present moment, it is really anchored in the future. Idealized visions of material conveniences and comforts, not to mention affluence and luxury have an allure with the power to focus and pull our strivings into the future. This aspirational *telos* is a socially constructed vision of the future, reflecting cultural values that exert a kind of gravitational force that pulls us into an imagined state of well-being. Furthermore, the forces of globalization, accelerated by the ubiquity of travel and communications technologies, collectively contribute a homogenizing or convergence of consumption and lifestyle aspirations (Levitt, 1983).

The experience of happiness in the present may itself be a function of how invested one is in widely shared norms having to do with achievement, recognition, wealth, and status, but also more narrow conceived ambitions that are nonetheless shared and socially shaped with a broad range of guidance, approbation, and refinement. The relative opportunity and freedom that a society or country allows its members in their respective pursuits of happiness may itself offer a dimension of hope and a plausible path to fulfillment that inject energy and optimism into the present moment.

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One more time, does money buy happiness?

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