Does Money Buy Happiness

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Abstract

In addition to a prevalent belief in our society, there is ample research that shows that money buys happiness. The purpose of this paper is to find whether level of income positively correlates with happiness, similar to results of previous research. The paper is using data of a sample of 400 participants, using the Pearson Correlation Coefficient to find a relationship between income and happiness. The analysis showed a significance greater than 0.05, yielding a result of no significant correlation between level of income and happiness. This paper concludes that the hypothesis is false, and that the data collected yielded a result reflecting that there is no significant correlation and negligible relationship between income and happiness, despite ample research that shows that money leads to happiness. The paper will further supply possible explanations for the findings.

Does Money Buy Happiness

Introduction

For years, researchers in the fields of psychology, sociology, and economics have examined the connection between money and happiness. The relationship between these two variables seems logical, linking material comfort and decreased financial stress with more money. The following paper will discuss whether money buys happiness. More specifically, the paper will investigate the relationship between income and happiness, based on data collected through a survey. Using the Pearson Correlation Coefficient, the paper will share the method and findings of the data and research, to address the hypothesis of this paper, while challenging the previous research that money leads to happiness.

In addition to reviewing previously researched literature, the paper will highlight the difference between previous research and this study. Furthermore, the paper will consider possible reasons for the outcome of the conducted research. Based on the data, research, and outcome, this paper will propose that the hypothesis that there is a relationship between money and happiness is false. Furthermore, the paper will propose that it is possible that higher amount of income does not directly lead to happiness, but the quality of life that derives from the use of such income is what brings about happiness, rather than the income itself.

Abbreviated Literature Review

There are several studies related to money and happiness. Most research points at the positive correlation between the two variables. Although the research shows that money and high-income lead to happiness and life satisfaction, and even cause and effect of happiness deriving from money, there are several limitations to each of the studies. Through sharing the following studies, this paper will show that our study's results reflect that the correlation between money and happiness has no statistical significance between the two variables. The literature review will highlight some of the limitations of past research. Furthermore, it will shift the focus from the idea that higher amount of income lead to happiness, but rather, it is the way the money is spent, and its use which contribute to happiness.

Mureşan and Ciumaş (2020) share their findings of the relationship between money and happiness based on literature review in the field of economics. The review they conducted yielded two different results to the contribution and influence of money on happiness. Mureşan and Ciumaş (2020) discuss that while one outlook showed that linear correlation is absent, the other view offers a positive correlation between money and happiness at times. Mureşan and Ciumaş (2020) witness that investigating the relationship between income and happiness stems from government need to modify policies regarding such factors as employment and inflation. Among the different research that comprised the study, they found that most of the studies showed a marginal positive correlation between income and happiness. Mureşan and Ciumaş (2020) concluded that persons with higher income displayed increased happiness, when measured against persons with a lower income. However, they stated that the positive correlation is present only at times, and when present, the correlation is comparable. Mureşan and Ciumaş (2020) suggested that examining income per person in the United States between 1973 to 2004 shows an increase of income to nearly double. However, happiness in the United States did not increase in the same fashion, when correlated to the income increase. In addition, Mureşan and Ciumaş (2020) share that the way money was spend contributed to people's happiness. Their study shows that when people used the money on others, rather than using the money on themselves, happiness increased.

When evaluating the study by Mureşan and Ciumaş (2020), there are critical points that they bring, which show the challenges of such a study. The intricacies of the composition of happiness were mentioned. Mureşan and Ciumaş (2020) found that happiness or satisfaction may include mental and physical health, along with the living environment. Moreover, it seemed that some researchers used the term happiness and well-being interchangeably, while others distinguished between the two as different variables. Therefore, in evaluating the conclusion of this study by Mureşan and Ciumaş (2020), I find that due to the limitations and challenges of the study, it is accurate to see that the positive correlation between income and happiness is present at times, rather than consistently.

Another study be Gardner and Oswald (2001) examined the correlation between money and happiness through a longitudinal study of a random sample of 9,000 participants in the United Kingdom. This economic based research was based on happiness related to a receipt of unexpected large sum of money through inheritance or lottery. Gardner and Oswald (2001) reported a result of financial impact on happiness, when the sum of money exceeded £50,000, which equated to $75,000 at the time of the study, with a standard deviation of 0.1 and 0.3.

The research was conducted using survey questions about happiness and well-being. Gardner and Oswald (2001) defined happiness for the participants as a subjective, positive view of the person's lifestyle quality. The study was conducted over 7 years. The interviews included adults and children over the age of 16. Gardner and Oswald (2001) reported that the research results yielded a decrease in both stress and unhappiness in the first year and the following years after the sudden financial gain. They further shared that there was a significant increase in well-being related to the financial increase (Gardner & Oswald, 2001).

The longitudinal study allows for measurement of the same person, thus leading to a similar report scale, based on personal interpretation, as well as the use of windfalls as random occurrences of the impact of money on happiness. Although this research yields results reflecting a positive relationship between money and happiness, it focuses on uncommon cases that do not include implication on the population as a whole. Another limitation of this study was the measurement of happiness. The main measurement tool and the conclusion of this research focus on the measurement of a decrease in unhappiness and in stress through a General Health Questionnaire (GHQ). The research shows that money and happiness are correlated positively, and that the presence of money, even when sudden, such as a lottery win or the receipt of inheritance, reduces stress and leads to increased happiness.

Rather than researching particular cases of windfalls, Pischke (2011) examines a more inclusive sample, and shares that his research is based on the previous knowledge of well-founded studies showing that money is positively correlated to happiness and well-being. Pischke (2011) focuses on the question of the connection between money and happiness, and whether money causes happiness. He uses a cross-sectional data analysis, including industry wage differentials, to yield results that money causes happiness. In order to eliminate the impact of job satisfaction on the measurement of happiness, this research is measuring the family income and happiness using a sample of married woman, taking into consideration their husbands' field of occupation (Pischke, 2011, p. 3). He included in his research men and women, who are married. Happiness was measured through a survey. Along with previously mentioned limitations, another challenge with this study is the interchangeable terms of happiness and life satisfaction. Since happiness is a subjective feeling, there needs to be a more exact definition to the term happiness or life satisfaction.

An interesting shift in focus is introduced in a research by Dunn et al. (2011). While studying the correlation between money and happiness, the focus of Dunn et al. (2011) research is the way money is spent. The study highlights different ways to enhance happiness, using money as a mean rather than a cause. Similar to the results of this paper's findings, Dunn et al. (2011) share that the correlation between money and happiness is not strong, reflecting a complementary view to this paper.

Dunn et al. (2011) suggest eight different ways to enhance happiness through the use of money. The first suggestion in their research is the focus on building memories through experiences, rather than purchasing tangible items. They share a research by Killingsworth and Gilbert (2010) that shows that it is not only purchasing the experience, but concentrating on the action itself, and living the experience, that leads to the increase of happiness. Additionally, they state that we adapt quickly, and therefore we don't enjoy tangible things for a long period of time, compared to cherished memories of an experience.

The research shows the importance of moving from the focus on oneself to the focus on creating connections and taking others into consideration, as another way to increase happiness with money. Dunn et al. (2011) suggest for us to help and improve the lives of others, as well as the concentration on others' happiness. Among the ways to increase happiness, they propose the purchase of smaller enjoyments often, rather than using money for bigger purchases seldomly. They explain that the variations in the frequent smaller enjoyments satisfy more, compared to the adaptation to a larger purchase, that remains the same, thus derives enjoyment once, due to the lack of variation.

Dunn et al. (2011) suggest that increased happiness can derive from decreased purchases of insurance policies and extended warranties as well. The reasoning behind this idea is that the purchase of such policies and warranties is derived from the need to avoid future regret and deprives the buyer from increasing happiness by increasing the full appreciation for the purchase. They add that the person is also deprived of the "emotional benefit of commitment" to the purchase (Dunn et al., 2011). Similarly, the concept of delayed gratification increases happiness in the long run. Dunn et al. (2011) explain that using loans, credit cards, and other debts to satisfy an immediate need or want decreases financial security in the long run, due to the need to pay off the debts. This situation leads to decreased happiness. In addition to avoiding debt, delaying gratification has the benefit of enjoying the exciting expectation stage, which is linked directly to increased happiness, according to Dunn et al. (2011). Another reason for delayed gratification is that the anticipation of an event elicits stronger positive feelings, compared to reminiscing about an event.

Dunn et al. (2011) states that when we think of a future planned event, the more distant the event, the less detailed is our thinking about the event. This further explains that focusing on the details in advance helps us increase happiness, since there is a higher chance of understanding the event in a more realistic view. Another idea that Dunn et al. (2011) propose is the avoidance of comparison during purchasing or considering future experiences. They write that people, who consider an item based on its comparison to other items, find that their comparison was different when they shopped, compared to their experience when they used the products or had the experience. Interestingly, another challenge with comparison is the comparison itself, as to what we compare. When comparison is done toward superior items, the item will seem less, than when compared to inferior products. It is important to measure and look at each item or experience on its own (Dunn et al., 2011).

The last point that Dunn et al. (2011) suggest in enhancing happiness through the use of money is using other people's experiences as a reference. Therefore, they state that looking at reviews or shared experiences and information of others can help us learn about their derived happiness. Through the information that we receive, we can make a decision about how an item or experience can affect our happiness.

In addition to the different ways to enhance happiness with the use of money, Dunn et al. (2011) offer an explanation to the results of this paper. They conclude that although most research shows that money buys happiness, and that wealthier people are happier, when present happiness is measured, wealthier people are similar to those with less money. Therefore, Dunn et al. (2011) share that the use of money is truly what determines and leads to our happiness.

Hypotheses

Based on the previous literature review, the data given, and the following analysis, this research will investigate the hypothesis that there is a relationship between level of income and happiness (Interval/continuous), using the Pearson correlation coefficient.

Method

Participants

The data collected includes 400 participants, from nine different region in the United States, in a variety of zip codes. All participants filled out a survey that included questions related to the participants and their partners. The information gathered was regarding the participants and their partner's gender, level of education, type of employment, annual income, financial comfort level, relationship status, region and zip code, and age. The data collected also included information from the participants regarding their own happiness. This paper will examine the information reported regarding happiness in detail, in the results section.

The sample is comprised of 400 subjects, with half of the participants women (n = 400; 50%), and half men (n = 400; 50%). Subjects' age range was 21-63 (M = 20.01; SD = 9.453). When reported their level of education, participants stated having some college (32.25%), college graduates (29%), graduate school with master's degree (15.25%) and doctorate (5.75%), high school graduates (8.5%), and no high school (0.75%). Subjects also reported their relationship status, with a high frequency level (mode) of 237 of the participants as married (59.25%), followed by subjects in a long term committed relationship (25%), dating one person (13%), and dating several people (2.25%). Participants reported their financial comfort as comfortable (54%) and struggling (46%). In addition, subjects stated their employment in the survey, with an array of occupations, and reported an insignificant number of unemployment of 1 person (0.25%) among all participants. Participants reported their income, with a mean of $47113 (*SD* = $40477, Median = $365000).

Results

In this paper, the Pearson Correlation Coefficient was used to find a relationship between income (INC1) and happiness (HAPPY). The SPSS analysis showed a significance greater than 0.05, yielding a result of no significant correlation between level of income and happiness, $r = 0.001$, df =95%, $p < .0.489$. The Pearson Correlation Coefficient shows that there is no significant interaction between the two variables.

Participants reported their happiness level with a high frequency level (mode) of 148 as happy (37%), followed by very happy (32.25%), mixed (22.75%), unhappy (16.4%), and very unhappy (16.4%). The participants answered a survey question on a scale of 1-5, with correspondence of 1=very unhappy, and 5=very happy. The results yielded participants' answers with a mean of 3.895 (*SD* = 1.030, Median = 4.000).

This paper examined the two variables of income (INC1) and happiness (HAPPY). As mentioned above, the subjects reported their income (INC1), with a mean of $47113 (*SD* = $40477, Median = $365000). In an additional investigation, the SPSS analysis showed that in our sample, men's income was higher than women's income. Men's income showed a mean of $62,389.40 (*SD* = $46,600, Median = $50,000), and women's income showed a mean of $31,836.44 (*SD* = $25,384.46, Median = $30,000).

Although the men had higher income than the women in our sample, their reported happiness was not significantly higher than the women, with a mean of 3.95, (*SD* = 1.011, Median = 4.000). The women reported a mean of 3.84, (*SD* = 1.049, Median = 4.000). This information can be compared to the whole sample, showing a mean of 3.895, (*SD* = 1.030, Median = 4.000).

To further find whether there is a significant difference between the means of men (GENDER1) and women (GENDER2), a one sample t-test was used. The t-test yielded results of no significant difference between men (GENDER1) and women (GENDER2). The t-test shows results that men scored ($M = 1.500$, $SD = 0.501$) the same as women ($M = 1.500$, $SD = 0.501$), $t(59.925) = 0$, $p < .001$. The effect size is small (Cohen's d = 2.996). The results show that there is no significant difference between the two gender variables, and that men's and women's happiness is not different, despite men's higher income. These results confirm the outcome of this paper's finding, that there is no significant effect of income (INC1) on happiness (HAPPY) for the sample as a whole.

Discussion

Using the Pearson correlation coefficient, this paper examined and investigated the hypothesis that there is a relationship between level of income and happiness. Previous research, highlighted in the literature review, has shown that there is a positive correlation between higher level of income and happiness. The hypothesis of this paper was not confirmed. The study of the data collected, using the Pearson correlation coefficient, yielded a result that there is no relationship between level of income and happiness.

In addition, we found that men had higher income than women in our sample. When we used a one sample t-test to find out whether there is a significant difference between the means of men (GENDER1) and women (GENDER2), we found that there is no significant difference between the two variables, despite the higher income for men.

As mentioned above, the findings of this paper show no significant relationship between level of income and happiness. There can be several explanation and speculations to the results of this paper, yielding that money does not buy happiness.

The first explanation is that the sample's income mean of $47113 is below the median of United State salary for 2019, which was $68,703, according to US Census data (2020). Therefore, the sample may not reflect the overall population in the United Sates, as well as representing a lower bracket of income. The lower sample's income mean of $47113, may also be related to Gardner and Oswald (2001) study, reporting that the financial impact on happiness is present, when the sum of money exceeded $75,000 (with SD of 0.1 and 0.3).

Another explanation is that previous research is lacking detailed information about describing happiness, which could be subjective, as well as interchangeable with life satisfaction. An example is the happiness study by Oishi et al. (2013), in which a definition of the word happiness was conducted in several countries, yielding a result of 24 out of the 30 countries, that include the word luck to describe happiness. Another explanation to the difference of our research and previous studies can also be the absence of information regarding relationship, environment, job security, and age as well.

For a more prominent explanation for our findings, we can refer to the research done by Dunn et al. (2011), that concentrates on the way that the money is spent, rather than the amount of money a person possesses. Dunn et al. (2011) suggested that "Money is an opportunity for happiness," rather than the cause for happiness. They highlighted several ways to enhance happiness through spending money in different ways, such as spending on experiences (Dunn et al., 2011). This correlation points at happiness that derives from other than material possessions.

In conclusion, our study yields no significant relationship between money and happiness. Pischke (2011), suggests that there are fields, such as religion and social welfare, that pay lower wages, yet, show increased happiness among the persons employed in those fields. Pischke (2011) offers that such workers are the exceptions, as well as the consideration that these fields of employment draw specific type of people. Due to the findings of this paper and the highlighted previous studies' limitations, we will benefit from future research of the source of happiness, including finance. It seems that we all strive for happiness. This paper aims to suggest some ways to put it within our reach.

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