Does money buy happiness? It depends on the context

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***Ilka Gleibs** explains how the money–happiness link is variable and highly context-dependent. Two studies she conducted showed that both money (individual income) and community (social capital) can be the basis for individual happiness, and that the relative influence of each factor depends on the context. She argues that strong social relations are much more consistent in providing us with well-being and may provide a more stable and enduring basis for happiness.*

Does money buy happiness? Or is happiness derived from looking outwards toward our social networks? Many researchers have answered these questions by exploring whether the best predictor of well-being is *either* economic *or* social (or some fixed combination of the two). In a recent paper published in the *British Journal of Social Psychology* we argue for a more dynamic perspective on the capacity for economic and social factors to predict well-being.

Money is the universal means of exchange within such a market, standard utility theory predicts that increased income should lead to increased utility. Utility models suggest that humans are economic beings and that money is the path to happiness and several recent analyses suggest that income can adequately capture individual differences on certain measures of life satisfaction (e.g., here using Gallup Global Poll data based on the Cantril ladder). However, other studies have shown that once basic needs are met, additional income does not substantially enhance happiness (for reviews see here). There is thus a considerable amount of variance in the degree to which income has been found to predict well-being.

Therefore social psychologist have moved away from the question of whether money per se predicts happiness and instead focused on the psychological consequences of money. Thus, they have looked and how economic thinking and behavior (e.g. spending money) affects us and our social relations. For example, Elizabeth Dunn and her colleagues showed that spending money on others (rather than oneself) predicts greater happiness. If money is used as a pro-social tool it has a positive impact on well-being and fosters social connectedness. Related research by DeVoe and Pfeffer demonstrated that organizational structures can amplify or attenuate economic thinking in ways that have consequence for the relationship between money and happiness. Specifically, these researchers found that individuals who were paid by the hour attached more importance to money as the basis for happiness and evidenced a stronger connection between income and well-being.

These lines of research highlight the way in which situations that bring money to the forefront of people's minds can in turn have consequences for the way in which individuals orient themselves to others and evaluate their own happiness. Moreover, this idea that the predictors of well-being might vary according to the concepts (e.g., money) that are fore-grounded in a judgmental context is consistent with broader research on focalism. This perspective suggests that when people form judgments (e.g., about their happiness) they do not take account of all of the information that might help them reach an accurate assessment. Instead, they focus on the specific information that is accessible to them in the judgmental context at hand.

Thus, it could be argued that one reason why money emerges as a stable predictor of individual happiness in a great deal of previous research is that the structures of everyday life provide pervasive reminders of the importance of money. It follows that when people are asked about their happiness, economic issues will often be salient and this salience may lead them to overestimate the contribution of economic concerns to well-being. In cases where the judgmental context draws people's attention away from money, one would anticipate that the relative importance of money for happiness might subside and be replaced by alternative predictors of happiness, such as the quality of people's social relations.

To understand this context-dependent notion of what predicts happiness, we conducted two studies and showed that both money (individual income) and community (social capital) can be the basis for individual happiness. However, the relative influence of each factor depends on the context within which happiness is considered, and how this shapes the way people define the self.

Study 1 primes either money or community in the laboratory and demonstrates that such priming shifts individual values (so that they are economic versus communal) and determines the extent to which income is more (versus less) predictive of life satisfaction than social relations. 146 adults from the UK participated in an experiment. The study employed three conditions in which individuals had to unscramble sentences that had either to do with money, social relations or where neutral. Before they unscrambled the sentences, all individuals answered questions on their income and satisfaction with family and community relations and at the end of the study they answered questions on life satisfaction.

Firstly, we demonstrated that income significantly predicted life satisfaction only when economic concepts were made salient in the judgmental context. In a second analysis we further showed that participants who perceived their social relations to be superior reported higher levels of life satisfaction regardless of community or money was made salient in the judgment context.

Study 2 was conducted in a field situation that would function as a natural prime for money- or family-related concepts. Thinking about an everyday situation that could prime money- or community-related concepts, we focused on the context of commuting to and from work. We predicted that income should contribute to life satisfaction only when individuals are thinking in economic terms (i.e., travelling from work) but not when they are thinking in communal terms (i.e., travelling from home). Participants were people travelling on a commuter train in the UK either on the morning service to London or on the evening service form London on the same day. As before, the independent variables were household income and satisfaction with social relations and the dependent variables life satisfaction.

As predicted, income contributed to life satisfaction only when participants came from work (i.e., money was made salient). Income did not contribute to life satisfaction when social relations were salient (i.e., people came from home). In addition and as in Study 1, participants who perceived their social relations to be superior reported higher life satisfaction, regardless of the contextual salience of money or community.

Thus in two studies we found that the money–happiness link is variable and highly context-dependent. Indeed, in the absence of activating economic concepts, our results suggest that income may have little or no bearing on individual happiness. Yet by comparing the effects of income with those of social relations in contexts in which these elements are differentially salient, we are also able to extend previous research by demonstrating not only that social capital is equally (if not more) important for well-being, but also that this influence is less susceptible to contextual variation. In this sense, it can be argued that social relations provide a more solid foundation for happiness than money. This highlights the fact that the relevant question in happiness research is not simply whether (or how much) money makes us happy. Instead, it seems more fruitful to reflect on how much attention people pay to money and what the consequences of this are. It suggests that if we want to know what makes us happy, we need to account for the context in which this question is posed, and how this context structures the values attached to the self. Thus, money can make as more satisfied with life but only under the right circumstances. Strong social relations are much more consistent in providing us with well-being and may provide a more stable and enduring basis for happiness. Hence, if the UK government genuinely wants to promote well-being, it should initiate policies which help to strengths social relations.

About the Author

Dr Ilka Gleibs *joined the Institute of Social Psychology as a Lecturer in Social and Organisational Psychology at the London School of Economics in January 2013. Previously she worked as a Postdoctoral Fellow at the University of Exeter and as a Lecturer in Experimental Social Psychology at the University of Surrey. She obtained a PhD from the Friedrich-Schiller-University Jena (Germany), and has a range of interests in social psychology but focuses mainly on understanding the consequences of multiple identities, changes in (of) social identities and well-being.*