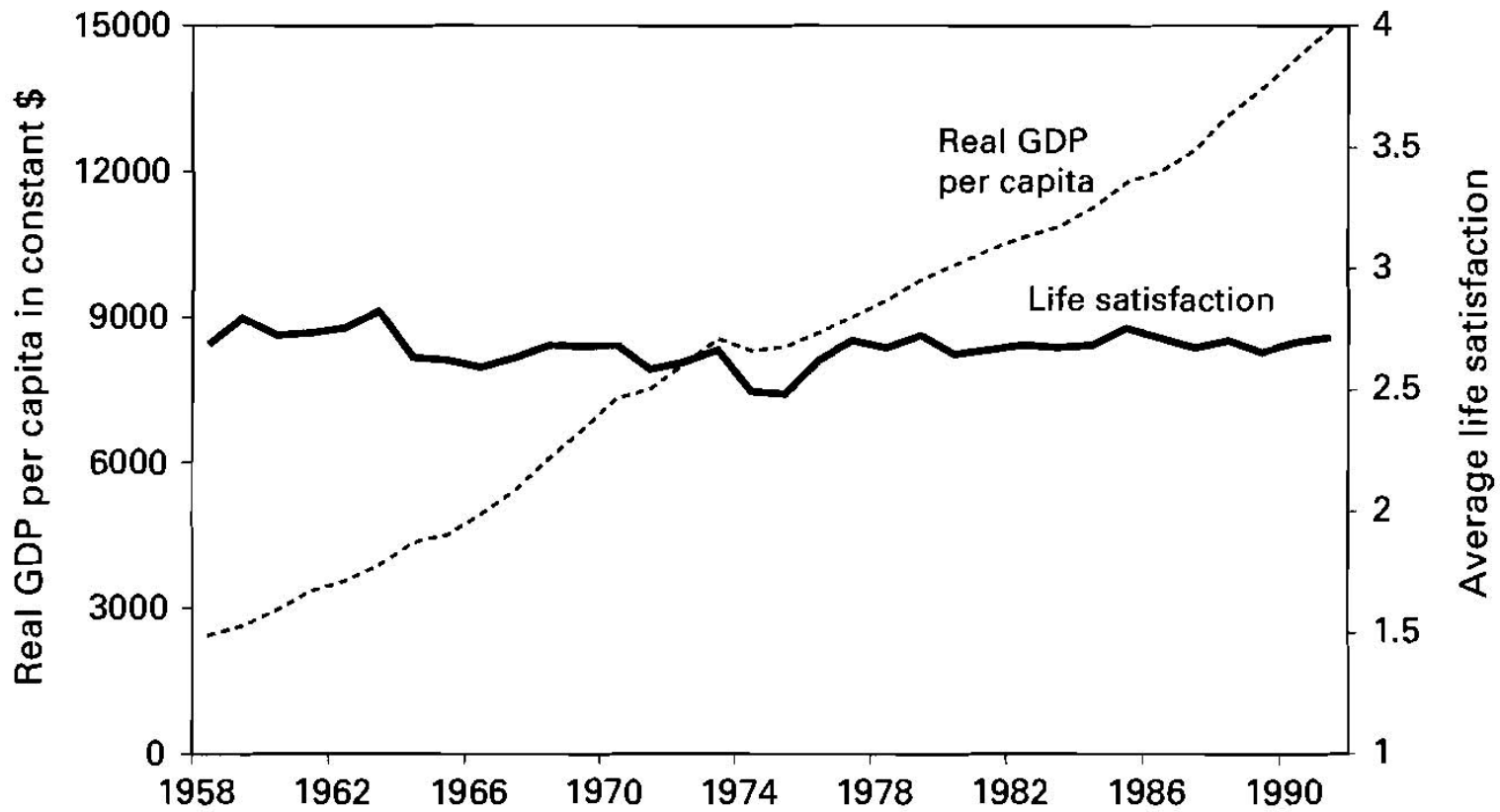
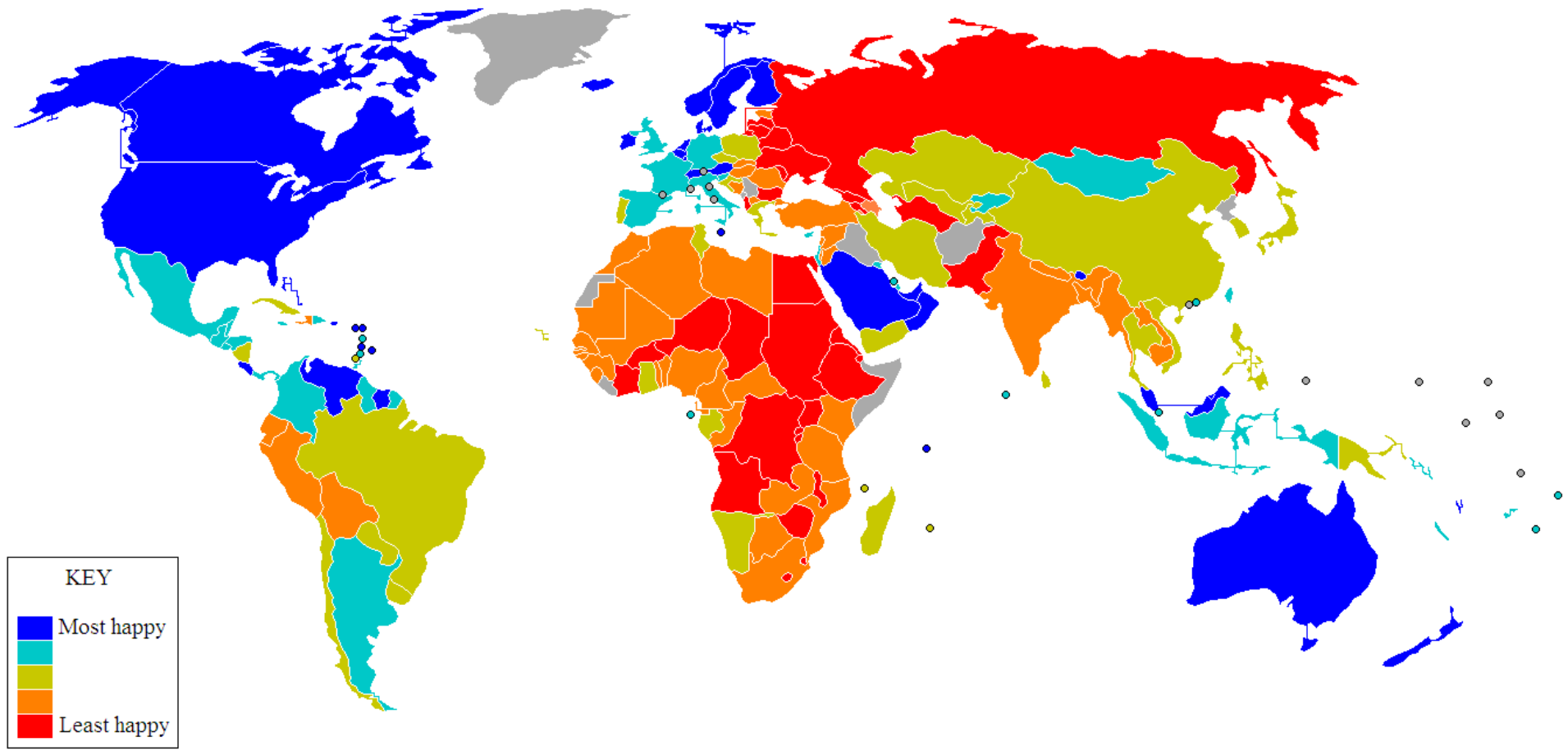


MONEY DOESN'T BUY

Happiness[®]





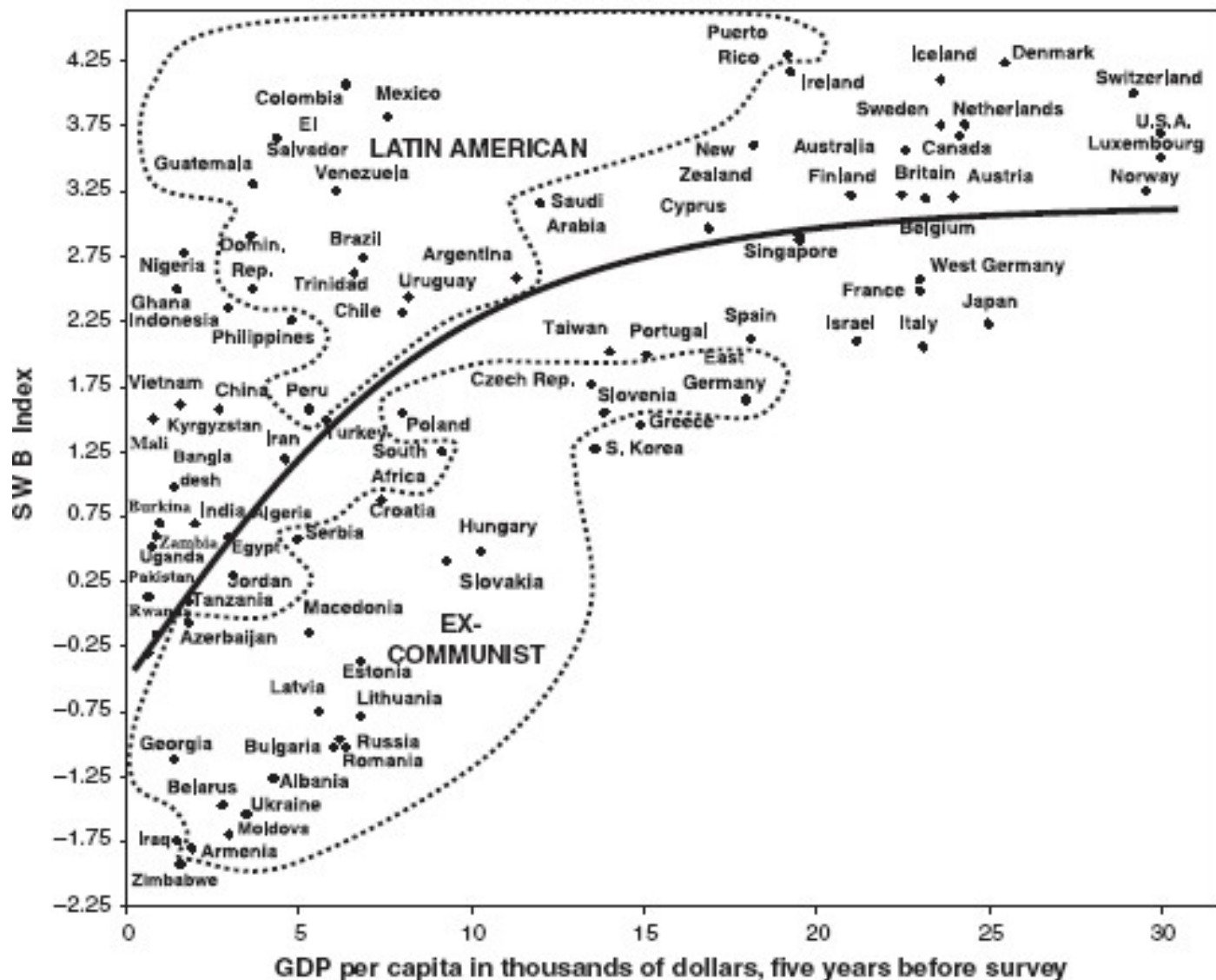
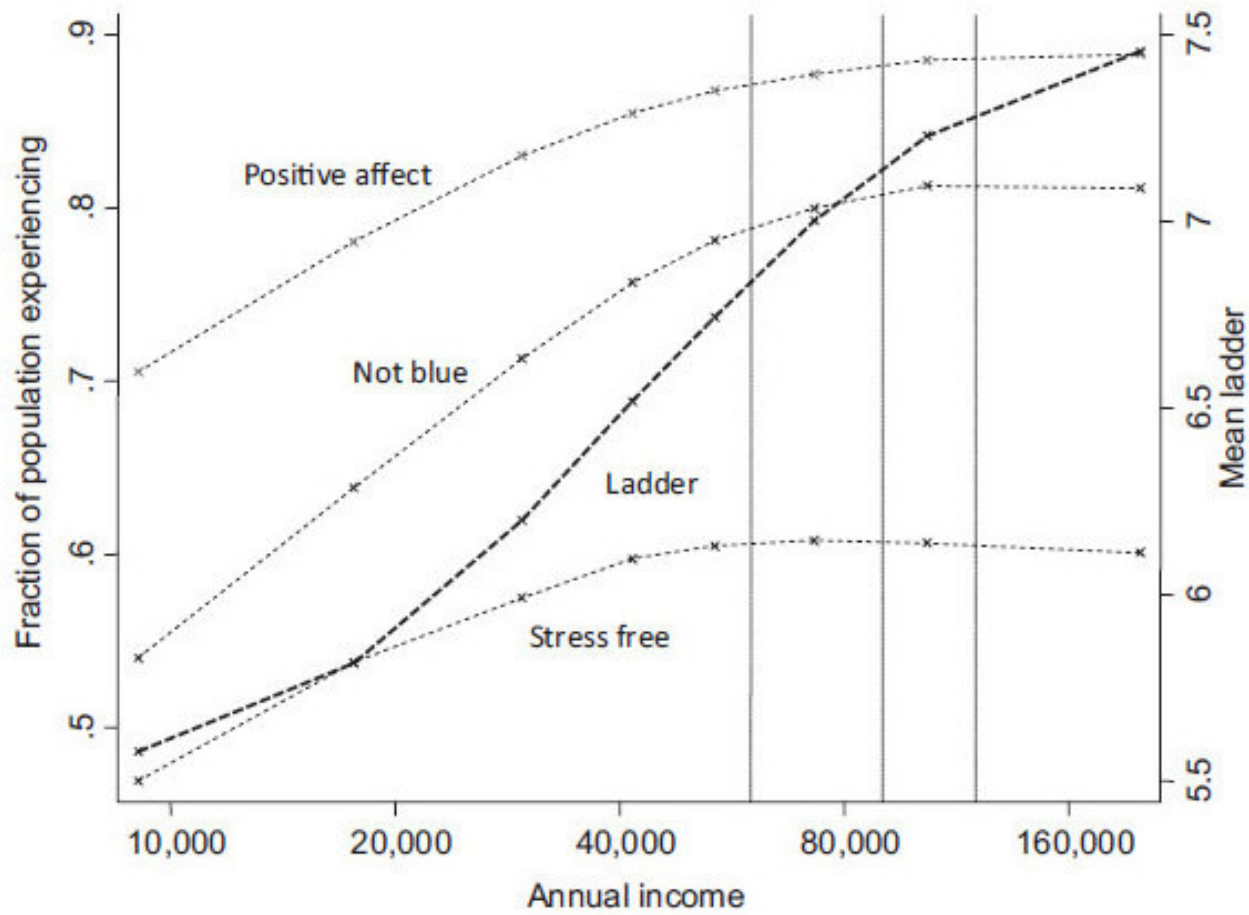


Fig. 2. Subjective well-being (SWB), per capita gross domestic product (GDP), and different types of societies. Well-being index is based on reported life satisfaction and happiness, using mean results from all available surveys conducted 1995–2007 (cubic curve plotted; $r = .62$). PPP=purchasing power parity estimates.

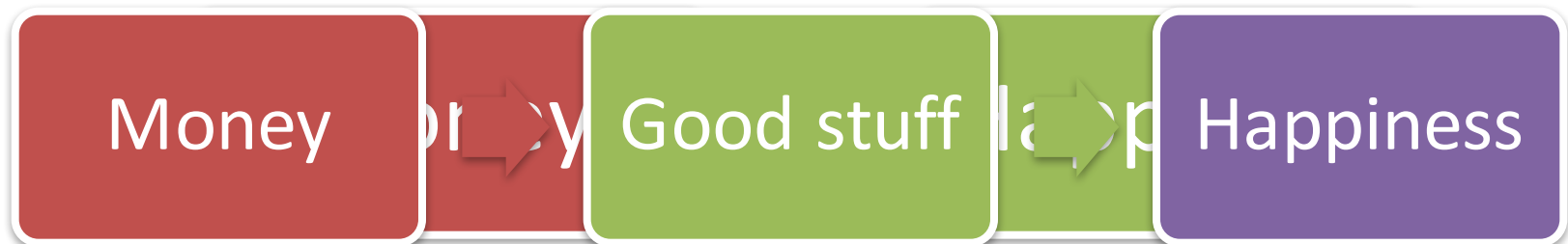


How to buy happiness

Measuring happiness

- Oxford Happiness Inventory (Argyle and Hill)
- Subjective Happiness Scale (Lyubomirsky & Lepper)
- Satisfaction with Life Scale (Deiner, Emmons, Larsen and Griffin)
- Panas Scale (Watson, Clark, Tellegen)
- Experience sampling

- Money can buy things that bring happiness: wealthy people have better health care and nutrition, more free time, live longer, etc.
- When asked to rate their lives in general, richer people report being more satisfied than people with less money. When asked how happy they are at the moment, difference vanishes (Diener, Ng, Harter, Arora, 2010).
- Why?



People are bad at affective forecasting

- We can't predict what will make us happy, how happy it will make us and how long the happiness will last



What should I buy then?



1. Buy experiences

- **Experiential purchase:** „purchase made with the intention of acquiring a life experience: an event or series of events to live through“
- Carter & Gilovich (2010) asked respondents to think about material and experiential purchase they had made with the intention to increase happiness. 57% reported Exp. p. made them more happy (34% reported M. p. made the more happy).
- Nicolao, Irwin, Goodman (2009) did an experiment: go spend \$7 on experience/something nice. Happiness boost lasted longer for experiences.

Why?

- To things, we adapt faster.
- We anticipate and remember experiences more than things (83% „revisit“ their experiential purchases more than material ones (Van Boven, Gilovich, 2003))
- Things make us happy only when we use them (Loewenstein, 1999)
- Experiences are unique
- Experiences are more likely to be shared with others



2. Spend to benefit others

- Humans are social animals. If we improve our relationships, we become happier.
- Dunn, Aknin, Norton (2008) survey: people who spend more to benefit others (charity donations + gifts to others) report being more happy. Spending more on self had no relation to happiness. ...wait a minute!
- Experiment (Dunn, Atkin, Norton, 2008): subjects given money to spend on themselves/others. Those who spent on others were happier by the end of the day.
- MRI study (Harbaugh, Mayr, Burghart, 2007): donating to local food bank activated areas of the brain associated with receiving rewards

Why?

- Strong social relationships are critical for well-being (Diener, Seligman, 2002). Prosocial spending => better relationships.
- Positive self-presentation => elevated mood (Dunn, Biesanz, Human, Finn, 2007)
- Affective forecasting error: majority thinks spending of themselves would make them happier than spending on others (Dunn et al., 2008)
- Merely thinking of money makes us less likely to display prosocial behavior (Vohs, Meade, Goode, 2006)



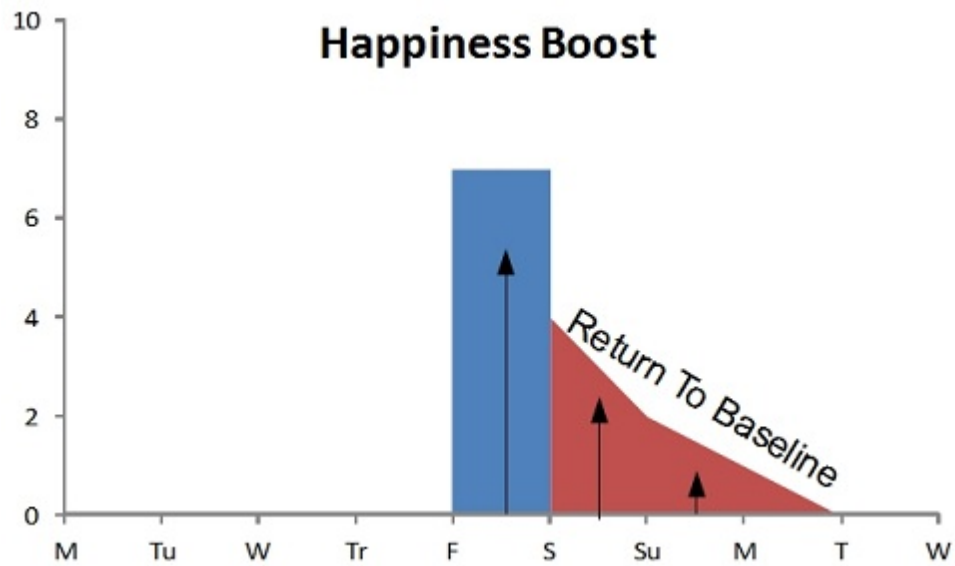
BIG MOUTH BILLY BASS

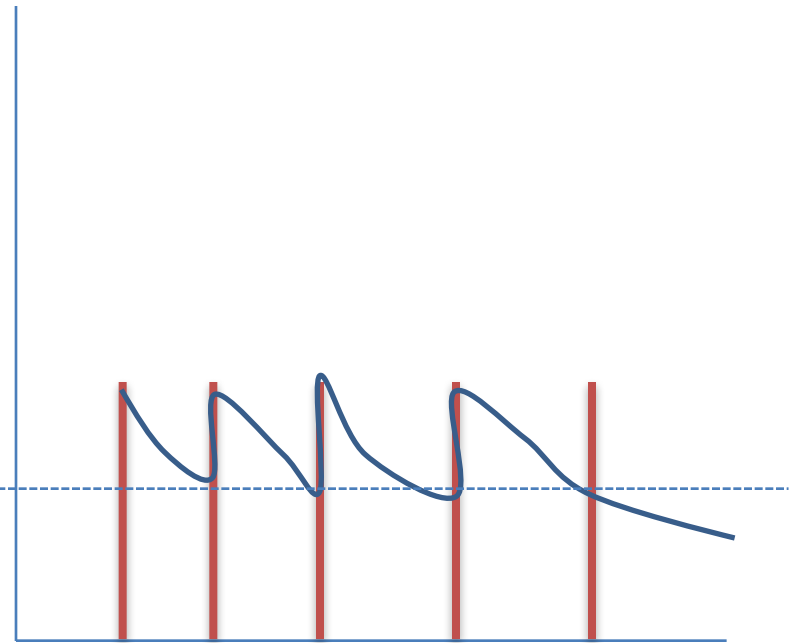
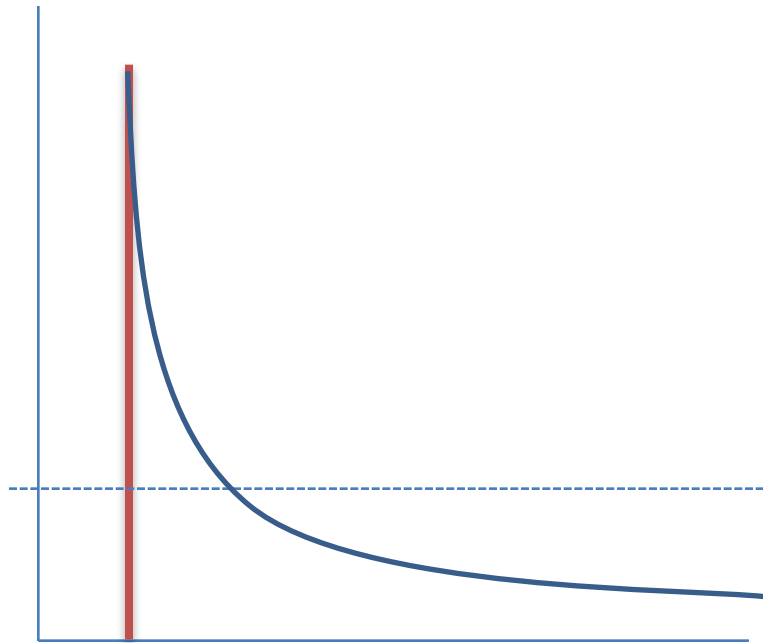
3. Prefer many small pleasures

- **Hedonic adaptation**
- Diener, Sandvik, Pavot (1991): happiness related to frequency of positive experiences, not their intensity.
- Continuous massage (180s) less pleasurable than interrupted massage (80s-20s break-80s). Again: people failed to predict.

Why?

- Frequent small pleasures are different, thus hard to adapt to. The car stays the same, but each cooking class lesson is different.
- Diminishing marginal utility. Eating a cookie does not bring twice as much joy as eating half a cookie. Breaking up an experience into series of small ones brings more pleasure (Kahneman, 1999; Mellers, 2000).
- Anticipation also boosts happiness





Happiness Boost

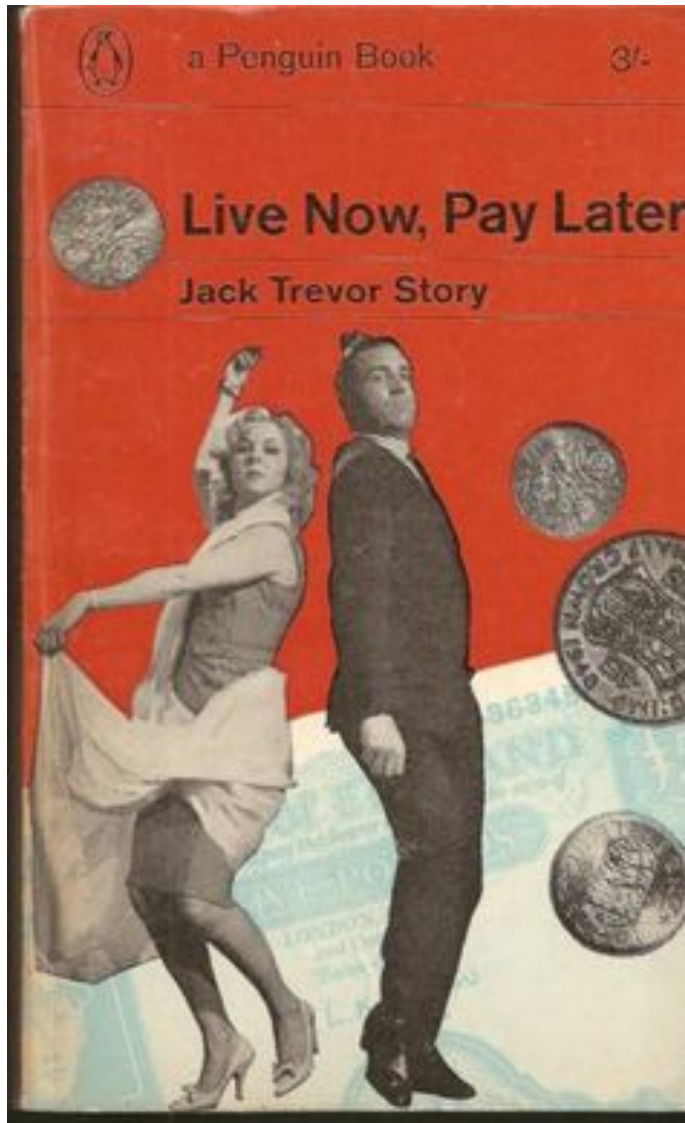




4. Buy less insurance

- People adapt not only to good, but also to bad stuff (Ubel, 2006).
- People overestimate the psychological impact of negative event (Bonanno, 2004).
- Emotional attachment to purchases. MY phone
- Overestimating the probability, and the psychological severity of negative event.

- Opportunity to return purchase => less happy with the purchase.
- When asked, people prefer to have the opportunity to return (Gilbert, Ebert, 2002).
- We fail to predict how will various events make us feel



5. Pay now, consume later

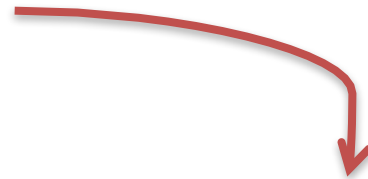
Why?

- Anticipation = „free“ happiness. People who spend more time anticipating positive experiences report being happier in general (Bryant, 2003)



Why?

- Delayed consumption promotes well—being related choices.
- Choose now, eat now:



- Choose now, eat next week: (Read, van Leeuwen, 1998)

Why?

- Uncertainty
- Experiment by Kurtz et al. (2006).
- Group A received two gifts, they knew what it will be
- Group B received one gift, knowing it will be one of three gifts available.
- Group B happier when given the gift, AND during the waiting period.



**Don't just follow
the herd. Do
what makes YOU
happy!**



Soul Quest

7. Follow the herd

- Best way to predict how much will we enjoy something is to see how much someone else enjoyed it



Francois de la Rochefoucauld

Before we set our hearts too much upon anything, let us first examine how happy those are who already possess it



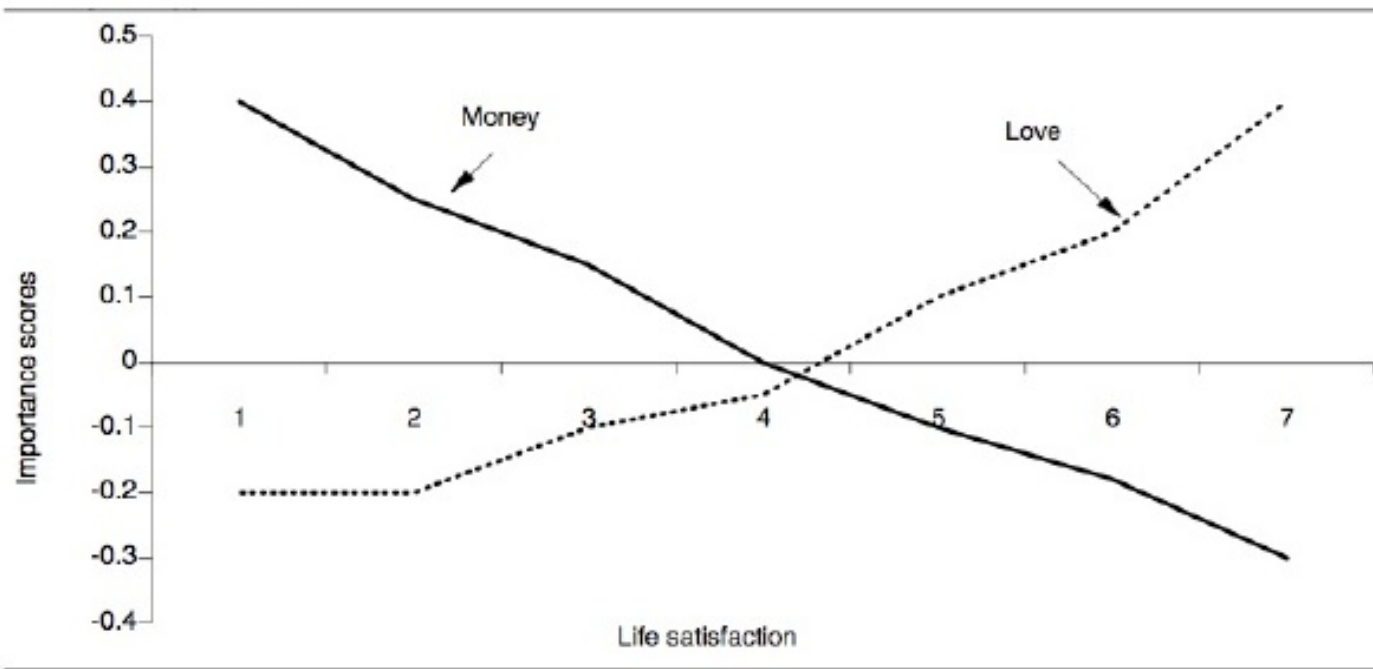
- Others can predict how we will like something better than we do. Experiment:



- Seeing me seeing the snack, other people predict my liking of each snack better than I can.

How to spend your money to be happy

- Buy experiences
- Spend to benefit others
- Prefer many small pleasures to one large
- Refuse extended warranties
- Delay consumption
- Look what others do



Source: Diener and Oishi (2000)

Your assignment

- Spend 100-200 CZK and make yourself happy
- Write one page about it:
 - What did you spend the money on
 - Provide explanation why you chose this (do your research!)
 - Describe which mechanism from today's lecture, or other, did you employ



6. Beware of comparison shopping

- In comparison shopping, we focus on what is different, not what is important (Dunn, Wilson, Gilbert, 2003)
- Comparisons while shopping are not the same as comparisons while consuming (Morewedge et al., 2010). Other options, relevant when choosing, disappear from focus when we consume.