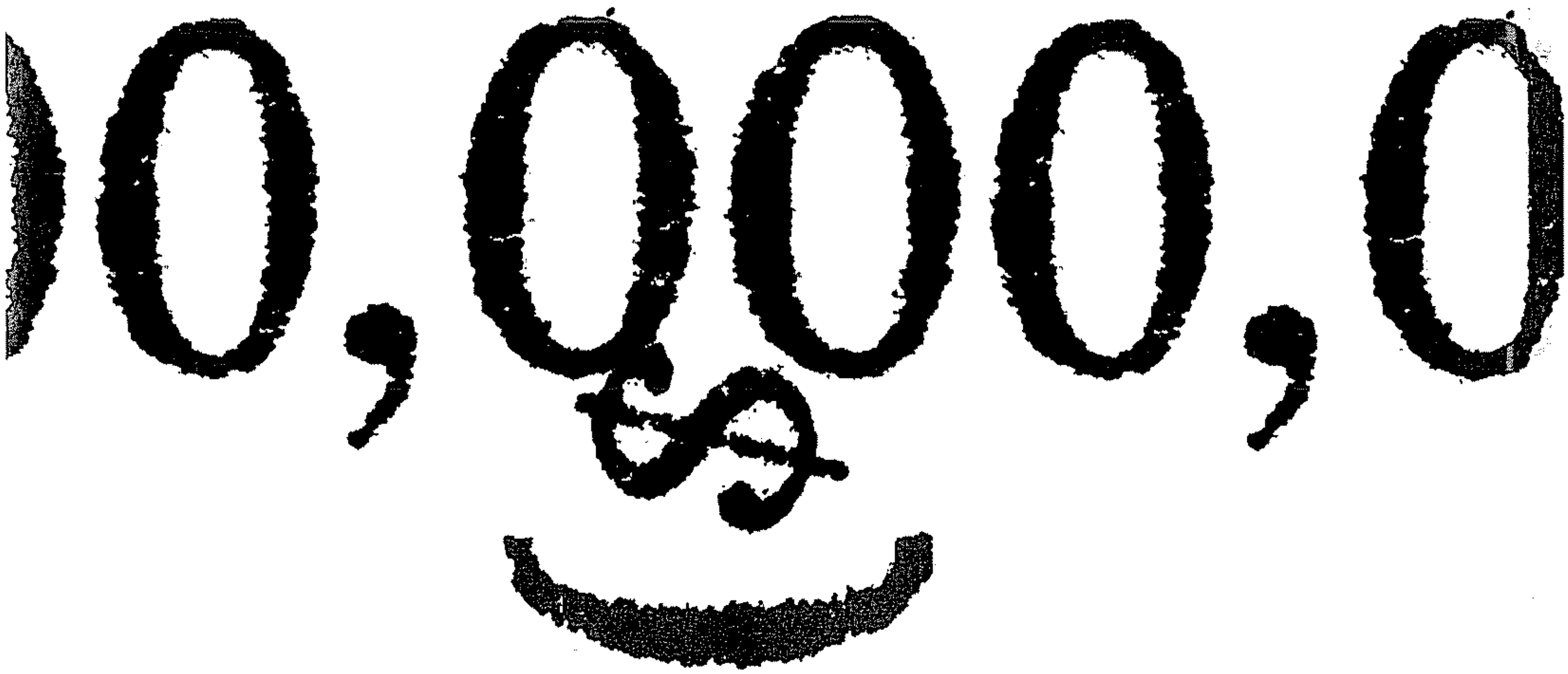

AFFLUENCE

_ STORY BY FIONA CARRUTHERS

Perplexed by the fact that your serotonin levels refuse to rise despite the new plasma screen and a second Porsche? Don't be. It's an established fact that money has nothing to do with happiness. Or is it? New research is questioning the old orthodoxy

THE BEATLES reminded us money couldn't buy love. Neil Diamond mused that while money talked, it didn't sing or dance – nor could it walk. Janis Joplin pointed out freedom was just another word for nothing left to lose, while Simon & Garfunkel gave us a prickly ballad detailing the suicide of the wealthy Richard Cory. Regardless of musical tastes, you'd think we would have got the point.

Yet in Australia, in 2005, we seem to be rediscovering the often fraught relationship between wealth and happiness. As our leaders continually tell us, we've never had it so good. The economy is steaming, share prices are rising, property is holding steady after a protracted boom and unemployment is at record lows. Craig James, chief economist at Commsec, says that based on Treasury estimates of private sector wealth, each Australian is now worth a stunning $260,000 (including property and other investments). James calculates that, over the past two years, personal wealth has risen by 30

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per cent in real terms, estimating this is the biggest gain recorded in 45 years Over the past 20 years, Australian wages have risen by 163 per cent, where prices have risen by 117 per cent, meaning real wages have increased by roughly 40 per cent The coffers might be full, and Australians have shown their appreciation by hitting the shops to amass record levels of household debt

But has it made us any happier? Another set of figures that has travelled alongside our postwar rise to riches is just as startling: more than one in five Australians will suffer clinical depression at some time in their life, a tenfold increase in depression over 30 years ago. Then again, maybe that's got something to do with the fact that household debt, as a proportion of disposable income, has doubled to 160 per cent over the past decade, according to the RBA. So gruelling has the pace become that the Australia Institute last year found one in four Australians aged 30 to 59 had voluntarily reduced their income to achieve a better work/life balance. (The institute's Clive Hamilton has co-authored a book entitled *Affluenza – When too much is never enough* [A&U, 2005] to elucidate the background to the finding.)

Along with the pop songs, any number of studies have made it clear that we aren't enjoying our material wealth quite as much as we might once have imagined we would. Between 1975 and 1995, real per capita GDP grew by some 40 per cent in the United States, but happiness scores for the average American remained pretty much the same. In the 1970s, the US General Social Survey found 34 per cent of Americans described themselves as "very happy", compared with 30 per cent in the 1990s.

A study conducted over the same time frame in Japan had almost identical results. Even when incomes are soaring in developed nations, happiness scores remain stubbornly stable. Since World War II, a small army of economists and psychologists has grilled everyone from remote African tribesmen to lottery winners and members of the *Forbes* 400 rich list, only to discover yet again that the road to happiness is definitely not paved with greenbacks

One of the most famous papers on the subject is *Does Economic Growth Improve the Human Lot?*, penned by the economic historian Richard Easterlin in 1974. Easterlin concluded that extra income had a surprisingly small positive effect on quality of life – and that a reasonable level of happiness appeared to require only a fairly low level of economic security. He found that people with higher incomes tended to be happier than those with lower incomes but, where the entire country was relatively well off, its inhabitants were not significantly happier than other people living in poorer countries. In short, you are likely to feel happy so long as your condition is comparable to that of your neighbour Ed Diener, a professor of psychology at the University of Illinois lent further weight to this idea when he found rich individuals who scored a place on the American *Forbes* 400 list were no happier than the Maasai herdsmen of East Africa.

Further studies have confirmed many of the ideas in Easterlin's paper. Ruut Veenhoven, a sociologist from Erasmus University in Rotterdam (and possibly the world's only professor of social conditions for human happiness) found that the world's very poor – in countries where GDP per capita is less than $US10,000 – are definitely miserable. Equally, the study found that once GDP per capita rose beyond that $US10,000 necessary for basic economic security, the apparent benefits of having more money began to decline. Furthermore, lack of money made the poor far more miserable than having a fortune made the rich happy. A recent poll by the American *Time* magazine found happiness among Americans – where the median income is $US43,000 – rose as they moved towards the $50,000 income mark. After that, income did not appear to dramatically affect levels of happiness.

In one of the most direct attempts to measure the impact of a sudden windfall of wealth, in 1978, three researchers followed the ups and downs of a group of lottery winners and disabled people. Their landmark paper, *Lottery winners and accident victims: is happiness relative?* concluded that the happiness of lottery winners was not significantly different from that of people who had gone blind or become a paraplegic. The authors attributed the findings to what they termed 'adaptation theory'. The same theory can explain why countries don't get more joyful as they grow richer.

Our ability to adapt means pretty much no amount of money could ever be sufficient. The other established thorn in the side of rich and poor alike is comparative perspective or reference anxiety – commonly known as 'keeping up with the Joneses'. As the best sellers *Luxury Fever* by Robert Frank (Free Press, 1999) and *Status Anxiety* by Alain de Botton (Penguin, 2004) explain, this fundamental human impulse means that no matter how much money you amass, if a neighbour, colleague, or family member should happen to acquire more, your levels of satisfaction will begin to drop.

Whichever way you cut it, the case that money won't boost your daily smile count seems overwhelmingly convincing. Even the very epitome of entrepreneurialism, Donald Trump, weighs in to inform us that the private jet, the yacht and all those marble floors are not what drive him: "Money was never a big motivation for me, except as a way to keep score," he claims in *The Art of the Deal* (Random House, 2004). "The real excitement is playing the game."

SO WHY DO we keep chasing those wads of cash? "You have to admit that it is rather intriguing," says George Loewenstein, professor of economics and psychology at Carnegie Mellon University in Pittsburgh, Pennsylvania, who has written extensively on the topic. "If it's so true that money doesn't make us happy, it seems very odd we are all still pursuing it." It's a point that seems to be well taken. Any number of researchers and economists are looking at the question afresh: going back to first principles to see why – given we should know by now that a cold-cash embrace doesn't pass for love – we still give our all for the almighty dollar. Along the way, the accepted wisdom about money is being turned on its head. According to new studies, the question may not be so much why money doesn't make us happy. Rather researchers are asking how we experience happiness, how do we quantify it – and whether we should or even can measure it. "The measurement side of this science is still pretty unsatisfactory," says Loewenstein.

"The research is going in a lot of different directions simultaneously, which is what it should be doing. The interesting thing is a new and separate debate on the nature and wisdom of our pursuit of happiness in the first place." It's a sentiment echoed by Professor Mark Wooden, deputy director of the Melbourne Institute. Wooden says researchers in the past have focused on income levels rather than wealth (which includes things like housing and superannuation). "The claim that money has little effect on happiness is almost entirely based on weak relationships between survey measures of happiness and measures of income," he says, adding that the question of how we can maximise our happiness "appears to remain pretty open".

Many would argue that common sense is finally dawning: a realisation that while it might not drive happiness, money sure can help – a lot. In a recent paper, *The Effects of Wealth and Income on Subjective Well-Being and Ill-being*, Mark Wooden and Dr Bruce Headey write that "wealth is probably important because it provides economic security, which many people value highly". The authors agree with the overwhelming research findings that things with no market value are more important to happiness than pots of gold. However, Wooden says: "After personality and genes, good health, a strong marriage, support networks and gainful satisfying employment, I'd argue the money issue kicks in and that wealth actually does matter a lot more than we thought – more than the environment and clean air."

Another innovative twist on reordering how we think about the relationship between happiness and money is delivered by economists Daniel G. Blanchflower and Andrew J. Oswald in their paper *Well-being over time in Britain and the USA* (2000). The authors set out to put a financial value to non-marketable factors viewed as critical to our sense of wellbeing. They found that Americans who were recently separated or widowed following a long marriage felt their partner was worth about $US100,000 a year. Being an unemployed man was worth an annual $60,000 in compensation and being black was worth $30,000. The results were similar for the UK. The authors conclude that "money does buy happiness" due to the reasonably "large" sums nominated and argue that "higher income is associated with higher happiness". However, it is notable that income doesn't feature in their concluding snapshot of the groups of people most likely to feel good about life – women, married people, the highly educated and those whose parents did not divorce.

After a quarter of a century spent studying happiness, Professor Ruut Veenhoven reminds us that happiness is defined as "the overall appreciation of one's life as a whole. In short, how well one likes the life one lives." He confirms that "when we compare within nations, it appears that happiness does not depend very much on socio-economic position". Indeed, his work finds that income and education explain only about 5 per cent of the differences in levels of happiness between fellow countrymen in any given nation. "Happiness depends more on socio-emotional positioning, loners being typically unhappy," he says. Being married, having friends and participating in voluntary organisations counts for about 15 per cent of the differences. Personality explains another 25; sheer good or bad luck accounts for 10 per cent of the differences.

Somewhat infuriatingly, Veenhoven concedes that the "other 45 per cent is unexplained as yet". Is there a message in this? Veenhoven told *The AFR Magazine* that he is satisfied with the data and the existing understanding of the interplay between happiness and wealth. But he says research is lacking in the area of the great tradition that began with the Greeks. "One of the things we really have not quantified yet is what we call 'the art of living'. Why can some people make more of a day than others? There may be a genetic disposition, but the ability to lead a satisfying life is also something we can learn. No one has measured the ability of some people to enjoy a sunset; to be happy because they organised a nice birthday party; or because they enjoy a quiet drink in the pub more than others would."

Over in the US, this is a point also touched on by Loewenstein. But he is slightly more hardcore. Where Veenhoven is keen to increase measurement and understanding of how we can feel good, Loewenstein argues it may be that it's not money so much as our unrelenting pursuit of happiness that is flawed. "The new interest in happiness has given rise to a debate about whether it's healthy for us to try and maximise happiness – should that be the goal?" Loewenstein asks. In doing so, he follows another long and illustrious tradition. Many have warned us of the pitfalls of seeking what we desire most. "The pursuit of happiness is a most ridiculous phrase; if you pursue happiness you'll never find it," the writer C.P. Snow observed. Then there's Benjamin Franklin's extremely succinct summation, more than two centuries before contemporary researchers crunched their first numbers: "Who is rich? He that is content. Who is that? Nobody."

Scales of concern

Mark Wooden concedes that one of the greatest hurdles in solving the age-old money v happiness equation is how to measure happiness itself. "Economic variables like GDP or income don't have a boundary or limit. Once you introduce scales, there are limits." Happiness surveys are often no more complicated that asking subjects: On a scale of one to 10, how happy are you? Wooden points out that this is problematic because, for the first interview, a particularly happy subject might nominate 10 on the scale. A year later, they get married and didn't anticipate how much happier that would make them, but can still only nominate a 10.

George Loewenstein says another key problem in these surveys is the tendency of people to skew results by "norming the scales". He cites one study where researchers divided up two groups of people with Parkinson's disease. The researchers mentioned to one group that they were only interviewing people with Parkinson's, but did not mention this to the other group. The results indicated higher levels of reported happiness among the group told the study was confined to people with Parkinson's. "They got a skewed result because you have to factor in that one group had higher levels of happiness because they figured, 'compared with other people with Parkinson's, I'm doing well'."

Arguably the greatest problems for happiness surveys are with inter-country comparisons, which seem meaningless when you stop to consider different cultural attitudes. Loewenstein points out that while most Americans will express their glee to anyone willing to listen, the French believe no sane person would confess they were happy; and in other countries, such as Japan, it is considered in poor taste to gloat about your good fortune.

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