

**The Science of Happiness and Wellbeing**  
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**Module No # 04**  
**Lecture No # 18**  
**Money and Happiness**

Today we will talk about a very interesting topic on money and happiness in fact a lot of questions come regarding the relationship between these 2. People often ask this question whether having more money will get us more happiness or not. And worldwide there has been a question on this issue that whether having so much money, so much of money will actually get us so much of happiness or not so; we will actually talk about it today.

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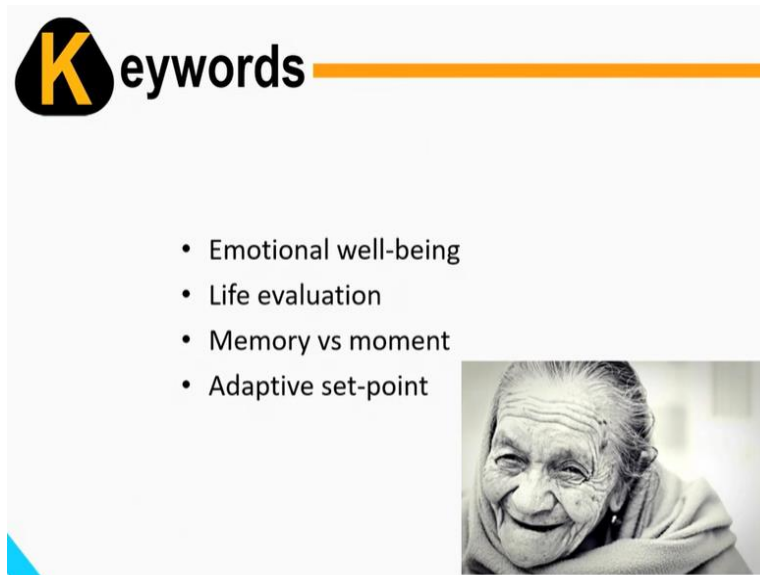
The slide features the 'Concepts covered' logo in the top left corner, which includes a large stylized 'C' and the text 'oncepts covered'. In the top right corner, there are two logos: the Indian Institute of Technology Kharagpur logo and the NPTEL logo. A horizontal orange line separates the header from the main content. Below the line, on the right, is a photograph of several Indian 1000 Rupee banknotes fanned out. On the left, the text 'Does money buy happiness?' is displayed. Below this text is a bulleted list of topics: 'Money & Happiness', 'World Happiness Index', 'Happiness in India', and 'Neuroscience of giving'. A dark blue semi-circular shape is visible in the bottom right corner of the slide.

And will have certain concepts related to this with the basic premise whether money does buy happiness or not? We will use certain concepts and we try to get you some answers for this. Using the research evidence not really what common people think about of course common people think that if you have more money probably you will be more, happy. And towards, this end will present the world happiness index which is primarily based on living standard and GDP per capita.

We will refer about that and try to let you know what is our standing in India regarding happiness and of course money? And finally we would like to talk about whether there is any brain area which is related to such kind of craving or not so we will talk about neuroscience of


giving. Therefore we will use certain concepts and these concepts are like emotional well-being life evaluation memory verses moment and adaptive set point I will explain one after another.

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**K**eywords

- Emotional well-being
- Life evaluation
- Memory vs moment
- Adaptive set-point



When we talk about emotional well-being it is basically how do I feel? What kind of emotion I do have happiness, sadness, fear, anger, surprise, disgust? And when we talk about life evaluation it is about how much we felt that, our life has been very happy or unhappy? So it is the distinction between memory; versus moment that is when we talk about emotional well-being we talk about what kind of emotion is going in our mind? And when we talk about life evaluation what kind of life we had?

And finally we will talk about adaptive set point now adaptive set point is a technical term which suggests that we have a tendency to, come back to a stable condition even if we are very happy or very unhappy. We actually go back to the baseline or our average line is which is called adaptive set point. That is we may be very happy but at one point of time we have to come back to normalcy or we may be extremely unhappy. But after some time will come back to our set point so we will discuss about adaptive set point as well.

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## World Happiness Index

- UN General assembly adopted resolution (65/309) in July 2011 about *Happiness: Towards a holistic definition of development*
- Member countries were asked to measure happiness of their people & use the data to help guide public policy
- First released in April 2012: Gallup World Poll




With, these notions let us first try to understand how happy we are? So what really happened 2011 the United Nations general assembly they actually adopted a resolution. They felt that the public policy if it is governed by only living standard and the GDP of the country then probably it does not really capture the well-being of the people at large. So they thought that there should be an assessment of, happiness all over the world.

And in that process 156 countries who are member of the United Nations they were asked to measure happiness. And this job was given to a professional organization called Gallup so Gallup did a world poll and in 2011 and they came out with a report and this report was first published in 2012. And since then it has been publishing this world happiness index every year, barring one or two year in between.

Now if you look at the map you will find that there is a scale, the scale suggests that those who are in the green line or green zone they are very happy country they are rich country. And those who are in the red zone they are very poor country and they are very unhappy country. Suggesting that probably those who are rich they are happier those who are not so rich, they are unhappy.

India's position of course is somewhat in between and towards the lower end which is considered to be a developing nation and the happiness index has also found to be pretty low. Let us see what is India's standing out of these 156 countries?

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## World Happiness Index



### The parameters: 10-point ladder of subjective experience

- GDP per capita [+]
- Social support [+]
- Healthy life expectancy [+]
- Freedom to make life choices [?]
- Generosity [+]
- Perception of corruption [-]

Now I will go by what has been found for India in 2022 at the moment we would like to first tell you how this study was conducted. Now this, study was conducted based on a 10 point rating scale which we also call 10 point ladder of subjective experience. It is basically a survey and this survey as I told already was done by a world organization called Gallup. So Gallup agencies actually did they study worldwide based on 6 different criteria or parameters.

Let us first understand the parameter first and then we will try to understand, what are the findings that were revealed? Out of 6 criteria the foremost and important criteria was GDP per capita that is Gross domestic product divided by the population of that particular country. When this criteria was utilized it has been found there is a high correlation between living standard and happiness that is those who are rich country they were found to be happy.

So the correlation was pretty good pretty high and positive when it comes to social support that is parameter number 2. And by social support we mean or they mean that the kind of support system provided by the neighbourhood by the community by the governance by the people around you. By your office wherever you have been working or by your home setup all kinds of support it is just not a relational support, within the family.

So it has also been found that happier countries suggested that they get more social support that is happier countries are rich country and rich countries suggested that they get enough social support. Therefore their standing on happiness index has been pretty high the third parameter was healthy life expectancy how long they live? Once again it has been found, the relationship has been very positive the rich country the people living in the rich country their life expectancy was higher as compared to the life expectancy of people who are in the poorer country.

So by now we have found that in all three parameters the correlation has been pretty positive. But then comes; freedom to make life choices now freedom to make life choices is a very important, parameter it is just not about the kind of support available with you. Or the kind of resources you do have when we talk about resources it is about physical resources, biological resources, social resources, economic resources, psychological resources, social resources if you have got all those resources in hand then we call it as how do I appreciate life?

But it also happens that you have got all the, money but you do not have the freedom to make use of it which is called autonomy. Now freedom to make life choices is part of your autonomy that you have got everything but do you have the freedom to make choices that you wanted to have. Suppose I have got a lot of money in hand but I cannot make use of it the way I like I cannot purchase a car a costly car even if I have got money.

So freedom to make life choices have been found to have a correlation which is neither so positive nor so negative. In fact there was no conclusion could be made based on freedom to make life choices. In fact in several countries it has been found the country is very rich but they do not have enough freedom to make life choices. Then comes generosity that your kindness is something which is thought to be a, good parameter of happiness.

Because we believe that if you can share your happiness probably you will become happier so generosity is linked to your kindness. And once again the relationship has been found to be positive that is rich country were found to be more generous and happier as well. And finally the perception of corruption we thought that probably in poorer countries the perception of, corruption would be higher and they would be much more; unhappy.

But here it has been found that wealthy countries found happiness even if they perceive corruption in that country is very high. So the perception of corruption has a negative relationship between the happiness and the kind of wealth they have. So based on these 6 parameters the world happiness index has been created and you will find that India's position is at the bottom line.

And we find that India is ranked to 136 out of several countries which is close to 156 and some of the countries these Scandinavian countries and European countries like Finland, Denmark,

Iceland they are found to be pretty happy. So this has been the index which is found to be related to our living standard or the kind of wealth or money people have.

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## Happiness & Well-being in India

- How happy are we vis-à-vis Western world?
- Living standard, objective well-being

vs.

Belongingness, subjective well-being



Now, the question is how happy are we in India? I mean if we make a comparison of our state of happiness with western nations what is the status? Do we believe that living standard objective well-being is the primary marker for happiness? Or we believe belongingness and subjective well-being even if I do not have enough money good living standards? Or something which is objectively or materialistically very, much available to us is something of debate people have been making all the time.


So living standard versus subjective well-being what is the position we do have let us see about it.

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## Does money buy happiness?

There are two aspects of well being:  
emotional well being & life evaluation

- Emotional Well Being = the quality of a person's everyday experience such as joy, fascination, anxiety, sadness, anger, etc.
- Life Evaluation = a person's thoughts about his or her life (on a longer time scale).



(Kahneman & Deaton, 2010)  
<http://www.progressfocused.com/2016/09/the-important-difference-between.html>



Now we will see about it before that we need to understand what kind of researches have been done internationally in order to find the relationship between money and happiness? Now the photograph that you see is of Daniel Kahneman who is a Nobel laureate who got Nobel prize belonging to Princeton University in USA in 2002 for this research. He found that people have got 2 kinds of happiness they reported one related to emotional well-being other relates to life evaluation.

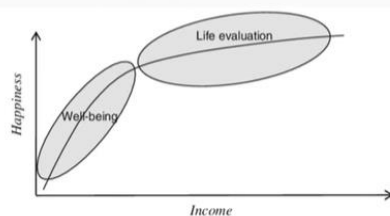
He believes that the emotional well-being is something which is the quality of your everyday experience that is you are, happy you are sad you are angry you are fearful whatever. And that is more day to day basis he wanted to measure and at the same time he wanted to learn what is; your overall happiness? When you are requested to subjectively report about your life evaluation. So one is about experience that you had earlier and what you have got experience at the moment so it is a difference between memory and, moment.

So this study was done on 4,50,000 Americans not in India of course and let us see what is the finding that we have in hand. Now the other person is called as Deaton he is also an economist both of them have published several reports and if you are interested you can actually look into their literature as well for which I have given you the reference.

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### Major Findings

- The quality of the respondents' everyday emotional experiences did not improve beyond \$75,000 a year
- Beyond \$75,000, money is important for life evaluation, but does nothing for happiness, or sadness, or stress



[https://www.researchgate.net/figure/Happiness-income-relationship-with-two-reference-classes-emotional-well-being-is\\_fig3\\_266378182](https://www.researchgate.net/figure/Happiness-income-relationship-with-two-reference-classes-emotional-well-being-is_fig3_266378182)

The major finding is that if, the average income of an American is 75000 and above. Then addition of money does not add to their emotional well-being the point is that if you have earned about 75000 dollar per year then your happiness will not go up if you earn 1 lakh dollar per year it is very difficult to tell at this moment what is the equivalent in terms of Indian rupees. But

this is the finding Daniel, Kahneman and Deaton got it they found that beyond 75000 dollar money is important for life evaluation.

But it has got nothing to do with your emotion, emotion of happiness or any kind sadness or stress so we understand today that if your living standard is close to something getting 75000 dollar per year. Then you remain happy up to that point after that you do not get more happiness but your, life evaluation improves. If you look at the graph you will find that well-being increases up to a point with the increment in income but after that only life evaluation increases. The emotion of well-being or subjective well-being does not increase at all.

Now this finding has been somewhat challenged by some other researcher in Wharton university in University of Pennsylvania in the next slide I will see that.

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### Study by Killingsworth-2021

*Does money stop you happier after \$75,000?*

- Money may buy some happiness; Little evidence of an income threshold at which experienced & evaluative well-being diverged
- Proportional differences in money matter the same to everyone
- Higher earners find happiness in moment (emotion) & memory (lives) but also reported more stress
- Chasing money as a goal doesn't lead to happiness

This study was done by Killingsworth because when Daniel Kahneman did this research it was around 20 years back and at that point of time this finding was available. Now when Killingsworth did this study in the University of Pennsylvania his research question is that does money stop you happier after 75,000 dollar. That is if I get one lakh dollar per year do I continue to become happy or I do, not become happy after 75,000 dollar at all.

He suggests his research suggests that money buy some happiness even after 75,000 dollar and there is nothing sacrosanct as a baseline called 75,000 dollar. He says that experienced happiness and evaluative happiness they diverge but there is no such a threshold of 75,000 dollar per year its quite possible when Daniel, Kahneman did this study some 20 years back. The



threshold may be 75,000 dollar but when Killingworth did this study he found that no there is nothing such available.

Memory and moment I mean they do not diverge after 75,000 dollars per year or anything of that sort. But he also suggests that yes if the proportional difference in money is given both to poor, as well as rich happiness will come in some way. Suppose somebody who is a poor gets 10% increment in his salary he would be happier and somebody who is getting 1 lakh dollar per year and if he is also given or she is also given 10% increment in his or her salary they will also become happier.

So there is a proportional difference in money that matters and also he says that memory and, moment that is experienced life experience as well as evaluative experience. They increase with the increment in your money but at the same time those who are rich beyond a certain point they reported more stress as well. In fact when Daniel Kahneman did this study he did this study up to someone who receives 1,20,000 dollar per year.

But then the next study suggests that high earners find happiness in both moment and memory moment is your current emotion and memory is your life evaluation. But the only problem is that high earners also have got high stress so suggestion from this study came up that chasing money as a goal does not lead to happiness.

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### Happiness in India – some questions...

- Are Indians hard-wired for unhappiness or designed to face misery?
- Is there an in-depth study on India?
- Do happiness & misery co-exist with mutually adaptive set-points in India?
- Do societies view happiness differently that help their culture & survival strategies?

Now as I had asked you in the beginning how happy are we vis-a-vis western world. We have some more questions in this direction in, order to try to find some answers for it. The question is, are Indians hard wired for unhappiness or designed to face misery because our happiness

index has been so low and we are a developing nation. But the problem is that how do we survive for the last 5000 years with such kind of unhappiness if we are really so unhappy.

The question is, is there an in-depth study on India as of now we, did not have whatever Gallup has done was with a very little small sample of people from this country some thousands were only participated and based on that the report was conducted or indexed. Second in the third question is do; happiness and misery co-exist in India with mutually adaptive set point. I told you already that probably in India there is a there is a perception that if you are too happy, you should not remain too happy you have to come back to a baseline.

If you are too unhappy also you ultimately do not remain unhappy you come back to your level a base level which is your set point level. So is there something which; is already existing with India or do societies view happiness differently that help their culture and survival strategies. So as a culture we have earlier understood, that one of the major drivers of happiness is the culture the cultural customs, the cultural relationship, the cultural and the survival strategies how do we survive?

So is it really possible to remain happy all the time if we all want to be happy why do we find so many unhappy people in this world? So there must be some survival linkage between both happiness and unhappiness. In earlier talks we have, found that unhappiness is a survival emotion while happiness too has a survival component in it,

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### Possible arguments...

1. Money has extrinsic value while happiness depends on intrinsic value
2. Money may increase happiness & health for those who are poor (Exp finding in Zambia: Natali et al., 2018)
3. Beyond the magic number, cultural practices & life-style are the main drivers of happiness
4. Spending money on experiences (giving to others with no thought of reward) results in more happiness than tangible goods (Dunn et al., 2011)

The arguments that we have based on these questions that probably money is important but money has extrinsic value while; happiness primarily depends on your intrinsic value. So if we

try to link between extrinsic value and intrinsic value we may not get a one to one correlation. Money may increase happiness and, health for those who are poor I mean if you get more money than in poorer nations probably you will get more happiness.

And beyond this magic number of 75,000 dollar cultural practices and lifestyle are also the major drivers of happiness. Therefore we need to understand that money may not be the sole reason for having happiness the cultural practices lifestyle how we live like and, what are our survival strategies they all are very important thing. So spending money on experiences results in more happiness than tangible goods.

That is if you are showing your kindness if you are having more generosity if you I mean give money with no return for yourself which; we call altruism that probably results in better happiness rather than material gain. So the kind of conclusion we are, trying to get out of it that instead of having material gain if we can share our happiness with others probably that will give us more intrinsic value of our happiness.

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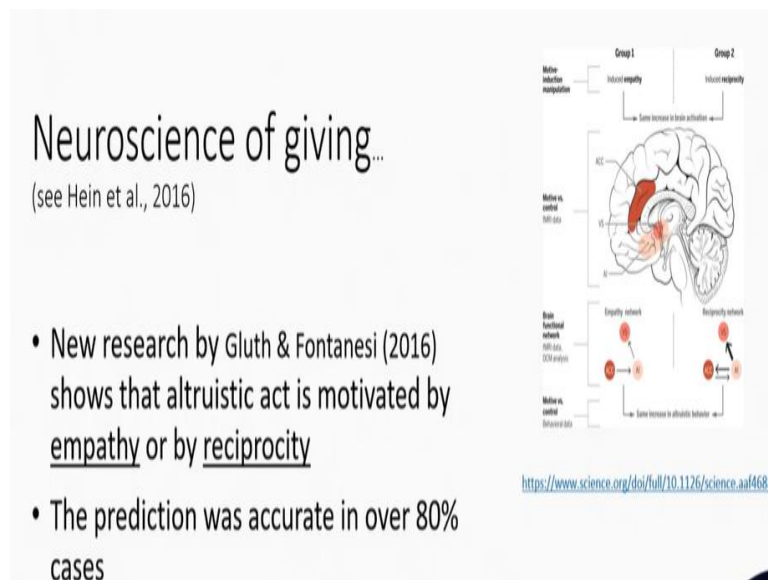
### Rich are less generous than the Poor (Dodgson, 2018)

- Game: deciding how much money they wanted to keep & how much they wanted to donate
- People were assigned as "lower status" or "higher status", – signifying wealth
- lower status participants would contribute more to the group pot than higher status ones

So some studies were done Dodgson, 2018 did a very interesting study he wanted to know that if the children are given some money and they are supposed to give some money to others while keeping some money for, themselves. How much money the lower status people will keep and how much money the higher status people will keep signifying wealth. It has been found the lower status participants would contribute more to the group as compared to the higher status group.

I repeat and I clarify this position that somebody who is considered having poor they are donating more money as compared to someone who is, considered rich they are donating less amount of money. Therefore it is a fictitious experimental game even in the game it has been found that somebody who does not have money enough can also donate in order to find happiness.

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So some of the researches were done in brain sciences and these sciences wanted to know when we give money is it so that we want to give money for getting back something as, part of our motivation. Or is it something that we want to give money out of empathy we do not want any reward we simply want to give it to someone else without having any reward. So this research has been published in science and it has been found that there are 2 separate brain areas one for reciprocity other is for empathy.

So if people are empathic and then they want to share their wealth with, others a different area of the brain is activated. But if they are altruistic philanthropic but having a motivation behind a different brain area gets activated. These researches were done using functional magnetic resonance imaging studies. And using those studies it is possible to understand whether the brain gets activated by your different kinds of feeling that you have. So the prediction was, found in 80% of the cases where such kind of games; were organized.

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## CONCLUSION

- People's life evaluations rise steadily with income
- Emotional well being leveled off at \$75,000/year
- Higher earners find happiness in moment (emotion) & memory (lives) but also reported more stress



So in conclusion we find that people's life evaluations rise steadily with income. That is you believe that you had a good life in terms of your reasoning logicity but when it comes to your apparent emotion your feeling that probably gets leveled off at 75,000 dollar per year. It is not possible to tell as I said to find out the, equivalent in Indian rupees but this is what has been the experimental finding.

Now finally high earners find happiness in moment and memory but also reported more stress. That is somebody who is rich their momentary emotion is happiness their life evaluation is also happiness but they also report more stress. So that coexistence that has been there that is our conclusion.

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So I have given you some, references the most important being the world happiness index which has been published by I mean the lead author is John Helliwell. It was published in every year it is publishing and this year also it has published thank you so much.