

The Duality of Wealth: Is Material Wealth Good or Bad for Well-being?

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Abstract:

This paper first examines if, and how material wealth is related to the different components of subjective well-being (SWB). Greater wealth is related to higher life evaluation and, to a limited extent, higher emotional well-being (more positive feelings and less negative feelings). The beneficial impact of wealth on happiness holds true at both the individual and national levels. However, although economic growth brings about greater happiness, excessive pursuit of wealth is detrimental to SWB, leading to lower life satisfaction and greater negative affect. The paper then reviews the negative impact of affluence on quality of life, and how that in turn diminishes SWB. Next, the paper assesses why wealth is a weak predictor of emotional well-being, by drawing on needs theories as explanations. Finally, the synthesis of the various findings suggests that although material wealth enhances happiness, it can also exert indirect deleterious effects on well-being.

Keywords: Wealth; Well-being; Happiness; Economic growth; Affluence.

The Duality of Wealth: Is Material Wealth Good or Bad for Well-being?

Is material wealth² good or bad for happiness? For centuries, there have been opposing views on this question. “A large income is the best recipe for happiness I ever heard of” (Jane Austen). Advocates who argue that material wealth is beneficial to happiness note that economic growth and individual wealth increase the standard of living and enhance well-being (e.g., Deaton, 2008; Diener et al., 2010a; Kahneman & Deaton, 2010). On the other hand, opponents of this belief emphasize the importance of values and psychological needs for well-being, suggesting that focusing on material aspects of life may lead to the erosion and negligence of these essential values and needs (e.g., Inglehart et al., 2008; Kasser & Ryan, 1996; Ryan & Deci, 2001). “Money has never made man happy, nor will it, there is nothing in its nature to produce happiness. The more of it one has the more one wants” (Benjamin Franklin). Despite the ubiquitous interest and multitude of research conducted in this area, there has been no unanimous answer to this question.

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² It should be noted that there are many different indicators of material wealth. In many surveys, one’s income is usually used as a proxy of wealth. Money is also often used as a measure of material wealth, although it is only one aspect of it. Different terminologies are commonly used in the literature— for example, income, material goods or possessions, possession of modern conveniences, or affluence— although they may refer to different specific aspects of wealth. For convenience therefore, I would use the labels interchangeably in this paper, although it is recognized that each indicator (e.g., income) is not a full representation of material wealth. At the societal level, there are likewise various labels used to represent societal wealth (e.g., prosperity, economic growth, societal affluence, national wealth) and various indicators to measure societal wealth (e.g., GDP, national household income). Although these labels would be used interchangeably in this paper, personal and national wealth would be clearly distinguished, and where necessary, the particular measure that was used would also be noted.

Perhaps this is because the key parameter in the question, happiness³, is a multifaceted construct. Defined as comprising three components— life satisfaction, positive affect (PA), and negative affect (NA), attaining a high level of happiness/ subjective well-being (SWB) refers to having high PA, low NA, and high life satisfaction (Diener et al., 1999). Life satisfaction refers to a cognitive, global evaluation of one’s overall life, while PA and NA respectively reflect the extent to which people experience pleasant emotions and moods or unpleasant emotions and moods (Diener, 2000). Together, PA and NA constitute the everyday affective experiences of an individual— that is, emotional well-being. It is possible that the cognitive and emotional components of SWB relate differently to material wealth, which may contribute to the conflicting answers to the question. Furthermore, use of different indicators across various studies may also produce contradictory results, as these various indicators may relate differently to SWB. Finally, individual and societal wealth can also exert different effects on SWB, hence it is imperative to examine the relations between wealth and well-being at both the individual- and nation-levels.

How is Wealth Related to Well-being?

Before assessing whether material wealth is good or bad for well-being, it is germane to first clarify how it is related to happiness. Earlier studies in psychology found that income has no further effect on life satisfaction beyond a threshold level of income (Diener & Biwas-Diener, 2002). One explanation is that at the lower levels of income, money is essential for fulfilling basic survival needs such as food and shelter (Howell & Howell, 2008). Having enough money can mean the difference between having enough to eat and having proper housing versus going hungry and being homeless. But at higher levels of affluence, other psychological factors such as autonomy, mastery, or social needs become more important to SWB, whereas income contributes to happiness to a much smaller degree (Howell & Howell, 2008; Oishi et al., 1999).

Alternatively, there may indeed be a real link between money and happiness; but the true money-happiness relation might have been masked in past studies that relied on raw income as a measure. There is evidence of diminishing marginal utility of income for well-being (Layard, Mayraz, & Nickell, 2008), such that the same differences in raw income produce larger effects for the poor than for the rich. After all, gaining \$10,000 should have a much larger impact on an individual who earns only \$10,000 a year, as compared to someone who earns \$90,000 a year. Taking the logarithm of income would enable us to examine equivalent increases at different levels of income (e.g., an increase from \$10,000 to \$20,000 is equivalent in log terms to an increase from \$90,000 to \$180,000 as both cases reflect changes of equal percentages). The relation between money and SWB appears to be consistent with Weber-Fechner law, which states that the perception of discriminable differences between two stimuli (e.g., intensity of light) is based on the percentage change, not absolute change. This means the relation between the stimulus and perception would be logarithmic.

Indeed, using a logarithmic scale for money yielded significant linear relations between money and SWB. Data from the Gallup World Poll (GWP), a representative survey involving more than 130 countries and comprising over 136,000 respondents, showed a strong linear association between life satisfaction and log income at the individual level (Diener et al., 2010b). As log income increases, life satisfaction increases. Data from the Gallup-Healthways Well-Being Index (GHWBI) further showed that there was no satiation, even at income levels beyond US\$120,000 (Kahneman & Deaton, 2010). This means that income has a positive

³ The terminology of “happiness” as used in this paper refers to the concept of overall happiness, and does not refer to the positive emotion word described by the same adjective “happy”, which refers to a transitory, pleasant, activated emotion instead. Although the constructs of happiness and subjective well-being (SWB) are different, and are operationalized differently, the terms happiness and SWB are often used interchangeably in the literature, and are used to represent the broad concept of well-being. Hence, these terms would be used interchangeably in this paper.

effect on life satisfaction, although the amount of raw income required to produce the same change is much larger at higher levels of income than that required at the lower levels.

The data however, suggests a different picture for emotional well-being. Positive and negative feelings show weaker associations with income and are instead more closely associated with the fulfillment of psychological needs such as respect, autonomy, mastery, and social support (Diener et al., 2010b). Regressions showed that the fulfillment of psychological needs was the strongest predictor for positive feelings and negative feelings. Conversely, affluence (as measured by satisfaction with standard of living and per capita gross domestic product, GDP) was the strongest predictor for life satisfaction. Furthermore, the effect of income on emotional well-being seems to satiate around US\$75,000. Having a higher income correlates with higher emotional well-being, but beyond income levels of \$75,000, there is no improvement in positive feelings and no decrease in negative feelings (Kahneman & Deaton, 2010). Together, these findings suggest that fulfillment of psychological needs is more important than income for emotional well-being.

The above discussion illuminates how money relates differently to different components of well-being. In addition to the GWP and GHWBI analyses, other large-scale surveys have also converged on the conclusion that material wealth increases well-being. Data from the three recent waves (2004 to 2006) of the German Socio-Economic Panel Study (GSOEP) and World Values Survey (WVS) corroborate the finding that the rich are happier than the poor. In the GSOEP, the rich (those earning more than \$200,000 a year) were much higher in life satisfaction than the poor (those earning less than \$10,000 a year), and were also considerably higher in life satisfaction than those with average income (Lucas & Schimmack, 2009). The same patterns were replicated in the WVS. In sum, money matters for happiness—individuals in lower-income groups have lower well-being than those in higher-income groups on all measures of well-being—positive feelings, negative feelings, and life satisfaction (Kahneman & Deaton, 2010; Lucas & Schimmack, 2009). However, positive and negative feelings are still more strongly related to the fulfillment of psychological needs such as social, respect, and autonomy needs across the world, as including income did not explain additional variance in them (Tay & Diener, 2011). Therefore, these representative findings underscore the positive outcomes of wealth on well-being, although they also highlight that psychological factors are central to affective well-being.

Benefits of National Wealth on Well-being

The preceding section establishes that individual income is important and good for an individual's well-being. But does national wealth influence happiness? Is it better to live in an affluent society or in a poor country that eschews the pursuit of economic wealth? Early findings imply that societal affluence may be essential to happiness only for people living in economically undeveloped societies, but not for those in prosperous societies. The GDP-life satisfaction slope is steep among poorer countries but is much weaker among the rich nations (Diener & Biwas-Diener, 2002). More recent analyses however suggest otherwise. Instead of using raw GDP, examining the relation between log-transformed GDP and life satisfaction yields a strong linear association. Specifically, countries with higher GDP show higher average life satisfaction (Deaton, 2008).

Further underlining the importance of national wealth are findings showing that societal affluence (as measured by GDP) predicts individual life satisfaction even after controlling for individual income (Diener et al., 2010b). This could be because people rely on a global world standard, and not a local standard, for social comparisons and to evaluate their life. This idea is supported by further analyses at the individual level. The effects of relative income were found to be smaller than those of absolute income (Diener et al., 2010b). Specifically, relative income only added a small increment in predicting life satisfaction beyond absolute income (Diener, Tay & Oishi, 2013). However, conflicting findings suggesting that relative income might be important do exist. Boyce, Brown & Moore (2010) found that the ranked position of an

individual's income predicted life satisfaction. These contradictory findings though, were based on a single nation (United Kingdom), and thus might not be representative of the world's population, unlike findings from the GWP and WVS, whose samples comprised most of the world's nations.

Comparisons of the between-nation and within-nation associations between income and well-being found steeper between-nation slopes. Correlations of mean income and mean levels of life satisfaction typically range from 0.60 to 0.80 across countries, whereas associations within nations are often closer to 0.20 (Diener & Biswas-Diener, 2002). This also supports the proposition that societal circumstances are important for people's well-being (Diener et al., 2010a). It seems that societal wealth exerts a stronger effect than individual income on well-being. In recapitulation, the robust GDP-SWB associations across countries and the higher SWB in prosperous countries demonstrate that societal affluence has a strong, positive impact on well-being.

The impact of national wealth on well-being can be understood from how it translates into tangible beneficial living conditions. In wealthy nations, there are modern amenities, availability of superior healthcare, and better infrastructure such as good sanitary systems and efficient public transportation systems. Affordable housing and a quality education system also exist in these affluent nations, which also have a higher life expectancy. Consequently, these desirable societal conditions should positively influence happiness. Supporting this explanation, early studies found that measures of happiness (e.g., life satisfaction) were positively correlated with good societal characteristics (Heylighen & Bernheim, 2000). In contrast, undesirable societal conditions exert the opposite effects on SWB. Analyses of large-scale international surveys such as the WVS and GWP reveal that bad conditions affecting a nation (e.g., going hungry and being assaulted) predict average life satisfaction in these nations (Diener, Inglehart & Tay, 2013). This may explain why people living in rich countries experience higher well-being than those living in poor countries where lack of basic infrastructure, safety, and security are the prevailing conditions.

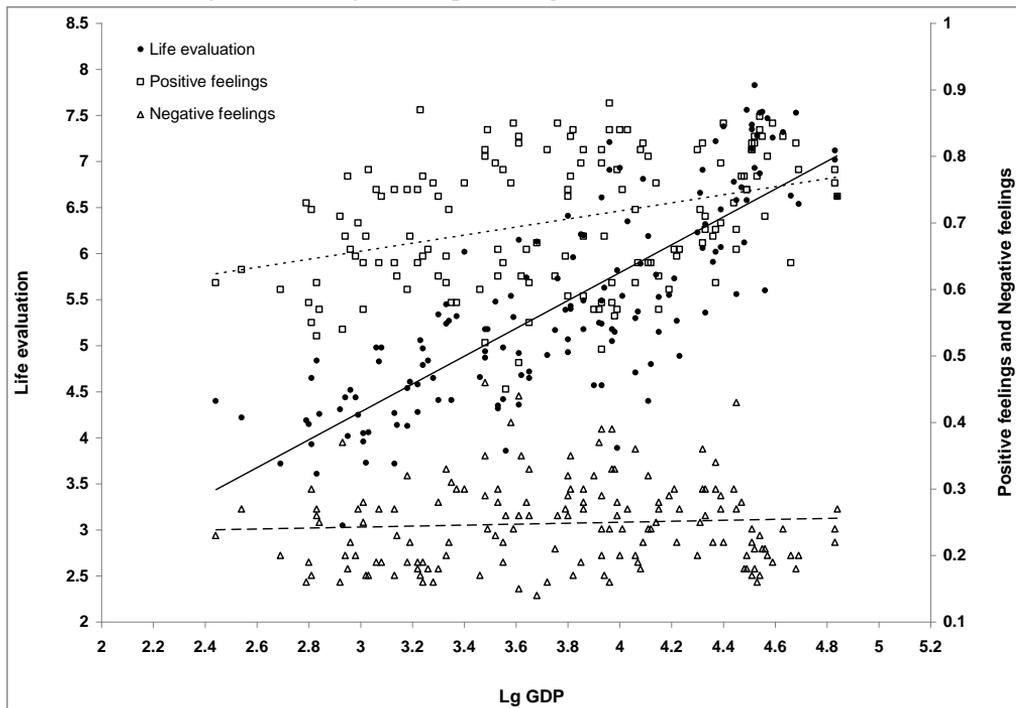


Figure 1: Plot of log GDP versus the components of subjective well-being

Note: Positive feelings (or negative feelings) refer to the average proportion of the population who experienced positive feelings (or negative feelings). Life evaluation refers to the average national life evaluation (on a scale of 0 to 10).

In recapitulation, findings across various studies consistently highlight the impact of material wealth on both individual well-being and national happiness. National affluence (whether measured by mean national household income or GDP) is strongly associated with average life satisfaction across nations (Diener, 2012). Based on data from the GWP, Figure 1 illustrates how nation-level SWB changes as a function of GDP, across the world. Wealthier nations not only have higher average national life satisfaction than poor nations, but are also higher in average positive feelings, although they are not significantly lower in negative feelings. Similarly, the GWP data found that GDP is associated with higher individual-level life evaluation and positive feelings, and lower negative feelings. These results are consistent with the previous findings (e.g., Deaton, 2008; Diener, Tay & Oishi, 2013).

The implication of the effects of wealth at both individual and societal levels is that it is better to live in a prosperous than in an impoverished society. For the rich, living in an affluent country enhances the effect of their personal wealth on SWB (Diener, Tay & Oishi, 2013). In addition to the better safety, security, and superior infrastructure existing in rich nations, there is also greater access to quality material possessions, making a plethora of choices and goods available to the rich. Hence, rich people in affluent countries are happier than rich people in poor countries. Conversely, for the poor, they are also better off living in a rich (than in a poor) nation because of the desirable societal conditions, such as the superior healthcare, quality housing, and efficient transportation.

Economic Growth and Rising Happiness (or Not)

The above discussion highlighting the importance of money for happiness at both individual- and nation-levels seems inconsistent with previous studies that found only small correlations between income and well-being (Diener & Biwas-Diener, 2002; Howell & Howell, 2008). It also seems to contradict the idea that perpetual economic growth and rising affluence result in no increases in happiness (Easterlin et al., 2010). The Easterlin paradox posits that as nations become wealthier over time, there is no corresponding increase in happiness over time. Easterlin and colleagues argued that despite substantial economic growth, happiness has not increased over the long-term, and this null relation holds true not only for developed economies like the United States, but also for developing economies and countries transitioning from socialism to capitalism (Easterlin et al., 2010). The case of the United States also illustrates the argument that material affluence has not led to gains in well-being. Although gross national product had tripled over the last five decades in the United States, life satisfaction had remained flat, illustrating the “paradox of affluence” phenomenon (Diener & Seligman, 2004).

A factor contributing to the affluence paradox could be due to people’s evaluative standards becoming higher as income grows over the years. That is, as people adapt to a higher material standard of living, rising income may barely be sufficient to keep up with their rising expectations and material desires, and they do not become happier with their improved circumstances. This is akin to the hedonic treadmill, whereby, although life events and circumstances do influence happiness, people adapt to the good and bad outcomes (Diener, Lucas & Scollon, 2006). Because of hedonic adaptation and social comparison, growing wealth will likely be accompanied by rising material aspirations (Easterlin, 2003). The rising desires may mitigate the salubrious effects that improved material conditions have on well-being.

Does this suggest that economic growth is not beneficial to well-being? Challenging the idea that economic affluence may have no benefits or even negative ramifications on happiness are recent findings from multiple datasets indicating that economic growth is associated with rising happiness. Analyses of the WVS suggest that rises in GDP are associated with rises in happiness (Stevenson & Wolfers, 2008). There is a general tendency for economic growth to be accompanied by growth in well-being, and economic decline to be accompanied by decline in well-being. This trend is observed even for economically developed countries (e.g., Europe and Japan) (Stevenson & Wolfers, 2008). Representative surveys (WVS and European Values Survey) found that happiness rose in most of the countries from 1981 to 2007 as GDP increased and societies became wealthier (Inglehart et al., 2008). Cross-country comparisons

also indicated that the GDP-SWB relation is (at least) as strong among rich countries, as among poor countries. Likewise, within-country comparisons found that the income-SWB relation holds even at high income levels and does not level off (Stevenson & Wolfers, 2013). In other words, there is no satiation point of wealth on SWB - as individual income or societal wealth grows, happiness also increases.

Analyses of the separate SWB components also support the notion that changes in wealth are associated with changes in happiness over time. Evidence from the GWP indicates that life satisfaction increased over a several-decade period as GDP per capita increased (Diener et al., 2010a). Further analyses of the GWP data clarified that rises in national household income were associated with increases in life satisfaction and positive feelings, and a decrease in negative feelings (Diener, Tay & Oishi, 2013). GDP rises were also accompanied by rises in life satisfaction, although not by more positive feelings or fewer negative feelings. Therefore, findings from multiple representative datasets converge on the conclusion that economic growth produces happiness rises. This implies that the pursuit of material wealth (in moderation) is not entirely inimical.

Materialism and Well-being

Although economic growth is beneficial to well-being, the potential downside to it is that continuous economic growth may foster a culture of materialism and consumerism. Affluence may encourage people to perpetually hanker after more material goods and money in the endeavor to keep up with the Joneses. Previous research has shown that materialism, which is characterized by the pursuit of wealth and acquisition of material goods, is inversely linked to SWB (Diener & Oishi, 2000). Materialistic people are lower in life satisfaction and experience more negative affect (Christopher et al., 2007; Kashdan & Breen, 2007). Similarly, people who had stronger financial goals were lower in overall life satisfaction than those who were less focused on financial success (Nickerson et al., 2003). However, the negative effects of focusing on financial goal were moderated by household income. At high household incomes, respondents did not differ in life satisfaction regardless of financial goal. It seems that wealth can potentially buffer the deleterious consequences of materialism on well-being. This suggests that one contributing cause of materialistic people's lower well-being could be due to the inability to fulfill their material desires (Nickerson et al., 2003; Solberg et al., 2002).

A possible explanation for why materialism is detrimental to well-being is that the pursuit of material gains is an extrinsic goal. According to Kasser & Ryan (1996), extrinsic goals are associated with lower well-being because unlike intrinsic goals, they do not fulfill basic and innate psychological needs. In contrast, intrinsic goals (e.g., for affiliation or self-acceptance) are more congruent with growth and self-actualization, and hence lead to higher well-being.

This explanation is consonant with the self-determination theory, which postulates that there are three universal innate psychological needs – competence, autonomy, and relatedness – that are essential for personal well-being, social functioning, and psychological growth (Ryan & Deci, 2000). Satisfying these innate needs enhance intrinsic motivation and promote intrinsic aspirations, which in turn link to higher well-being (Deci & Ryan, 2000). Self-determination theory argues that pursuit of life goals that can be categorized as extrinsic aspirations (e.g., goal for financial success or status) detract from well-being. In contrast, intrinsic aspirations provide greater satisfaction of the basic psychological needs, and hence pursuit of such life goals (e.g., social relationships) is associated with greater well-being (Deci & Ryan, 2000). Thus, an emphasis on the pursuit and attainment of wealth and financial success, which characterizes materialism, is detrimental to well-being because such extrinsic aspirations do not help in satisfying people's basic needs, and are also difficult goals to meet due to hedonic adaptation.

Detrimental Effects of Affluence on Quality of Life

Thus far, the above discussion extolled the salubrious effects of material wealth on happiness and briefly reviewed the negative consequences of materialism. However, there are two sides to the coin — even without excessively focusing on consumption and material possessions, rising affluence can create conditions that have deleterious effects on happiness.

Modern economies that are driven by money are marked by continuous production and consumption, as well as technological advances and conveniences (such as the internet and mobile phone). These modern characteristics accelerate the pace of life and give rise to the phenomenon of multi-tasking, leading people to feel pressed for time and stressed (Garhammer, 2002). Often, long work hours exacerbate this time-crunch. Consequently, people who are financially well-off have a wide array of goods, choices, and activities, but have less leisure time and are unable to accomplish all the activities they desire. This leads them to habitually complain about time stress, which Hammermesh & Lee (2007) termed “yuppie kvetching.” Time prosperity is hence essential to well-being, especially among people living hectic, fast-paced lifestyles (i.e., those in wealthy nations).

In their study of 31 countries, Levine & Norenzayan (1999) found that the pace of life was faster in economically productive countries (e.g., those with high per capita GDP) than in non-industrialized countries. Though a faster pace of life was associated with a higher standard of living, it was also associated with negative consequences such as time urgency and higher rates of coronary heart disease. In other words, increased time pressure, which is an inevitable marker of prosperous, modern societies, can be detrimental to well-being. This means that economic development can exert opposing effects on quality of life. On the one hand, it improves the environment (e.g., a higher standard of living due to better housing and infrastructure), but on the other, the increased time pressure diminishes people’s enjoyment of life.

Another problem stemming from affluence is that with increasing globalization, a higher income opens up a limitless spread of products and choices to the consumer. Although increasing choices allows people to exercise freedom of choice and experience satisfaction, beyond a threshold, stress also increases as people are overloaded with information and worry about not making the best choice. Increasing the choice set increases the probability of disappointment at choosing the wrong option. There would be opportunity costs as people may experience regret about the rejected options, or experience dissatisfaction with their chosen option (Hsee, Hastie & Chen, 2008; Schwartz, 2004). Decisions hence become more difficult and effortful, and mistakes become more costly, and people may be adverse to excessive choice (Iyengar & Lepper, 2000). Consequently, an affluent and modern lifestyle that opens up too many choices may actually increase feelings of stress and be detrimental to subjective well-being.

In sum, not only does impoverishment engender stress, affluence can also create stressful conditions that diminish lower well-being. Empirical evidence from the GWP demonstrated that societal and personal affluence were related to greater feelings of stress (Ng et al., 2009). Developed economies enjoyed greater material well-being and wealth, but also corresponded with a faster pace of life and greater time pressure. Therefore, although people in affluent nations enjoy a higher standard of living with modern amenities, and have higher life satisfaction, they also experience greater stress due to more hectic lifestyles. Similarly, greater individual wealth presented higher material standards and luxury conveniences, but also led to greater stress (Ng et al., 2009). This highlights the potentially negative consequences of wealth especially at the individual-level, because experiencing more stress can lead to lower positive feelings and higher negative feelings, that is, lower well-being.

Discussion

A review of the literature found that money is important for happiness, albeit more so for life evaluation, and less so for positive and negative feelings. This applies to both individual and national happiness. It seems that money is not only essential for fulfilling basic needs for

survival; beyond that, most people desire money to improve their standard of living and to fulfill their material desires. Some degree of valuing material wealth seems innocuous as economic growth and individual wealth do have tangible, substantial benefits, not only on one's standard of living, but also on SWB. Money and economic development indeed bestow greater happiness. Not only are richer people happier than poorer people (on all components of SWB— life satisfaction, positive affect, and negative affect), developed economies also enjoy higher levels of SWB than developing economies. However, there exists a flip side to this rosy picture of the benefits of wealth.

Growing wealth can lead to the emerging prevalence of consumption societies. Affluent societies enjoy the availability of a plethora of choices and goods, which in turn encourages consumption and acquisition of material goods. But if excessive pursuit of material goals leads materialists to solely rely on achievement of financial success and luxury consumption as their source of well-being, then materialism would yield negative consequences on well-being. This is because materialists would be unable to meet their ever-increasing expectations and material desires. The discrepancy between actual material possessions and material desires is detrimental to SWB, and may be one reason for the robust findings of materialism being related to lower life satisfaction and higher negative affect (e.g., Kashdan & Breen, 2007; Ryan & Dziurawiec, 2001). In other words, although material wealth is beneficial for SWB, materialism is not.

Another factor curtailing the beneficial influence of wealth is that money only impacts some, but not all aspects of SWB. Material wealth only weakly predicts positive and negative feelings, which are instead better predicted by fulfillment of psychological needs (Diener et al., 2010b; Tay & Diener, 2011). Similarly, although financial satisfaction is the strongest predictor of life evaluation, post-materialist needs (social support, autonomy, respect) are the strongest predictors of positive feelings (Ng & Diener, 2013). Furthermore, the importance of psychological needs extends to the societal level, and is not restricted to only emotional well-being. Oishi & Schimmack (2010) found that nations with strong social support scored higher in life satisfaction, and national social support even predicted national life satisfaction beyond material wealth and religion. Furthermore, although life satisfaction is strongly related to material factors, it is still predicted by values such as freedom (e.g., freedom of choice and locus of control) (Verme, 2009). Thus, despite the close association between wealth and life satisfaction, there are other psychological factors (e.g., social support, perceived control over life, respect) that predict life satisfaction after controlling for income (Diener, 2012; Tay & Diener, 2011; Johnson & Krueger, 2006). These findings highlight that it is paramount not to neglect psychological factors in the pursuit of wealth.

The importance of psychological needs on affective well-being can be understood from the perspective of need theories (as discussed earlier). Ryan & Deci (2001) summarized research examining the psychological antecedents of well-being, and showed that satisfying needs for relatedness (e.g., by facilitating attachment security), competence, and autonomy (e.g., by pursuing self-concordant, self-endorsed goals) improves well-being. Additionally, similar to the three universal psychological needs posited by the self-determination theory (Ryan & Deci, 2000), Ryff proposed six basic psychological needs—self-acceptance, personal growth, purpose in life, environmental mastery, autonomy, and positive relations with others—that define psychological well-being (Ryff, 1989). Fulfilling these psychological needs enhances psychological well-being as they reflect positive functioning and personal strengths. As these psychological needs are basic motives, deficits in these needs arouse desires to fulfill the missing experiences (Sheldon & Gunz, 2009). This may explain why they are universally important for well-being across cultures.

In addition to the direct effects of wealth on happiness, material wealth and possessions can also indirectly exert deleterious effects on well-being. One possible mechanism by which wealth may lower well-being is through interference with people's ability to savor the good things. Researchers found that money impaired people's ability to savor positive emotions and experiences, and wealthier individuals reported lower savoring ability (Quoidbach et al., 2010). Exposure to a reminder of wealth produced the same deleterious effect on savoring ability as did actual differences in wealth. This illustrates how the negative impact of wealth on savoring may undermine the benefits of wealth. On a societal level, the detrimental effects of economic prosperity can also act indirectly via a different pathway. As discussed in the earlier section, affluence encourages a culture

of consumption and choice, which in turn imposes a faster pace of life and greater opportunity costs. This increases feelings of stress, and consequently lowers emotional well-being.

Future research

The existing findings have shed light on the links between money and happiness; for instance, recent work has shown that the use of different measures of money (e.g., raw income versus log income) can yield different relations with happiness, and also demonstrated how wealth relates differentially to separate components of SWB. The extant research paves the way and outlines some issues that future research should take note of. One area will be to consider what measures are used in large-scale well-being surveys as wealth indicators. Although income is one of the most commonly used measure, it is not equivalent to material wealth, as the fulfillment of basic needs and acquisition of material goods can also depend on other factors (e.g., subsistence agriculture, barter trade, gifts from relatives, government subsidies, and so forth). Hence, the results from these surveys may be contingent on the indicators of material wealth that are used. Therefore, future research should include additional measures of material wealth and not merely depend on one or two indicators, and examine how the various measures might differentially influence SWB.

Another research direction to pursue would be to include a wider range of happiness indicators in the surveys, as well as supplement global reports of happiness and affect with other measurement methods (e.g., experience sampling method or longitudinal studies). As discussed earlier, recent research has highlighted how the different components of SWB relates differently to material wealth, which is one reason for the conflicting findings from earlier studies— some surveys assessed overall happiness, others measured cognitive evaluation of life (i.e., life satisfaction), yet others assessed affective well-being. Therefore, it is also crucial that future studies differentiate between the various measures of well-being, and where possible, assess the separate SWB components. This should provide clearer picture of the links between material wealth and SWB. Additionally, another innovative methodology that has been recently used in well-being research (e.g., Fischer & Boer, 2011; Howell & Howell, 2008) is to conduct a meta-analysis of the independent studies. Researchers can pool together studies that used different measures of wealth and happiness, and by conducting a multilevel meta-analysis, they can also simultaneously examine the individual-level and nation-level predictors of well-being.

Finally, extant research has made significant strides in uncovering some of the processes underlying the links between material wealth and SWB. An avenue worth focusing on would be to examine the variables that may mediate the money-happiness relation, or that may moderate the effects of wealth on happiness. For instance, future studies can test how desires mediate the relation between income and life satisfaction. Or, researchers could also explore the variables that may influence the strength of the effects of pecuniary versus psychological factors on happiness. Examining these mediators and moderators could help to answer some important questions.

As a first step, some interesting research questions that warrant further investigation are those building on the findings that affective well-being is more strongly associated with psychological needs, whereas life satisfaction is more closely linked to material wealth. For example, would the associations between material wealth and well-being be moderated by individual differences in values or traits? Additionally, would societal factors such as national affluence or individualism-collectivism moderate the importance of material versus psychological predictors for different components of SWB? Should governments focus their efforts on economic development or foster societal conditions that promote fulfillment of values and psychological needs (e.g., autonomy, social support)? Answers to these questions not only influence individual decisions regarding the pursuit of happiness and wealth, but can potentially influence policies at the nation-level, impacting citizens across nations.

Conclusions

In sum, this review establishes that wealth is predictive of, and beneficial to happiness to some extent. Measures of material wealth (e.g., income and GDP) are closely related to life satisfaction. People who have more money are happier; and on a societal level, economically affluent countries have higher levels of SWB than impoverished countries. However, other social psychological factors are still important. Not only are psychological needs better predictors of certain components of happiness (positive and negative affect) than wealth indicators are, they are also still related to life satisfaction after accounting for income or GDP. On the flip side, affluence can also create stressful conditions that diminish well-being. Additionally, although wealth is beneficial to well-being, excessive pursuit of wealth and material possessions is not; materialism engenders negative consequences on well-being. Therefore, in one's quest for affluence and improvement in standard of living, it is paramount to bear in mind both the positive and negative consequences of material wealth on well-being, and not let the means jeopardize the end.

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