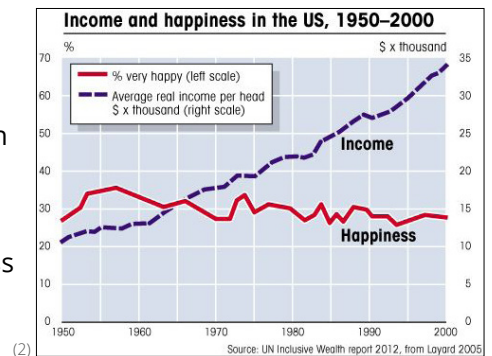


Introduction

Since World War II, the western world has seen income levels dramatically increase. Yet, despite this, numerous studies have shown that reported happiness levels have remained stagnant ⁽¹⁾.

The chart to the right shows this divergence in a clear way. This phenomenon has intrigued both psychologists and economists alike.

To gain some understanding of this divergency from a psychological perspective, it is good to first take note of the three components of happiness proposed by one of the founders of Positive Psychology, Martin Seligman.



A formula for happiness? Three components

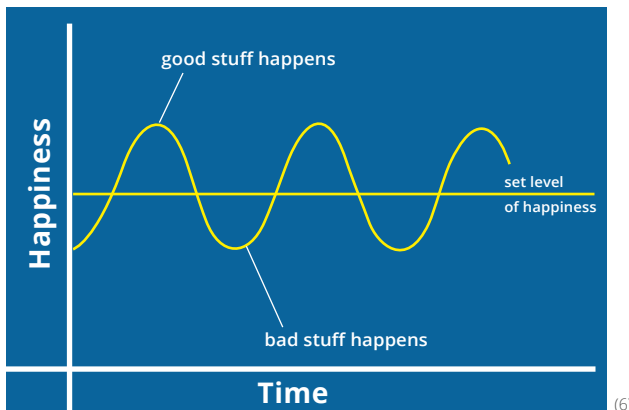
Martin Seligman ⁽³⁾ used his presidency of the American Psychology Association in 1998 to introduce a new domain in psychology, Positive Psychology: the scientific study of the “good” life, or of the positive aspects of the human experience that makes life worth living ⁽⁴⁾. It was an effort to balance studying the darker side of the human existence with studying the more positive side. Seligman then wrote a groundbreaking book “Authentic Psychology”⁽⁵⁾. While, in my own opinion, it is impossible to capture happiness (which already is prone to so many interpretations) in a simple formula, it is still interesting to share the 3 key components he identified:

Happiness = S + C + V

S is your Set range of happiness (this is internal and inherited).

C is Circumstances.

V is factors under your Voluntary control (your will).



Seligman made a point of stating that our Set range of happiness is inherited and makes up about 50% of our happiness level. He came to this conclusion based on an expansive range of studies on the influence of nature vs nurture on character and how our lives develop. One example he uses to illustrate his concept of a ‘Set range of happiness’, is that of lottery winners whose happiness levels see a temporary spike following their win, but then resort to their previous levels within 12 months.

It is the link between our financial ‘circumstances’ and our happiness levels that this article will continue to explore. Bearing in mind Seligman’s “definition”, financial circumstances would come under C (Circumstances).

Even though these same financial circumstances can be a result of one’s efforts and motivations (as I know is the case for my readers) and then V (Voluntary Control) would be a key factor as well.

1)“Money does not bring happiness, but does it help?” Judith Montorial Garriga, CaixaBank Research,
 2) Source: UN Inclusive Wealth report 2012, from Layard 2005
 3), 4) , 5) “Authentic Happiness” by Martin Seligman, 2017 Nicholas Brealey Publishing. Previous edition 2002.
 6)“The hedonic treadmill-are we forever chasing rainbows? Seph Fontane Pennock, 29/5/2020 www.positivepsychology.com

Happiness “measurement”, distinction between emotional well being and life satisfaction

In quite a few happiness studies, including the one reviewed later in this article⁽⁷⁾, a distinction is made between two kinds of happiness: emotional wellbeing and life satisfaction, clarified as follows⁽⁸⁾:

Emotional happiness: the frequency and intensity of “positive” experiences such as joy, fascination, affection and “negative” experiences such as worry, anxiety, sadness and anger that make one’s life pleasant or unpleasant.

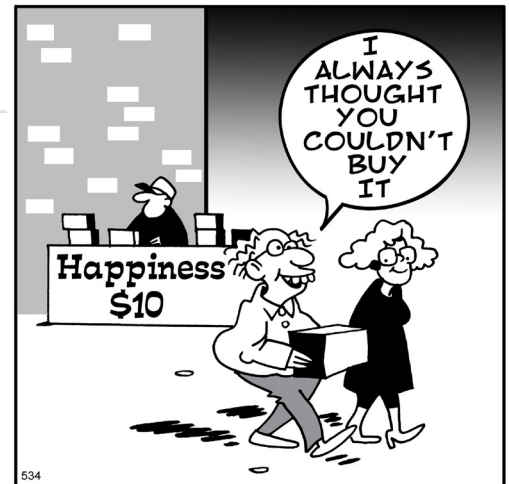
Note 1: assessed by questions about the presence of various emotions in the experience of yesterday.

Life Satisfaction: the overall, reflective assessment of how one is doing, how content one is with one’s life.

Note: assessed by rating one’s life between 0 “worst possible life” to 10 “the best possible life”.

The relationship between income and happiness: Key Study 2018

In 2018 a key study on the relationship between Happiness and Income was reported in “Nature Human Behavior”⁽⁹⁾. This study used data from the Gallup World Poll, a representative sample of over 1.7 million individuals worldwide. Interestingly, several commentators reported on this study with headlines such as “Psychologists say they have found the exact amount of money you need to be happy”⁽¹⁰⁾.



(11) 534

In fact, when studying the article, the key conclusion is that a correlation between income and happiness does exist, but only to a certain point, addressed as “the **Satiation Point**”.

It is also important to bear in mind is that correlation does not mean a causal relationship!

This study received so much attention because of the depth of its investigation and because it drew on a global sample. This was the result:

“Satiation occurs for emotional well-being at \$60-70,000 income p.a. and at \$95,000 for life evaluation”. A second phenomenon observed was “After satiation points, consistent decrements were observed in happiness”.

These numbers of course represent global data and the actual “satiation” amounts differed a lot between various continents and regions. The lowest satiation level was reported for Latin America (\$30,000 and \$35,000) and Sub-Saharan Africa (\$35,000 and \$40,000).

Here are the regional results, considering the residence of my readers:

	Emotional Happiness	Life Satisfaction
Western Europe	\$ 50,000	\$ 100,000
Australia	\$ 50,000	\$ 125,000
Northern America	\$ 65,000	\$ 105,000

7) Happiness, income satiation and turning points around the world” by Andrew.T. Jebb, Louis.Tay, Ed Diener and Shigehiro Oishi, Nature Human Behavior/Vol2/Jan 2018/33-38/

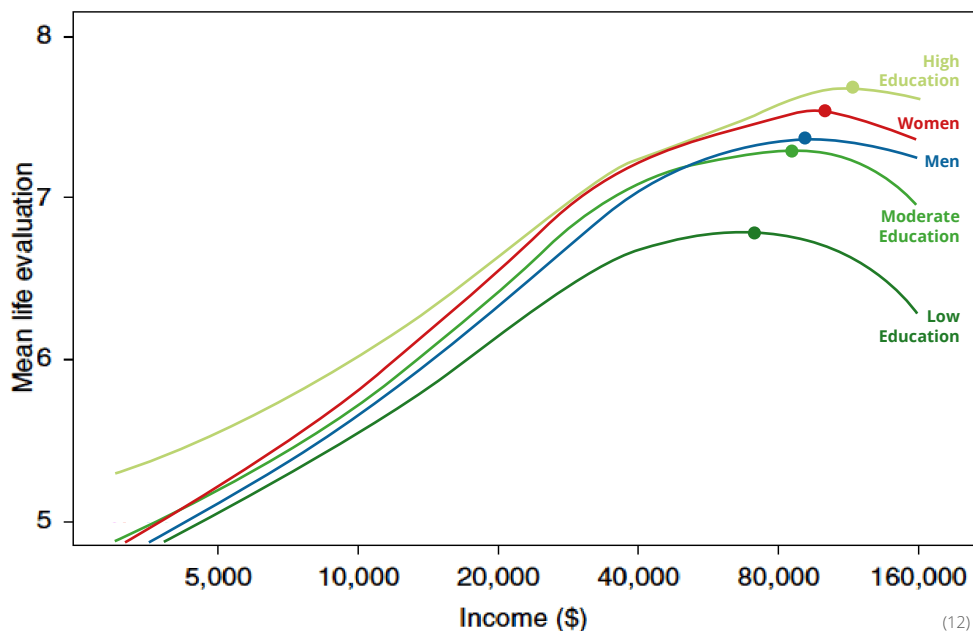
8)“High Income improves evaluation of life but not emotional well being” by Daniel Kahneman and Angus Deaton, PNAS 21 September 2010

9) “Happiness, income satiation and turning points around the world” by Andrew.T. Jebb, Louis.Tay, Ed Diener and Shigehiro Oishi, Nature Human Behavior/Vol2/Jan 2018/33-38/

10) “Psychologists say they’ve found the exact amount of of money you need to be happy”, by Quentin Fottrell, 4 March 2018, www.marketwatch.com and “This is the amount you need to be happy, according to research” by Jamie Ducharme, 14 February 2018, www.money.com

11) from Cartoonstock

The researchers also accounted for differences between men and women, as well as education levels. There was little difference between men and women, but level of education did raise the satiation point. Shown here is the satiation points for Life Satisfaction.



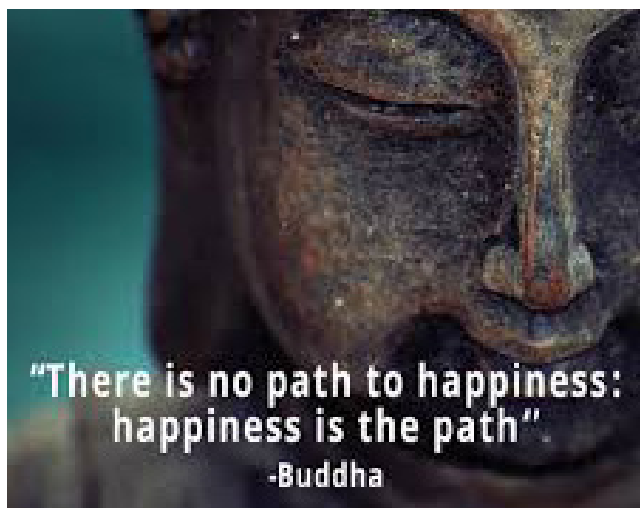
More about Satiation

A lot more study needs to be done to explain these satiation levels. Here are a couple of potential explanations:

- Hedonic treadmill effect⁽¹⁴⁾. This refers to the tendency in humans both after bad and good experiences to return to their basic “set” level; the “treadmill” part represents a warning signal!
- Social comparison⁽¹⁵⁾: humans tend to evaluate their life experience (and what their income can do for them and what not) to their relevant “peer group”.
- The never satisfied ego⁽¹⁶⁾: this is more an Eastern philosophy concept that our “ego” is never satisfied, always wanting more.
- The absence of close relationships (spouses, family, friends and social circles⁽¹⁷⁾.
- Once “basic needs” are satisfied, further happiness is to be found in e.g. the realization of one’s full potential, to find true meaning in life⁽¹⁸⁾. I will address this in one of my next articles as this has my own, keen interest.



"But there has to be something wrong with me, Doctor. Money makes me extremely happy." (13)



(19)

12), and 15) "Happiness, income satiation and turning points around the world" by Andrew.T. Jebb, Louis.Tay, Ed Diener and Shigehiro Oishi, Nature Human Behavior/ Vol2/Jan 2018/33-38/

13) from Cartoonstock

16) "Happiness, a guide to developing life´s most important skill" by Matthieu Ricard, Atlantic Books, London 2007

17) "The secret to happiness? Here´s some advice from the longest -running study on happiness" by Matthew Solan, Harvard Men.s Health Watch, 5 October 2017

18) "A theory of human motivation" by Abraham H. Maslow, Start Publishing LLC 2012

19) From www.quotesgram.com

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