

Study says money only makes you happy if it makes you richer than your neighbors

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A study by researchers at the University of Warwick and Cardiff University has found that money only makes people happier if it improves their social rank. The researchers found that simply being highly paid wasn't enough - to be happy, people must perceive themselves as being more highly paid than their friends and work colleagues.

The researchers were seeking to explain why people in rich nations have not become any happier on average over the last 40 years even though [economic growth](#) has led to substantial increases in average incomes.

Lead researcher on the paper Chris Boyce from the University of Warwick's Department of Psychology said:

"Our study found that the ranked position of an individual's income best predicted general life satisfaction, while the actual amount of income and the average income of others appear to have no significant effect. Earning a million pounds a year appears to be not enough to make you happy if you know your friends all earn 2 million a year"

The study entitled "Money and Happiness: Rank of Income, Not Income, Affects Life Satisfaction" will be published in the journal [Psychological Science](#). The researchers looked at data on earnings and life satisfaction from seven years of the British Household Panel Survey (BHPS), which is a representative longitudinal sample of British households.

First they examined how [life satisfaction](#) was related to how much [money](#) each person earned. They found however that satisfaction was much more strongly related to the ranked position of the person's income (compared to people of the same gender, age, level of education, or from the same geographical area).

The results explain why making everybody in society richer will not necessarily increase overall happiness - because it is only having a higher [income](#) than other people that matters.

Provided by University of Warwick

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