# Scientists explain why having more money doesn't make us happier

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“Findings show that we have been over-estimating the positive wellbeing effects of income increases. Income losses have a much greater influence on wellbeing than equivalent income gains,” says Dr Christopher Boyce of the University of Stirling.

(Medical Xpress)—Living standards have risen significantly in the developed world over the past 50 years, so why aren't we happier than our grandparents?

A new University of Stirling study, which uses survey data from about

50 000 people in the UK and Germany, has the answer: the psychological benefits from income rises are wiped out by much smaller income losses.

The research, led by Dr Christopher Boyce of the Behavioural Science Centre at Stirling Management School, has significant implications for policymakers under pressure to establish economies that help maintain higher well-being.

Findings suggest that fiscal and monetary policy that focuses on economic stability, rather than high growth at the risk of instability, is more likely to enhance national happiness and wellbeing levels.

A strategy that runs the risk of small, temporary cuts to our spending, on the other hand, will probably lead to wider spread dissatisfaction than previously believed.

This is because people experience the pain of losing money more intensely than the joys of earning more.

The "Money, Well-being and Loss Aversion" research project based its conclusions on data gathered on about 20 000 people in the UK and 30 000 in Germany for up to nine years.

The study may help explain why bonus structures and remuneration schemes that are based on commissions can easily backfire, with staff morale taking a larger dip than expected in leaner times when there are lower – or no – bonuses.

The research also helps explain why there is risk aversion among investors: temporary falls in income have a much larger impact on our feeling of contentment than income gains of the same magnitude.

"Findings show that we have been over-estimating the positive wellbeing effects of income increases. Income losses have a much greater influence on wellbeing than equivalent income gains," says Dr Boyce.

"Over the past 50 years we have experienced long-term economic growth, but there has not been accompanying increases in our long-term wellbeing. We undertook this study to help understand why our happiness levels have not improved with rises in income," says the behavioural scientist.

Previous studies on money and wellbeing have examined income changes, but have not differentiated between the income changes that arose from losses, as opposed to gains.

"Both individuals and societal well-being may be best served by small and stable income increases even if such stability impairs long-term income growth," says Dr Boyce.

"Findings suggest that when we are thinking about trying to increase individuals' and societies' well-being it would be preferable to focus on economic stability as opposed to higher economic growth that risks greater volatility," he adds.

The research is published in the latest edition of leading academic journal *Psychological Science* and is available online from today.

Scientists analysed data gathered in the German Socio-Economic Panel Study from 2001 to 2009 and British Household Panel Study between 1998 and 2007.

**More information:** pss.sagepub.com/content/early/ … 97613496436.abstract

Provided by University of Stirling