# Income, Consumption, and Subjective Well-Being: Toward a Composite Macromarketing Model

Aaron C. Ahuvia and Douglas C. Friedman

*This article reviews, critiques, and integrates three psychological perspectives on the relationship between wealth and subjective well-being. First, the comparative perspective holds that life satisfaction results from a comparison of one's own financial position to that of some reference group or material norm. Second, the goal attainment perspective looks at money as a potential source of well-being by enabling people to attain goals they set. Finally, the hedonic perspective looks at how money leads to well-being by enabling people to use their time in more satisfying ways. In addition to providing a critical analysis, this article integrates these three perspectives into a single composite model. This model explains the mechanisms linking income and other material resources with the cognitive and affective elements of subjective well-being. The model also clarifies why income has only a modest relationship to subjective well-being.*

Happiness has long been considered perhaps the single most important human goal. Aristotle considered happiness the ultimate motive for all human action. Jefferson saw the pursuit of happiness as an unalienable right. In today's consumer culture, this happiness is often pursued in the marketplace. Given happiness's centrality to human experience and motivation, the question of whether and how consumers attain the happiness they seek in the marketplace is a critical concern. This article approaches this issue from a macroperspective by looking at the connections among income, consumption, and happiness (or subjective well-being [SWB]).

## WHAT IS HAPPINESS?

A wide variety of separate concepts are involved in the everyday use of the word *happiness*. Happiness can refer to very short-term states such as feeling happy after hearing a good joke or to long-term states such as having a happy childhood. It can refer to feelings with specific referents such as having a happy marriage or to more global affective tendencies such as being a happy person. Finally, happiness sometimes does not refer to feelings at all but instead to cognitive judgments about how well one is doing in life. Because of this ambiguity, in this article, we will replace the term happiness with three more narrowly defined constructs: life satisfaction, affect, and SWB. The right-hand side of Figure 1 depicts the relationships between these constructs in the standard model for SWB[1] [1, 2, 3] (numbers in square brackets indicate line numbers in Figure 1).

SWB refers to a general, overall, long-term state of well-being that includes both affective and cognitive components. We will use *life satisfaction* to refer specifically to the cognitive judgments people make about how well they are doing in life [1]; positive and negative emotions will be referred to as affective experience [2]. The cognitive and affective elements of SWB tend to be correlated [3], with absolute values ranging from about .25 to .50 (Lucas, Diener, and Suh 1996; Diener and Fujita 1995, 929). These significant correlations make sense because life satisfaction (i.e., cognition) and affect are causally interrelated. Life satisfaction is partly dependent on affect in that people assess how often they have positive and negative feelings when determining their overall level of life satisfaction (Veenhoven 1996). Conversely, emotions arise at least in part because of cognitions (Lazarus 1984, 1991; Ortony, Clore, and Collins 1988) so the cognitive judgment that one's life is a failure is likely to result in negative affect and the reverse for more flattering cognitions. Therefore, as Figure 1 indicates, overall SWB has both a cognitive (life satisfaction) and an affective component. The relative importance of the cognitive versus affective components in determining overall SWB has been shown to depend in part on national culture. Relative to members of collectivist cultures, people in individualist cultures place a greater emphasis on affect and a lesser emphasis on cognitive life satisfaction in determining their overall level of SWB (Suh et al. 1998).

The authors wish to thank Joe Sirgy for his consistent help with this article.

*Journal of Macromarketing,* Vol. 18 No. 2, Fall 1998 153-168

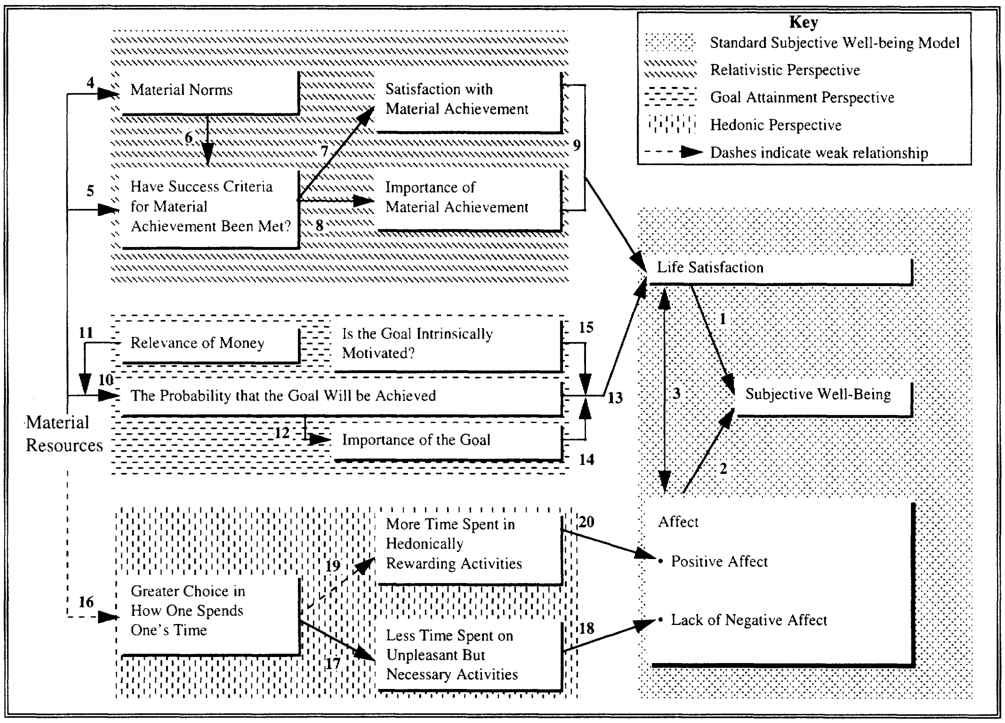


FIGURE 1 A COMPOSITE MODEL RELATING WEALTH TO SUBJECTIVE WELL-BEING

The affective component of happiness can itself be subdivided into the frequency of experiencing positive and negative affect. The frequency of positive and negative emotional states needs to be measured separately since they are only slightly negatively correlated (Bradburn 1969; Diener and Emmons 1984; Diener et al. 1993; Diener, Smith, and Fujita 1995; Headey, Kelley, and Wearing 1993; Lucas, Diener, and Suh 1996; Watson, Clark, and Tellegen 1988). The frequency of various affective states has also been shown to be more closely related to SWB than their intensity (Diener and Larsen 1993).

## MONEY AND SWB

Research has consistently shown that materialism is negatively correlated with SWB (Belk 1985; Kasser and Ryan 1993, 1996; Richins and Dawson 1992; Richins and Rudmin 1994; Sirgy 1998; Wright and Larsen 1993) and that this negative correlation is especially strong for the materialistic belief that having more money would make one happier (Ahuvia and Wong 1995). However, just because an individual who believes that more money would bring greater SWB tends to be less happy does not mean that more money would not bring greater SWB. In other words, wanting more money leads to lower SWB, but having more money could lead to greater SWB.

The protestations of some poets, theologians, and philosophers notwithstanding, it is conventional wisdom that money is strongly correlated with SWB.[2] For instance, Cantril (1965) found that economic aspirations were the most common type of hope for the future among Americans discussing what would constitute a desirable life. Campbell (1981) notes that "When Americans are asked . . . to describe the ways their quality of life falls short of what they would like it to be, their most frequent response is that they do not have enough money" (p. 41). And a recent national survey found that more than two-thirds of respondents said having more money would make them happier (Roper Starch Worldwide 1994).

Yet, this popular belief is at odds with research. Scitovsky (1992) maintains that national income is at best an index of economic welfare, a very small part and a very poor indicator of human welfare. Similarly, Katona (1975) and Campbell (1981) suggest that economic indicators do not necessarily measure quality of life and recommend using social indicators to supplement economic ones. Data show that correlations between income and SWB, while statistically significant,[3] are so low as to be of questionable practical significance (Andrews and Withey 1976; Campbell, Converse, and

Rodgers 1976; Larson 1978). In a typical example, Diener et al. (1993) found that income accounted for less than 2 percent of the variance in affective SWB. This $R^2$ can be increased to about 5 percent by using financial measures other than annual income, such as permanent income, annuitized net worth, or household economic demand (Ackerman and Paolucci 1983; Douthitt, MacDonald, and Mullis 1992; MacDonald and Douthitt 1992; Mullis 1992). But even using these measures, Mullis (1992) still concludes that the "most striking feature of the findings . . . is the low level of variance predicted by measures of (objective) economic well-being" (p. 132). This consensus view is also consistent with what little research is available specifically on product ownership and SWB, which finds measurable, yet very small, correlations between ownership of various goods and SWB (Leelakulthanit, Day, and Walters 1991; Oropesa 1995).

What is more, even the 2 to 5 percent figure may turn out to overstate the direct influence of income on happiness, particularly if one assumes that income brings happiness through increased consumption. Personality variables such as optimism and extroversion may produce both SWB and higher income levels (Argyle 1996, Myers and Diener 1995), thus resulting in a partially spurious correlation between income and SWB. Spurious correlations are also possible because high-paying jobs also tend to be high in nonmonetary benefits such as autonomy and use of a variety of skills, which are associated with SWB through job satisfaction (Argyle 1996). Unemployment is a third possible cause of spurious correlations, since unemployed people generally have low income, and unemployment has strong negative effects on SWB over and above the associated loss of income (Clark and Oswald 1994, Oswald 1997). Finally, debt may also complicate the relationships between income, consumption, and SWB. Unmanageable consumer debt significantly reduces SWB regardless of income level (Hatcher 1994; Katona 1975, 276ff; Tokunaga 1993; Walson and Fitzsimmons 1993), but it is more common among those with lower incomes (Lea, Webley, and Walker 1995). In a sense, debt may be seen as part of the mechanism by which low income leads to lower levels of SWB. However, saying that low income leads to debt that leads to reduced SWB is quite different from the popular idea that low income reduces SWB by constraining consumption.

The consensus view among quality-of-life researchers is that income above a fairly low threshold has a measurable but extremely small relationship with overall SWB. Cummins (1995), on the other hand, disagrees, claiming that people with "higher-than-average" incomes are unique in their tendency to "stand out as having a level of life satisfaction above the normative range" (p. 194). However, the three studies he cites (Andrews 1991; Harris and Associates 1975; Mookherjee 1992) are not strongly supportive of his claim. The data provided in Andrews (1991) and Harris and Associates (1975) suggest the conventional curvilinear relationship between income and life satisfaction, where strong effects for income come primarily from the unhappiness of the poor (Diener et al. 1993; Easterlin 1995; Veenhoven 1991) not the exceptional happiness of the rich. The third study does not measure income. Instead, it measures subjectively perceived parity with a national norm by asking, "compared with American families in general, would you say your family income is far below average, below average, average, above average, or far above average" [516]. The correlation between this measure and actual income is not published, but in general, correlations between subjective evaluations such as this and objective income measures are modest, while correlations between these subjective income evaluations and SWB tend to be fairly strong (Ackerman and Paolucci 1983; Campbell 1981; Lane 1993; Myers and Diener 1995). Like other subjective evaluations of one's income, this measure has a much stronger relationship with SWB ($R = .33$) than is typical for correlations between actual income and SWB (generally .06 to .13). Rather than showing the importance of income in SWB, Mookherjee (1992) provides support for Myers (1992), who writes

> what matters more than absolute wealth is perceived wealth. Money is two steps removed from happiness: Actual income doesn't much influence happiness; how *satisfied* we are with our income does. If we're content with our income, regardless of how much it is, we're likely to say we're happy. Strangely, however, there is only a slight tendency for people who make lots of money to be more satisfied with what they make. (P. 39)

Despite Cummins's (1995) lack of strong evidence for his claim, there are some hints that he may yet prove to be at least partly correct. That is, we may find that the relationship between income and SWB forms an S-shaped curve, where SWB increases as one moves out of poverty, stays fairly flat throughout the broad middle class, but then takes a slight upward jump for the rich. For example, visual inspection of graphs 1 and 2 in Diener et al. (1993) suggests a slight upward jump among the highest income groups; Ackerman and Paolucci (1983) report similar findings.[4] However, only careful analysis of multiple studies can determine if this jump in SWB occurs when people become wealthy and, if so, if this jump is large enough to be of practical significance. Unfortunately, this type of meta-analysis is not currently possible because most studies have done a poor job of measuring the relationship between income and SWB at high-income levels. One problem is that studies often contain too few high-income individuals to perform an analysis. Another problem is that upper-income households are often lumped together into a catchall "$X and over" category. For example, Harris and Associates (1975) used categories of "under $3,000," "$3,000 to $6,999," "$7,000 to $14,999," and "$15,000 and over." Even adjusting these figures for inflation, they still end at a fairly moderate income level and make the exploration of high-income levels impossible. Because convincing data to the contrary are not available, at the present time it is most reasonable to support the consensus view that income has a curvilinear relationship with SWB, losing much of its power to produce SWB at surprisingly low levels, say $10,000 to $20,000 per year, and thereafter having a measurable but minuscule relationship with SWB. Even if this does somewhat understate the influence of income on SWB at very high-income levels, it is safe to say, based on what data on the mega-rich are available (Diener, Horwitz, and Emmons 1985), that the power of money to bring happiness, even among the very rich, is far less than is popularly believed.

The measurable but weak relationship between income and SWB has produced a healthy debate about why income-SWB correlations are so small. This article looks at three perspectives on this issue: the comparative perspective, the goal attainment perspective, and the hedonic perspective. Figure 1 provides a model integrating the major points of these perspectives.

## THE COMPARATIVE PERSPECTIVE

Easterlin (1974; see also Brickman, Coates, and Janoff-Bulman 1978; Duncan 1975; Lebergott 1993; Suranyi-Unger 1981; Van Praag 1993) proposed a *comparative* perspective. This view holds that SWB results from a comparison of one's situation to some standard (Meadow et al. 1992) or "material norm" that is a flexible social construction conceptually akin to a reference point (Kahneman and Tversky 1979). Material resources influence material norms [4]; that is, as income rises, the success criteria for material achievement also rise. Consumers compare their material resources to their material norms to determine if their success criteria for material achievement have been met [5, 6]. Satisfaction with material achievement increases as material resources meet or exceed material norms [7]. The comparison of material resources and material norms also influences the level of importance consumers place on material norms[5] [8]. In general, people will devalue an area in which they feel like a failure, especially when they feel powerless to improve in that area (Diener and Fujita 1995). However, this relationship is complex, and present research does not allow for a description of the conditions under which a feeling of economic failure will lead to a devaluing of financial achievement versus a chronic fixation with financial issues (Ahuvia and Wong 1998; Inglehart 1977, 1990). Finally, satisfaction with material achievement and the importance of material achievement combine to influence life satisfaction [9]. Veenhoven (1991) has suggested that whether one's income meets one's material norm should have a stronger influence on life satisfaction than affect [9], and empirical support for this view is available (Diener and Fujita 1995; Jackson 1979).

From this perspective, the relationship between income and SWB is weak because our material norms are so flexible. Shortly after receiving a raise, we adjust our expectations upward and become acclimated to our new lifestyle [4]. In the classic comparative view, the only reason that income correlates with SWB at all is that adjustments in material norms are not instantaneous (so after receiving a raise, we are happy for a while at least) and are based not just on our own past but also on the living standards of others (so the rich benefit by being able to compare themselves to the poor).

Veenhoven is the leading critic of the comparative perspective. At heart, Veenhoven sees this view as implying that social progress is impossible, a conclusion he finds repugnant (see also Sen 1993). He prefers what he calls *livability theory*, where SWB results to a significant extent from the livability of the environment, which includes economic factors. Veenhoven (1991, 1993, 1996; Veenhoven and Ehrhardt 1995) has compiled a wealth of evidence in support of his views, yet as we will see, neither side in this debate can claim a clear victory. The arguments on both sides tend to be based on assumptions about how material norms are set. These assumptions can be divided into two categories: material norms are set by comparisons with other people, and material norms are set by comparisons with one's own past income level.

### Material Norms and Social Comparison

Attempts to test the comparative perspective have often been based on classic social comparison theory. As originally stated by Festinger (1954), this theory predicts that people will compare themselves to others with whom they have frequent contact. Diener et al. (1993) developed several predictions based on this premise, and all were disconfirmed. For instance, people with a given income level are not happier when surrounded by people poorer than themselves and are not less happy when they are poorer than their neighbors.

Taking this same logic from a neighborhood to a national level, Easterlin's (1974) classic paper argued that because people compare their economic situation to those around them, people in poor countries should on average have about the same levels of SWB as people in richer countries. He found support for this in international data that he interpreted as showing that while the income differences between rich and poor countries are huge, the differences in SWB are very small and not well predicted by income. Later researchers have generally disputed this assertion. A reanalysis of Easterlin's data by Veenhoven (1991) has shown correlations between national wealth and SWB to be fairly high (0.51 and 0.59 for two different data sets). Reviewing the literature, Lane (1991, 1993) concludes that the relationship between national income and average national SWB is sizable and dependable, a view supported by others (Cummins 1998; Diener et al. 1993; Diener, Diener, and Diener 1995; Schyns forthcoming). This evidence is sufficiently compelling that in Easterlin's (1995) defense of the comparative position, he has dropped the claim that rich countries are not much happier than poor ones.

We can say with confidence that on average, citizens of wealthy countries report being happier than the citizens of poorer countries. But the implications of this for the comparative perspective are unclear because people may not compare their incomes so primarily to those of their geographic neighbors (Sirgy 1998). Research has suggested that in today's global economy, consumers may judge their consumption level against a "world standard package of goods" that is influenced by international media and advertising (Ger and Belk 1996; Keyfitz 1982; O'Guinn and Shrum 1997). Interestingly, Ger and Belk (1996) found that people in second and third world countries tended to have the *highest* expectations for what goods they saw as necessities. It may be that in the past, people in lesser developed countries were sufficiently isolated that they did not know what they were missing (see Cantril 1965, 202, as quoted in Easterlin 1995, 41). But today, a Bengali shopkeeper may spend his evenings watching *Baywatch* and reruns of *Dallas*, and this may affect the "other" to which he compares himself.

Along with claiming that we compare ourselves to proximate others, Festinger (1954) also claimed that we compare ourselves to similar others. Early work based on this premise was also unsupportive of the comparative perspective. For example, Diener et al. (1993) hypothesized that people might base their material aspirations in part on their educational levels so that the more education someone has the more he or she should expect to earn. The comparative perspective would predict that for any given income level, people with less education should be happier (controlling for the direct positive effects of education on SWB), since they would be more likely to be exceeding their material norm. However, this was disconfirmed, and Campbell (1981) has even found that lower income persons with a college education are happier than noncollege-educated persons of the same income level, while among high-income persons, a college education had no influence on SWB (see Veenhoven 1991 for additional examples).

However, recent work on job satisfaction has found more supportive results using a similar approach. Clark and Oswald (1996) and Drakopoulos and Theodossiou (1997) computed expected[6] earnings for each individual in their samples based on demographic factors such as age, education, years on the job, and hours worked. Both studies found that a discrepancy between expected earnings and actual earnings had a strong effect on job satisfaction independent of the absolute level of earnings. This suggests that people may use a fairly sophisticated intuitive calculus to determine what they "should" be earning and factor this information into their material norms. Support for the comparative perspective can also be seen in the Mookherjee (1992, 1998) studies discussed above, which found that respondents' sense of how they compared with American families in general was a much better predictor of SWB than is generally found in studies using objective income data.

## Material Norms and Comparison to One's Past

In addition to seeing material norms as set by social comparison, the comparative perspective also sees these norms as based on comparisons to one's own past but holds that because these norms are very flexible (at least in an upward direction), they should be tied to one's recent past. As Lane (1993) puts it,

> changes in income do briefly influence our sense of well-being. But even the SWB that comes with an increase in income does not last long, for very soon the new level of income becomes the standard against which we measure our achievements. (P. 61)

In general, findings are moderately supportive of the idea that changes in income produce short-term changes in SWB over and above the effects of income level alone (i.e., someone whose salary goes from $50,000 to $60,000 will be happier than someone whose salary has been $60,000 all along). Using European data, Inglehart and Rabier (1986) find that family income and recent changes in the respondent's financial situation positively affect both SWB and overall life satisfaction, but changes in financial situation are more important than overall level. Looking at West German and Russian data, Schyns (forthcoming) finds a small effect for income changes in West Germany, but in Russia the effect, while in the predicted direction, did not reach significance. Hagerty (1998) looked at macroeconomic data and found that both the absolute level of gross domestic product (GDP) per person and changes in GDP per person had independent effects.

Unlike these studies, Diener et al. (1993) found that income change does not produce effects beyond the effect of income level. However, Diener et al. used a five-year gap between each income measurement. Hagerty (1998) replicated this finding, showing that a five-year gap between income measurements is too long; the transient effects of income change have mostly dissipated over that period and therefore do not produce statistically significant effects. However, when a two-and-a-half-year gap is used to analyze the data, the effects of income change become significant. Schyns (forthcoming) confirms this finding by showing that a two-year gap between income measurements produces the largest effects for changes in income. This indicates that while the effects of income change may fade with time, they can produce measurable influences on SWB for approximately two to two and a half years.

Oropesa (1995) extends this line of reasoning from income to the consumption of specific products. His work is one of the few studies to look at the relationship between what kinds of products one owns and life satisfaction. Consistent with the comparative perspective, Oropesa posits that the more frequently consumers use a product, the more quickly they will incorporate it into their daily expectations and cease to gain pleasure from it. This assumption received modest empirical support and warrants further study, although in general he found that what possessions a person owned explained little of the relationship between income and life satisfaction.

## Toward a More Sophisticated Psychological Model

Although the comparative perspective has been the single most discussed issue in the literature on money and SWB, less progress has been made than might be expected. There are three important reasons for this, all of which stem from the need to develop and measure a more sophisticated psychological model of how material norms operate.

### *Inferred Measures of Material Norms*

Most research on the comparative perspective has not directly asked respondents about how much they want to earn, how much income they think they deserve, or any such thing. Instead, it has taken the following approach: If people create material norms in manner $X_1$ (e.g., by comparisons to their neighbors) then we should observe $Y_1$ (e.g., people earning $40,000 are happier with less affluent rather than more affluent neighbors). Now, let us see if we do observe $Y_1$. In this approach, material norms are inferred rather than directly measured. This means that if we fail to observe $Y_1$, it could be that people do not base life satisfaction judgments on comparisons to material norms, or it could be that they do make these comparisons but not in manner $X_1$, or it could be that the inference from $X_1$ to $Y_1$ is incorrect. This ambiguity makes it very difficult to test the comparative perspective (Diener et al. 1993).

The reason material norms have generally not been measured in past work is that most researchers in this area use established databases that do not include these variables. This is understandable given the expense of collecting extensive survey data firsthand and the ready availability of established databases. However, this issue is of major importance both theoretically and for public policy. It is certainly worth the effort of collecting original data if that is the only way to get the information that is needed.

Michalos's (1985) multiple discrepancy theory (MDT) offers a solution to this problem. MDT identifies the "have-want" discrepancy as the most direct predictor of SWB, and data show that the have-want discrepancy for income is significantly correlated with overall life satisfaction (Lance, Mallard, and Michalos 1995) and pay satisfaction (Rice, Phillips, and McFarlin 1990). MDT further posits that the have-want discrepancy is itself partially a product of multiple other discrepancies such as "what relevant others have, the best one has had in the past, what one expected to have in the past, what one expects to have in the future, what one deserves, and what one needs" (Lance, Mallard, and Michalos 1995, 69). MDT can help resolve problems with indirect measures because it provides a methodology for measuring these gaps that could provide a much clearer picture of how the process of comparison to material norms influences SWB.

### *Weak Theory on the Origins of Material Norms*

The classic version of the comparative perspective sees material norms as arising either through simple social comparison to similar proximate others or through comparison to one's own immediate past. Perhaps, future work on material norms will give us a better idea of how these norms are established and used. Since materialism and material norms are closely related constructs (Sirgy 1998), work on the origins of materialism can provide a starting point for future work on material norms. Materialism research has shown that materialism does not simply arise from being exposed to many affluent neighbors or having been affluent in the past. Rather, feelings of economic deprivation and the social milieu of one's childhood (Abramson and Inglehart 1995; Ahuvia and Wong 1998; Inglehart 1977, 1990), parental values and family environment (Kasser et al. 1995), patterns of family communication and mass media use (Moore and Moschis 1981; Moschis and Moore 1979; Ward and Wackman 1971), and family structure (Rindfleisch, Burroughs, and Denton 1997) are all important predictors of materialism.

### *Strategic Use of Social Comparisons*

Another shortcoming of both advocates and critics of the classic comparative perspective is that they tend to underestimate the extent to which social comparisons are used in an active and strategic manner. For example, Veenhoven and Ehrhardt (1995) base their critique of the comparative perspective on the assumption that "reference is random" (p. 37), that is, that people develop their material norms by comparing themselves to a random selection of the people they meet, although Veenhoven and Ehrhardt acknowledge that other assumptions are possible. However, evidence suggests that the social comparison process is anything but random. As Lyubomirsky and Ross (1997) note,

> a peer's success can be a source of either envy and self-doubt or of inspiration and motivation, and a peer's misfortune may make one feel either fortunate to have escaped such a fate or afraid that a similar fate awaits in the future. (P. 1141)

As consumers strategically try to manage their moods, they may use social comparison in a highly flexible manner. For example, cancer patients may gain solace from comparisons with those much sicker than themselves but look to those doing better than themselves for models of hope and recovery (Kruglanski and Mayseless 1990; Lyubomirsky and Ross 1997). When people feel identified with another person or group, such as a favorite sports team, they may also revel in the team's superior performance as a way to "bask in reflected glory" (Cialdini 1976). Therefore, more sophisticated theory is needed that not only measures material norms more accurately but specifies when and how these norms will be applied.

## The Comparative Perspective and Economic Growth

The debate about the comparative perspective is not just a debate about psychological theory, it is a debate about the value of economic growth.[7] As such, it is useful to ask two separate questions: (a) Does economic growth ever really improve subjective human experience? and (b) Will more economic growth lead to significant improvements in subjective human experience within economically developed democracies? While the evidence is mixed, on balance it suggests that for poor countries, economic growth produces significant psychic benefits but that the positive impact of further economic growth in already developed countries is less clear.

The most straightforward way to address these issues is to compare rich and poor nations. As mentioned above, studies consistently find strong correlations (about .60 to .70) between national wealth and SWB (Cummins 1998; Diener, Diener, and Diener 1995; Schyns 1998). This would seem to provide strong evidence that economic growth is a good thing, but cultural factors complicate the interpretation of these findings. Richer countries tend to be more individualistic, and individualism is very strongly correlated with SWB at a national level (Cummins 1998; Myers and Diener 1995). When individualism is controlled for, the correlation between gross national product (GNP) per capita and SWB goes away, but when GNP per capita is controlled for, the correlation between individualism and SWB is reduced but remains significant[8] (Diener et al. 1995). This could be interpreted to mean that the correlations between GNP per capita and SWB at a national level are spurious, but as Schyns (1998) points out, it could also mean that individualism and economic prosperity are bound together in a cycle of modernization. Modernization seems to pay psychic dividends, at least to people who have successfully made it to the other side of the transformation.[9] It may be possible to gain the psychic benefits of modernization without first going through a process of economic growth, but we are not aware of models for how this could be accomplished. This suggests that in underdeveloped countries, economic growth may improve the human lot, but it does not show that continued growth in already modernized countries will necessarily have the same effect.

The curvilinear relationship between individual income and SWB suggests similar conclusions. Because of this curvilinear relationship, a dollar in the hands of a poor person produces more SWB than a dollar in the hands of an affluent person. Extending the logic internationally, since lesser developed nations contain large numbers of extremely poor persons, and since economic growth is the most realistic way raising their living standards,[10] growth in lesser developed nations should increase their overall level of SWB. At its core, this argument claims that lesser developed nations produce more SWB per dollar of growth than do the wealthy industrialized nations because that growth lifts more people out of poverty. If this is so, we should see the same curvilinear relationship between GNP per capita and average levels of SWB within nations that we see between income and SWB within individuals. Unfortunately for our position, the relationship between GNP per capita and SWB is not improved by moving from a linear to a curvilinear model (Diener et al. 1993; Diener, Diener, and Diener 1995; Schyns 1998). While this is certainly a setback for our view, it is not a fatal blow. First, visual observation of the scatterplots suggests that the data are best described as containing two distinct clusters of nations, the rich and happy versus the poor and less happy (Schyns forthcoming). When data points cluster in this way, it is very difficult to detect a curvilinear relationship using statistical tests even if one does exist. Second, there is evidence that cultural disruption associated with the transition to modernity produces low national average SWB scores (Diener et al. 1993; Ger 1997), and this may be masking the beneficial effects of economic growth on the poor. Finally, the strong correlation between GNP per capita and SWB is due to the marked contrast in SWB between rich and poor nations, but the income-SWB correlations are not significant within the rich cluster (Schyns 1998). This suggests that moving from the poor to the rich group of nations produces improved average levels of SWB, but there is no evidence to suggest that further growth in the already rich nations will produce the same results.

This issue also has been addressed by looking at the effects of economic growth on national average SWB over time. The main voices in this debate can be summarized as follows. The comparative position holds that long-term economic growth should not influence SWB since material norms should keep pace with the growing general affluence. In support of this position, Myers (1992) reports that between 1957 and 1990, the percentage of Americans who considered themselves "very happy" remained unchanged despite a doubling of per capita income in constant dollars (see also Campbell 1981; Diener 1984). This work is strongly corroborated by Duncan (1975), who finds that in two comparable samples of Detroit-area wives, incomes increased by a factor of 1.42[11] between 1955 and 1972, but satisfaction with standard of living showed no statistically significant change. Duncan's study is particularly interesting since the dependent variable was satisfaction with standard of living, which has a stronger relationship to income than does overall life satisfaction.

Veenhoven (1991) disputes this claim on the grounds that the data for these time-series comparisons tend to begin when the countries in question were already affluent. Since income has its greatest impact on SWB when people are poor, comparing affluent societies at Time 1 to even more affluent societies at Time 2 may hide the true effects of economic development. As evidence for his position, he reports that the percentage of happy people in England, France, the Netherlands, and West Germany increased dramatically between 1948 and 1975. He attributes this fact to the truly difficult economic conditions that prevailed in those countries just after World War II and argues that this change from true poverty to affluence better reflects the power of economic development to create lasting improvements in SWB.

Veenhoven's position is not entirely conclusive either. First, it must be noted that in 1948, the proximity of World War II could have temporarily increased the number of unhappy Europeans in many ways (such as the deaths of loved ones) beyond the effects of economic hardship. Second, the failure of economic growth to influence SWB holds true even when we look only at the lowest income quartile (Campbell 1981), and it is unlikely that these people have consistently been above the level beyond which income does not matter (Diener, Horwitz, and Emmons 1985, 264). Third, Easterlin (1995) presents data that the average level of SWB in Japan remained unchanged between 1958 and 1986, despite that fact that Japan was not particularly affluent in 1958 and that its economic rise between 1958 and 1986 was meteoric. Finally, Diener, Horwitz, and Emmons (1985) show that income has small but measurable correlations with SWB even when one compares the affluent to the very rich, so if economic growth does create lasting improvements in SWB, we should be able to measure changes even in relatively affluent populations.

Van Praag (1993) offers a compromise position in this debate. He suggests that "preference drift"—the tendency of material wants to increase as income increases—does occur but at a rate less than 1. He estimates that the psychological benefits of about 60 percent of any increase in income will be nullified by preference drift, but that still leaves 40 percent remaining. Looking at Canadian data, Michalos (1989) found that "although estimated needs increased 140% in the twelve-year period, these estimates still lagged behind the 199% increase in actual incomes" (p. 295), thus indicating a preference drift of about 70 percent. Both of these studies suffer from the serious problem of looking at perceived needs rather than wants, since it is the have-want gap rather than the have-need gap that is primarily related to satisfaction. However, they do illustrate that the issue of preference drift is a matter of degree, a position recently endorsed by Easterlin (1995).

But if preference drift occurs at a rate less than 1, should we not have seen at least some increase in SWB in the United States and Europe given their enormous economic growth? Yes, we should have, and in fact, some data sets do show a *slight* improvement in SWB over time (Andrews 1991; Oswald 1997). This small but measurable improvement is just what one would expect with large, but not complete, preference drift effects. The conflicts between studies seem to be based on differences in response scales used (response scales with four points or less may not be powerful enough to detect very subtle effects), the importance attached by researchers to small changes in SWB when they are detected, and the samples used.

In conclusion, like Veenhoven, we maintain that a strict comparative perspective understates the potential benefits of economic growth in lesser developed countries. But we disagree with Veenhoven on the reasons for this position. Veenhoven agrees with the comparative perspective that income's effects on life satisfaction are minor and fleeting, but he claims that when money is used to meet basic needs, its effect on *affect* is both great and permanent. Unfortunately for this position, there is no evidence to suggest that income has a strong and permanent influence on affect. In fact, it seems to have an even weaker influence on affect than on life satisfaction (Diener and Fujita 1995).

We have three main reasons for believing that economic growth can lead to significant improvements in SWB in lesser developed countries. First, material norms are based in part on a worldwide standard of comparison. This worldwide standard is so far above the current living level of many people in lesser developed countries that their income level could be improved significantly without causing a commensurate increase in their material norms. It may be, then, that preference drift is less of a problem in lesser developed countries, since their preferences have already drifted way ahead of their income. Future research is needed to determine how the rate of preference drift differs among individuals and cultures. Second, health is positively linked to SWB (Argyle 1996, 20), and "in poor countries, health responds strongly to improvements in average income per head, but the effect disappears in affluent societies" (Offer 1996, 11). Third, and perhaps most important, the real issue seems to be far more complex than just the ability of rising incomes to exceed rising expectations. Cultural factors have a large influence on the level of SWB within a nation (Hagerty 1998), and economic growth has historically been associated with modernizing cultural changes, such as increased democracy, women's rights, and reduced child labor, that are in turn associated with substantially increased levels of SWB. Since cultural and economic factors are closely related, future research needs to develop models that help us understand these interconnections as well as any direct effects that growth has on SWB (Ger 1997).

We have less confidence, however, that economic growth will significantly increase SWB in the already wealthy democracies. Empirical evidence from these countries shows that while some improvements in SWB associated with economic growth may be measurable, these improvements are very small when they occur at all. Most of the people in these countries are already affluent enough to meet their basic needs, and destitute persons who fall through the holes in the social safety nets are largely outside of the market system and rarely benefit from economic growth. Furthermore, much of the increases in SWB accompanying economic growth come from cultural changes that allow people more freedom to pursue self-actualization. It remains to be seen, however, what cultural changes will accompany further economic growth and whether these changes will have a positive impact on SWB.

Beyond these doubts about the positive impact of economic growth on SWB in the wealthy democracies, there are other concerns. Citizens in wealthy countries are consumption role models for the world. As we raise our GNP, not only do we increase our own material norms but we may also increase the norms around the globe. Because preference drift is likely less than complete, raising our GNP may slightly increase our sense of well-being, but it may lower the well-being of others living in slower growing economies. To avoid this problem, those countries may wish to pursue policies to reduce the have-want gap (Ger 1997). We also need to balance this very marginal increase in our SWB with the ecological destruction that often accompanies economic growth (Princen 1997).

## THE GOAL ATTAINMENT PERSPECTIVE

Diener and colleagues (Diener, Diener, and Diener 1995; Diener and Fujita 1995) have proposed a goal attainment perspective as an alternative to the comparative model (see also Sirgy 1998 for the relation of this perspective to materialism and SWB). In this view, people have a wide variety of goals, each of which can be achieved in numerous ways. SWB reflects the extent to which people feel they have achieved, or will achieve, these goals. This implies that (a) money relates to SWB via its instrumental utility in helping people attain their goals, and (b) understanding what drives SWB requires a more idiographic (individual differences) approach in which each individual's unique goals are taken into account (Brunstein 1993). Specifically, income should be more strongly correlated with SWB among people who see attaining wealth as an important life goal [11, 14] or who see that wealth is instrumentally very useful in helping them attain their other goals [10, 11]. This hypothesis has been borne out by La Barbera and Gurhan (1997), who find that income's positive relationship with SWB increases as people become more materialistic (see Diener and Fujita 1995 for similar findings).

The goal attainment perspective also suggests that as people move from one life stage to the next, their goals are likely to change, and the types of products or other resources that lead to SWB should change in a corresponding fashion. Some support for this is provided by Oropesa (1995), who finds that owning different types of products had stronger impacts on SWB depending on the life stage of the respondent. For example, young adults were made happy by owning electronic equipment, whereas thirty-five to forty-four-year-olds showed slight but measurable benefits from owning household appliances.

Diener and colleagues position the goal attainment perspective as an alternative to the comparative view, and we present these two perspectives separately in Figure 1. However, just how different these two perspectives really are depends on the personal goal in question. With regard to personal material goals (e.g., own a nice home, earn a six-figure salary), the goal attainment perspective is a restatement of the comparative perspective, where goals are a better specified version of material norms. Once one begins to ask where personal material goals come from (Ahuvia and Wong 1998), one realizes that the same issues about material norms also arise in the context of personal goals, for example, will one's goal for annual income increase keep pace with any actual increases in this area? A substantial difference between these two perspectives does exist, however, in that the comparative perspective is narrowly focused on material goals, whereas the goal attainment perspective looks at the role of money (and other resources) in achieving a wide range of goals. For example, a woman might have the goal of becoming mayor. In the goal attainment perspective, income will be associated with SWB to the extent that she can use it to achieve her political aspiration. In contrast, the comparative perspective ignores the instrumental utility of money in achieving goals other than the narrowly defined ability to provide a wanted standard of living.

The goal attainment perspective can also help us explain why the correlation between income and SWB is generally quite low. First, Diener and Fujita (1995) point out that people have a wide range of resources (e.g., intelligence, personal connections, physical attractiveness[12]) that they can bring to bear in trying to achieve their goals. When money is lacking, other resources may be substituted [11]. In support of this view, they found that aggregate personal resources were able to explain about 28 percent of the variance in SWB, far more than any study on the influence of financial resources alone. Second, this study also found that people are able to choose their goals with an eye toward their resources, so people with only moderate incomes may simply choose to devalue goals that require wealth [8, 12]. And finally, money is valuable to the extent that it helps people achieve their goals, but respondents in this research constantly saw money and material possessions as having little relevance to their most important goals [11]. From a list of twenty-one personal resources, money ranked sixteenth, and material possessions ranked twentieth in order of perceived relevance to personal goals (see note 9 for the complete list). In keeping with past research (e.g., Diener 1984; Headey, Kelley, and Wearing 1993; Lane 1993; Myers and Diener 1995), this study found that social resources such as friendships and romantic relationships were far more predictive of SWB than were financial resources. Because money is an extremely flexible resource that can help one achieve a wide variety of goals, it has a measurable correlation with SWB. But the reasons listed above help us understand why this correlation is so low once subsistence needs have been met.

SWB is also related to what goals one pursues. Kasser and Ryan (1993, 1996, 1998; Kasser 1997) distinguish between "intrinsic" goals, which directly meet what they see as basic human needs, and "extrinsic" goals, which are desirable because they increase one's esteem in the eyes of others. Consistent with common moral dicta, placing less emphasis on extrinsic goals such as financial gain than on intrinsic goals of having rich social relationships or making contributions to the community is associated with higher levels of SWB [15] (Belk 1985; Carver and Baird 1998; Emmons 1996, 1997; Kasser 1997; Kasser and Ryan 1993, 1996, 1998; Richins and Dawson 1992; Richins and Rudmin 1994; Sheldon and Kasser in press; Sirgy 1998; Wright and Larsen 1993). This work also has shown that the effect of achieving one's goals on SWB is moderated by the nature of these goals [15]. Achieving one's intrinsic goals for personal growth, close personal relationships, making a social contribution, and maintaining one's health was generally associated with higher levels of SWB. By contrast, achieving one's extrinsic goals for financial success, social recognition, and having an appealing appearance did not produce similar positive results (Kasser and Ryan 1996; Sheldon and Kasser in press). This is due in part to the different types of goals themselves but also to the types of motives people typically have for pursuing these goals, such that pursuing goals out of anxiety, guilt, or a desire to please others is associated with lower levels of self-actualization regardless of what those goals are (Carver and Baird 1998).

To summarize the goal attainment perspective, high levels of material resources increase the probability that consumers can achieve their goals [10]. The strength of this relationship is moderated by the relevance of money to achieving the goal [11]. Because people tend to devalue goals that they feel they cannot achieve, the probability that the goal will be achieved influences the importance of the goal [12]. Having achieved one's goals in the past and believing that one's current goals will be achieved in the future leads to life satisfaction [13] but influences affect only indirectly, through achievement's effects on life satisfaction [3]. The strength of the relationship between goal achievement and SWB is moderated by the importance of the goal [14]. The strength of the relationship between goal achievement and SWB is also moderated by the intrinsic/extrinsic nature of the goal [15], where achieving intrinsic goals leads to greater SWB, but achieving extrinsically motivated goals does not.

## THE HEDONIC PERSPECTIVE

Most research on SWB looks at what people *have*, pointing out, for example, that having friends is more predictive of SWB than having money. Rather than looking at what one has, the hedonic perspective focuses on what one does (Meadow et al. 1992). From this perspective, SWB, particularly presence of positive affect and absence of negative affect, comes from engaging in activities that one finds enjoyable and meaningful. Money leads to SWB to the extent that it facilitates these activities.

In consumer research, work taking the hedonic perspective has focused on shopping. Leelakulthanit, Day, and Walters (1991) found that the acquisition process influenced well-being in the United States but not in Thailand. They speculate that this finding might be due to Thais seeing the acquisition experience as purely functional and suggest that in developing countries where merchandise is limited, quality of products variable, and customer service (as understood in the West) nearly nonexistent, the acquisition experience may be significantly less recreational than in developed countries. Hollander (1987) suggests that recreational shopping may produce some amount of SWB, and Oropesa (1995) supports this with data showing that people who enjoy shopping have higher levels of well-being generally. Based on this, Oropesa defends shopping against Lasch (1991) and other social critics who claim that recreational shopping is an escapist vice used to paper over unmet emotional needs. Oropesa responds to these critics by saying that if enjoyment of shopping is " 'a therapeutic activity that seeks to reestablish wholeness and well-being in society' (Lasch, 1991: 520), then it is the already satisfied who undergo the therapy" (Oropesa 1995, 240). This point is interesting but a bit oversold. Oropesa does not have data on who goes shopping, only on who claims to enjoy shopping when they go. But it does suggest that this could be an important area for future research.

Csikszentmihalyi and colleagues' work on "flow" has looked extensively at what makes for positive experiences (Csikszentmihalyi 1990; Csikszentmihalyi and LeFevre 1989). The theory underlying this research states that optimal experience occurs when activities provide challenges that are commensurate with one's skills. If an activity is too challenging, one becomes frustrated and dejected. If it is too easy, one becomes bored. But if the activity is challenging yet doable, then the activity captivates one's attention and one enters into the flow state of optimal experience.

Some of the most interesting work in this area uses the experience sampling methodology. In this procedure, respondents carry a diary and a beeper with them and are beeped at random points during their normal waking hours. When they are beeped, they record what they are doing and complete measures of how they are feeling in their diary. One particularly relevant study found that people engaged in expensive leisure activities were significantly *less* happy than people engaged in inexpensive activities (Graef, McManama, and Csikszentmihalyi 1981). This is consistent with a frequent conclusion of these studies that people report their best moods when socializing with friends, a potentially low-cost endeavor (Csikszentmihalyi 1990, 186; Gershuny and Halpin 1996). The fact that expensive leisure activities are not as enjoyable as most people would expect helps explain the low correlations between income and SWB.

The overall picture that emerges from this work is one in which SWB comes from engaging in intrinsically rewarding activities (Kasser and Ryan 1993, 1996; Kasser et al. 1995). Money may provide people more freedom to spend their time in these types of activities [16], but money is rarely an absolute requirement for their enjoyment. Furthermore, when choosing careers, people often trade off income against spending their time doing what they like—a strategy that seems to be effective at raising SWB (Roborgh and Stacey 1987). So people who choose low-paying but enjoyable careers may decrease the overall correlation between income and SWB.

This view is consistent with the findings that income has a small but measurable relationship with life satisfaction but a much less consistent relationship with affect (Diener and Fujita 1995). Affect is driven primarily by the quality of one's experiences, which in turn reflects what one does and only indirectly what one has. Life satisfaction, however, may involve an explicit comparison of one's level of achievement in various domains to one's goals in those domains. Therefore, money could play a greater role in life satisfaction, especially for people whose goals center around financial achievement.

Not only may money have more impact on life satisfaction than on affect, but it may even have differential impacts on positive and negative affect. One intriguing possibility in this regard comes from a study comparing the very rich to average Americans (Diener, Horwitz, and Emmons 1985). It found no difference in the levels of positive affect between the rich and the middle class [19, 20] but found that the rich experienced significantly less negative affect [17, 18]. It may be that experiences that produce positive affect can be found at all price levels, so income correlates poorly with this variable, but that being rich allows one to escape much of life's drudgery and unpleasantness, and therefore money can decrease the frequency of negative affect.

The hedonic perspective also helps make sense of the finding that satisfaction with work has a greater effect on life satisfaction than does income (Lane 1992). Since the benefits of income are experienced primarily in one's leisure time and since most adults spend much more time working than in leisure, it follows that the quality of one's experiences at work should have a greater impact on overall SWB than the quality of one's leisure.

Although satisfaction with leisure predicts overall life satisfaction (Leelakulthanit and Day 1993), one of the most surprising outcomes of research into flow is "how frequently people reported flow situations at work" (54 percent of the time) "and how rarely in leisure" (18 percent of the time) (Csikszentmihalyi 1990, 158).

> Thus, we have a paradoxical situation: On the job people feel skillful and challenged, and therefore feel more happy, strong, creative, and satisfied. In their free time people feel that there is generally not much to do and their skills are not being used, and therefore they tend to feel more sad, weak, dull, and dissatisfied. Yet they would like to work less and spend more time in leisure. (Csikszentmihalyi 1990, 159)

This paradox is just one example of the consistent yet befuddling finding from this research area that people seem to be very bad at allocating their free time toward truly rewarding activities or even predicting how much they will enjoy a frequently performed activity. For instance, Gershuny and Halpin (1996) compared consumers' statements about how much they typically enjoy certain activities to diary reports of how much they actually did enjoy those activities when performing them and found remarkably little correlation between expected enjoyment and actual enjoyment. In their words, only

> in the cases of ironing and sewing is more than 30 per cent of the variation in the diary estimate explained by (expected enjoyment). And for playing with children, DIY, and working on the car, where we might have expected respondents to have strong and well-established views, the proportions of variance explained . . . (.14, .12 and .11 respectively) are really rather low. (P. 199)

To what extent this reflects a surprising inability of people to predict how much they will enjoy even frequently performed activities, or a yet undetected error in the research, is not yet known. However, the view of the near flawless rational consumer is a recent invention in the history of ideas. Older models of humanity frequently stressed our potential to be tempted into actions that were not in our own or society's best interest. If these findings are correct and people frequently waste their free time on unrewarding activities, it provides yet another reason why money may increase our options for how we spend our time yet seems to have little consistent impact on the prevalence of positive affect in our lives.

To summarize this perspective, high levels of material resources give consumers greater choice in how they spend their time [16]. However, because many high-paying jobs may require long hours and because people often trade off income for more personally rewarding work or more free time, this relationship is weak [16]. Greater choices in how one spends one's time lead to less time spent in unpleasant but necessary activities [17], which in turn leads to a lack of negative affect [18]. Greater choices in how one spends one's time also lead to more time spent in enjoyable activities [19]. But because people seem to make poor choices in allocating their free time, and because many very enjoyable low-cost activities are available, this relationship is weak [19]. However, to the extent that consumers do spend time in hedonically rewarding activities, they experience positive affect [20].

## CONCLUSION

We have considered three perspectives for evaluating the ways in which income might influence SWB. The comparative perspective posits that life satisfaction results from a comparison of one's own financial position to a material norm. To the extent that this material norm changes with increases in wealth, more money will not lead to greater well-being once one's basic physical needs are met. From a normative standpoint, if the comparative perspective proves to be correct, public welfare might be increased by teaching people to compare themselves to those less well off. In this case, advertisements and other mass media forms that depict a world populated by the very affluent may inadvertently be guilty of lowering the SWB of large numbers of people (O'Guinn and Shrum 1997; Richins 1996).

The goal attainment perspective looks at money as a potential source of well-being by enabling people to attain goals they set. This perspective suggests that well-being models need to give greater consideration to individual differences in goals. Income correlates weakly with SWB because among the nondestitute, money seems to have little unique value in helping people achieve the goals they care most about. Work on goals also suggests that SWB is increased by pursuing intrinsically rewarding goals, which have little to do with money. If this is so, much more research is needed on why money functions as such a powerful motivator in our society. From a normative perspective, research is needed on how people can be influenced to focus more directly on their intrinsic needs.

Finally, the hedonic perspective states that money leads to well-being primarily to the extent that it enables people to use their time in more satisfying ways. Money correlates weakly with desirable affective experiences because enjoyable leisure is available at all price points, and enjoyable work is not always highly paid. As high levels of consumption are increasingly recognized as a global ecological threat (Princen 1997), work in this area can help lead us toward a more enjoyable yet less consumption-oriented lifestyle.

In the field of marketing, where countless studies have been conducted with the aim of making incremental improvements in managerial practice, the importance of looking at big-picture issues can hardly be overstated (Sirgy, Meadow, and Samli 1995). We have discussed three perspectives on the relationship between income and consumption on SWB, each of which cries out for further research. But future work on income, consumption, marketing, and SWB is by no means limited to extending one of these three perspectives. For example, looking at consumer behavior could direct researchers' attention to how traditional marketing variables such as the shopping process, the specific goods chosen, or the method of payment (cash or credit) influences SWB. Researchers in these areas could expand the contribution of their work by including SWB as a dependent variable in their studies. It is also plausible that the possession of goods leads to greater SWB only when consumers are satisfied with those goods. Van Raaij (1981) defines SWB as a consequence of economic behavior including satisfaction and dissatisfaction with the purchase. He notes that after-purchase processes such as reduction of cognitive dissonance could contribute to SWB (see also Westbrook 1987). Of course, customer satisfaction is just one component of economic well-being, which in turn is but one component of SWB (Day 1987; Poiesz and von Grumbkow 1988; Warneryd 1988). This in turn raises the need for more work on the relationship between consumption and other life domains (Friedman 1997). For example, Leelakulthanit and Day (1993) found that satisfaction with the domain of material possessions contributed significantly to overall life satisfaction of Thais but not of Americans. In studies of children of Portuguese immigrants to France, Neto (1995) found that perceived dissatisfaction with housing contributed, modestly, to dissatisfaction with life. These studies provide just a few examples of how work on consumption and SWB could be expanded in new directions in the future.

In sum, data show a surprisingly low correlation between income and SWB. In this article, we have explored three perspectives on how money might influence SWB, and we have seen why in each case this influence is likely to be moderate at best. This conclusion offers a profound challenge to our consumerist culture and especially to marketing's role within it.

## NOTES

1. Critics of this model have pointed out that it omits the important area of meaning in life (Emmons 1996, 1997; McGregor and Little 1998; Ryff 1989; Ryff and Keyes 1995). We agree with these critics in this regard, but since the vast majority of research relevant to this article has been conducted using this model, we will use it here as well.

2. Oddly, Diener, Horwitz, and Emmons (1985) found that when asked, most of their sample was very dubious about the connection between money and happiness. This finding is in conflict both with past research (Cantril 1965) and with the obvious value that people place on money in their everyday lives and professional choices. It may be that when people are allowed to reflect on the role of money in their lives, they recognize its weak connection to happiness, but in their less philosophical moments they act in ways consistent with a belief in money's efficacy. Or, the nonmaterialistic responses may be a social desirability artifact.

3. In general, the relationship between income and subjective well-being (SWB) is positive and statistically significant. But Clark and Oswald (1994), using a measure of psychological distress, failed to find any statistically significant effect for income.

4. Duncan (1975) also seems to report similar findings. However, his data lump together all incomes higher than $15,000 in 1955 and $25,000 in 1971. Because the income range for the highest income group was so much larger than for any of the other groups, the jump in SWB associated with this highest income group could simply be a measurement artifact.

5. The importance consumers place on material norms is closely related to materialism. Therefore, many developmental factors such as feelings of economic deprivation in one's formative years may also influence this construct. To the extent that these developmental factors are correlated with

one's current income, they may add an additional level of complexity to these relationships that is beyond the scope of this diagram.

6. Note that these earnings are "expected" in the statistical sense—they are the earnings predicted by a regression equation—not expected in the psychological sense of self-reported individual expectations.

7. Too often, politically charged debates of this kind are left lurking in the background of social science research on the grounds that the work should be, or at least appear, value neutral. Work of this kind is never really value neutral. Veenhoven is to be commended for making his values and the political implications of his work explicit.

8. In a similar study, Schyns (forthcoming) found just the opposite; that is, when collectivism/individualism is controlled for income remains significant, but when income is controlled for collectivism/individualism becomes nonsignificant. However, her study failed to control for the strong influence of social disruption as a confounding factor in her analysis. Schyns's sample included several ex-Soviet nations that were exceptionally unhappy, fairly poor, and yet fairly individualistic. In these countries, it is likely, as Schyns concludes, that the social upheavals accompanying their change from communist to capitalist economies may be a major source of unhappiness independent of their level of prosperity. Since she did not take this social disruption into account in her statistical analysis, it is likely that her findings are biased against showing the true importance of individualism/collectivism as a predictor of national SWB. This bias can also explain a number of other anomalous findings in her study.

9. Diener et al. (1993) found in a cross-national comparison that "rapid economic growth is accompanied by less, not more, happiness" (p. 215). The authors interpret these findings to indicate that while richer countries are happier, the process of rapid economic growth may produce social stresses that lower SWB. Another possible explanation is that this finding—like the simple correlation between national per capita income and average SWB—is a spurious relationship caused by the influences of individualism and collectivism on SWB. This possibility arises because the "old money countries" tend to be individualistic Western states, whereas the rapidly growing economies tend to be found in collectivistic Asian nations.

10. This assumes that economic growth is distributed in such a way that it raises the living standards of the poor and middle class. Unfortunately, this does not always happen (Ger 1997). However, while economic growth is by no means a guarantee of better living standards for nonelites, it is easier to raise their living standards through economic growth than it is through pure redistribution of wealth.

11. That is, from $8,740 to $12,407 in constant 1971 dollars.

12. The resources they measured (ordered from most relevant to respondents' goals to least relevant) were self-confidence, self-discipline for work, social skills, intelligence, energeticness, assertiveness, family support, close friends, emotional self-control, health, being articulate, strong romantic relationships, good manners, expert knowledge, public speaking skills, money, positions of authority, physical attractiveness, influential connections, material possessions, and athletic ability.

## REFERENCES


Abramson, Paul R., and Ronald Inglehart. 1995. Value change in global perspective. Ann Arbor: University of Michigan Press.

Ackerman, Norleen, and Beatrice Paolucci. 1983. Objective and subjective income adequacy: Their relationship to perceived life quality measures. *Social Indicators Research* 12:25-48.

Ahuvia, Aaron C., and Nancy Wong. 1995. Materialism: Origins and implications for personal well-being. Published in proceedings of the 1995 European Conference for the Association of Consumer Research, Copenhagen, Denmark.

———. 1998. Three types of materialism: Their relationship and origins. Manuscript under review.

Andrews, Frank, M. 1991. Stability and change in levels and structure of subjective well-being: USA 1972 and 1988. *Social Indicators Research* 25:1-30.

Andrews, Frank M., and Stephen B. Withey. 1976. *Social indicators of well-being: Americans' perception of life quality.* New York: Plenum.

Argyle, Michael. 1987. *The psychology of happiness.* London: Methuen.

———. 1996. Subjective well-being. In *In pursuit of the quality of life,* edited by Avner Offer, 18-45. New York: Oxford University Press.

Belk, Russell W. 1985. Materialism: Trait aspects of living in the material world. *Journal of Consumer Research* 12 (December): 265-80.

Bradburn, Norman. 1969. *The structure of psychological well-being.* Chicago: Aldine.

Brickman, Philip, Dan Coates, and Ronnie Janoff-Bulman. 1978. Lottery winners and accident victims: Is happiness relative? *Journal of Personality and Social Psychology* 36 (8): 917-27.

Brunstein, Joachim C. 1993. Personal goals and subjective well-being: A longitudinal study. *Journal of Personality and Social Psychology* 65 (November): 1061-70.

Campbell, A. 1981. *The sense of well-being in America: Recent patterns and trends.* New York: McGraw-Hill.

Campbell, A., P. E. Converse, and W. L. Rodgers. 1976. *The quality of American life.* New York: Russell Sage.

Cantril, Hadley. 1965. *The patterns of human concerns.* New Brunswick, NJ: Rutgers University Press.

Carver, Charles S., and Eryn Baird. 1998. The American dream revisited: Is it what you want or why you want it that matters? *Psychological Science* 9 (July): 289-92.

Cialdini, Robert B. 1976. Basking in reflected glory: Three (football) field studies. *Journal of Personality and Social Psychology* 34 (September): 366-75.

Clark, Andrew E., and Andrew J. Oswald. 1994. Unhappiness and unemployment. *Economic Journal* 104:648-59.

———. 1996. Satisfaction and comparison income. *Journal of Public Economics* 61:359-81.

Csikszentmihalyi, Mihaly. 1990. *Flow: The psychology of optimal experience.* New York: Harper and Row.

Csikszentmihalyi, Mihaly, and Judith LeFevre. 1989. Optimal experience in work and leisure. *Journal of Personality and Social Psychology* 56 (May): 815-22.

Cummins, Robert A. 1995. On the trail of the gold standard for subjective well-being. *Social Indicators Research* 35:179-200.

———. 1998. The second approximation to an international standard for life satisfaction. *Social Indicators Research* 43:307-34.

Day, Ralph L. 1987. Relationships between life satisfaction and consumer satisfaction. In *Marketing and the quality-of-life interface,* edited by A. Coksun Samli, 289-311. New York: Quorum Books.

Diener, Ed. 1984. Subjective well-being. *Psychological Bulletin* 95 (May): 542-75.

Diener, Ed, Marissa Diener, and Carol Diener. 1995. Factors predicting the subjective well-being of nations. *Journal of Personality and Social Psychology* 69 (November): 851-64.

Diener, Ed, and Robert A. Emmons. 1984. The independence of positive and negative affect. *Journal of Personality and Social Psychology* 47 (November): 1105-17.

Diener, Ed, and Frank Fujita. 1995. Resources, personal strivings and subjective well-being: A nomothetic and idiographic approach. *Journal of Personality and Social Psychology* 68 (May): 926-35.

Diener, Ed, Jeff Horwitz, and Robert A. Emmons. 1985. Happiness of the very wealthy. *Social Indicators Research* 16:263-74.

Diener, Ed, and Randy J. Larsen. 1993. The experience of emotional well-being. In *The handbook of emotions,* edited by M. Lewis and J. M. Haviland, 405-15. New York: Guilford.

Diener, Ed, Randy J. Larsen, Steven Levine, and Robert A. Emmons. 1985. Intensity and frequency: Dimensions underlying positive and negative affect. *Journal of Personality and Social Psychology* 48 (5): 1253-65.

Diener, Ed, Ed Sandvik, Larry Seidlitz, and Marissa Diener. 1993. The relationship between income and subjective well-being: Relative or absolute? *Social Indicators Research* 28 (March): 195-223.

Diener, Ed, Heidi Smith, and Frank Fujita. 1995. The personality structure of affect. *Journal of Personality and Social Psychology* 69 (July): 130-41.

Douthitt, Robin A., Maurice MacDonald, and Randolph Mullis. 1992. The relationship between measures of subjective and economic well-being: A new look. *Social Indicators Research* 26 (June): 407-22.

Drakopoulos, S. A., and I. Theodossiou. 1997. Job satisfaction and target earnings. *Journal of Economic Psychology* 18:692-704.

Duncan, Otis D. 1975. Does money buy satisfaction? *Social Indicators Research* 2:267-74.

Easterlin, Richard A. 1974. Does economic growth improve the human lot? Some empirical evidence. In *Nations and households in economic growth*, edited by P. A. David and M. W. Reder, 89-125. New York: Academic Press.

———. 1995. Will raising the incomes of all increase the happiness of all? *Journal of Economic Behavior and Organization* 27:35-47.

Emmons, Robert A. 1996. Striving and feeling: Personal goals and subjective well-being. In *The psychology of action: Linking cognition and motivation to behavior*, edited by Peter M. Gollwitzer and John A. Bargh, 313-37. New York: Guilford.

———. 1997. Striving for significance: Personal goals, ultimate concerns, and subjective well-being. Paper presented at the first conference of the International Society of Quality of Life Studies, Charlotte, North Carolina, November 21.

Festinger, Leon. 1954. A theory of social comparison. *Human Relations* 7 (2): 117-40.

Friedman, Douglas C. 1997. Does a full wallet bring good cheer? The effects of income and consumer behavior on subjective well-being. Published in the proceedings of the Society of Consumer Psychology Conference, St. Petersburg, FL, February 13-15.

Ger, Guliz. 1997. Human development and humane consumption: Well-being beyond the good life. *Journal of Public Policy and Marketing* 16 (spring): 110-25.

Ger, Guliz, and Russell W. Belk. 1996. Cross-cultural differences in materialism. *Journal of Economic Psychology* 17 (February): 55-77.

Gershuny, Jonathan, and Brendan Halpin. 1996. Time use, quality of life, and process benefits. In *In pursuit of the quality of life*, edited by Avner Offer, 188-210. New York: Oxford University Press.

Graef, R., S. McManama Gianinno, and Mihaly Csikszentmihalyi. 1981. Energy consumption in leisure and perceived happiness. In *Consumers and energy conservation*, edited by J. D. Clayton and others. New York: Praeger.

Hagerty, Michael. 1998. Unifying livability and comparison theory: Cross-national time-series analysis of life-satisfaction. *Social Indicators Research*. Forthcoming.

Harris, Louis, and Associates. 1975. *The myth and reality of aging in America*. Washington DC: The National Council on Aging.

Hatcher, Simon. 1994. Debt and deliberate self-poisoning. *British Journal of Psychiatry* 164 (January): 111-14.

Headey, Bruce, Jonathan Kelley, and Alex Wearing. 1993. Dimensions of mental health: Life satisfaction, positive affect, anxiety and depression. *Social Indicators Research* 29 (May): 63-82.

Hollander, Stanley C. 1987. Retailing and the quality-of-life. In *Marketing and the quality-of-life interface*, edited by A. Coskun Samli, 188-204. New York: Quorum Books.

Inglehart, Ronald. 1977. *The silent revolution: Changing values and political styles among Western publics*. Princeton, NJ: Princeton University Press.

———. 1990. *Culture shift in advanced industrial society*. Princeton, NJ: Princeton University Press.

Inglehart, Ronald, and Jacques-Rene Rabier. 1986. Aspirations adapt to situations—but why are the Belgians so much happier than the French? A cross-cultural analysis of the subjective quality of life. In *Research on the quality of life*, edited by F. M. Andrews, 1-56. Ann Arbor, MI: Institute for Social Research.

Jackson, Robert L. 1979. Material good need fulfillment as a correlate of self-esteem. *The Journal of Social Psychology* 108 (June): 139-40.

Kahneman, Daniel, and Amos Tversky. 1979. Prospect theory: An analysis of decision under risk. *Econometrica* 47: 263-91.

Kasser, Tim. 1997. Two versions of the American dream: Which goals and values make for a high quality of life? Paper presented at ISQOLS, Charlotte, North Carolina, November 20-22.

Kasser, Tim, and Richard M. Ryan. 1993. A dark side of the American dream: Correlates of financial success as a central life aspiration. *Journal of Personality and Social Psychology* 65 (August): 410-22.

———. 1996. Further examining the American dream: Differential correlates of intrinsic and extrinsic goals. *Personality and Social Psychology Bulletin* 22 (March): 280-87.

———. 1998. Be careful what you wish for: Optimal functioning and the relative attainment of intrinsic and extrinsic goals. Working paper.

Kasser, Tim, Richard M. Ryan, Melvin Zax, and Arnold J. Sameroff. 1995. The relations of maternal and social environments to late adolescents' materialistic and prosocial values. *Developmental Psychology* 31 (November): 907-14.

Katona, George. 1975. *Psychological economics*. New York: Elsevier.

Keyfitz, Nathan. 1982. Development and the elimination of poverty. *Economic Development and Cultural Change* 30:649-70.

Kruglanski, Arie W., and Ofra Mayseless. 1990. Classic and current social comparison research: Expanding the perspective. *Psychological Bulletin* 108 (2): 195-208.

La Barbera, Priscilla A., and Zeynep Gurhan. 1997. The role of materialism, religiosity, and demographics in subjective well-being. *Psychology & Marketing* 14 (January): 71-97.

Lance, Charles E., Alison G. Mallard, and Alex C. Michalos. 1995. Tests of the causal directions of global-life facet satisfaction relationships. *Social Indicators Research* 34:69-92.

Lane, Robert E. 1991. *The market experience*. New York: Cambridge University Press.

———. 1992. Work as "disutility" and money as "happiness": Cultural origins of a basic market error. *The Journal of Socio-Economics* 21 (spring): 43-64.

———. 1993. Does money buy happiness? *The Public Interest* 113 (fall): 56-65.

Larson, Reed. 1978. Thirty years of research on the subjective well-being of older Americans. *Journal of Gerontology* 33 (January): 109-25.

Lasch, Christopher. 1991. *The true and only heaven: Progress and its critics*. New York: Norton.

Lazarus, Richard S. 1984. On the primacy of cognition. *American Psychologist* 39 (February): 124-29.

———. 1991. Cognition and motivation in emotion. *American Psychologist* 46 (April): 352-67.

Lea, Stephen E. G., Paul Webley, and Catherine M. Walker. 1995. Psychological factors in consumer debt: Money management, economic socialization, and credit use. *Journal of Economic Psychology* 13 (December): 111-34.

Lebergott, Stanley. 1993. *Pursuing happiness: American consumers in the twentieth century*. Princeton, NJ: Princeton University Press.

Leelakulthanit, Orose, and Ralph Day. 1993. Cross-cultural comparisons of quality of life of Thais and Americans. *Social Indicators Research* 30 (September): 49-70.

Leelakulthanit, Orose, Ralph Day, and Rockney Walters. 1991. Investigating the relationship between marketing and overall satisfaction with life in a developing country. *Journal of Macromarketing* 11 (spring): 3-23.

Lucas, Richard E., Ed Diener, and Eunkook Suh. 1996. Discriminant validity of well-being measures. *Journal of Personality and Social Psychology* 71 (September): 616-28.

Lyubomirsky, Sonja, and Lee Ross. 1997. Hedonic consequences of social comparison: A contrast of happy and unhappy people. *Journal of Personality and Social Psychology* 73 (6): 1141-57.

MacDonald, Maurice, and Robin A. Douthitt. 1992. consumption theories and consumers' assessments of subjective well-being. *Journal of Consumer Affairs* 26 (winter): 243-61.

McGregor, Ian, and Brian R. Little. 1998. Personal projects, happiness, and meaning: On doing well and being yourself. *Journal of Personality and Social Psychology* 74 (2): 494-512.

Meadow, Lee H., John T. Metzer, Don R. Rahtz, and Joseph M. Sirgy. 1992. A life satisfaction measure based on judgment theory. *Social Indicators Research* 26 (1): 23-59.

Michalos, Alex C. 1985. Multiple discrepancies theory (MDT). *Social Indicators Research* 16:347-413.

———. 1989. Discrepancies between perceived income needs and actual incomes. *Social Indicators Research* 21:293-96.

Mookherjee, Harsha N. 1992. Perceptions of well-being by metropolitan and nonmetropolitan populations in the United States. *Journal of Social Psychology* 132 (4): 513-24.

———. 1998. Perceptions of well-being among the older metropolitan and nonmetropolitan populations in the United States. *Journal of Social Psychology* 138:72-82.

Moore, Roy L., and George P. Moschis. 1981. The effects of family communication and mass media use on adolescent consumer learning. *Journal of Communication* 31:42-51.

Moschis, George P., and Roy L. Moore. 1979. Family communication and consumer socialization. In *Advances in consumer research*, vol. 6, edited by W. L. Wilkie, 359-63. Ann Arbor, MI: Association for Consumer Research.

Mullis, Randolph J. 1992. Measures of economic well-being as predictors of psychological well-being. *Social Indicators Research* 26 (March): 119-35.

Myers, David G. 1992. *The pursuit of happiness: Who is happy—and why.* New York: William Morrow.

Myers, David G., and Ed Diener. 1995. Who is happy? *Psychological Science* 6 (January): 10-19.

Neto, Felix. 1995. Predictors of satisfaction with life among second generation migrants. *Social Indicators Research* 35 (May): 93-116.

Offer, Avner. 1996. Introduction. In *In pursuit of the quality of life*, edited by Avner Offer, 1-17. New York: Oxford University Press.

O'Guinn, Thomas C., and L. J. Shrum. 1997. The role of television in the construction of consumer reality. *Journal of Consumer Research* 23 (4): 278-94.

Oropesa, R. S. 1995. Consumer possessions, consumer passions and subjective well-being. *Sociological Forum* 10 (June): 215-44.

Ortony, Andrew, Gerald L. Clore, and Allan Collins. 1988. *The cognitive structure of emotions*. New York: Cambridge University Press.

Oswald, Andrew J. 1997. Happiness and economic performance. *The Economic Journal* 107 (November): 1815-31.

Poiesz, Theo B. C., and Jasper von Grumbkow. 1988. Economic well-being, job satisfaction, income evaluation and consumer satisfaction: An integrative attempt. In *Handbook of economic psychology*, edited by W. F. van Raaij, G. M. van Veldhoven, and K. E. Warneryd, 571-93. Dordrecht, The Netherlands: Kluwer Academic.

Princen, Thomas. 1997. The shading and distancing of commerce: When internalizaton is not enough. *Ecological Economics* 20:235-53.

Rice, Robert W., Suzanne M. Phillips, and Dean B. McFarlin. 1990. Multiple discrepancies and pay satisfaction. *Journal of Applied Psychology* 75 (4): 386-93.

Richins, Marsha L. 1996. Materialism, desire, and discontent: Contributions of idealized advertising images and social comparison. In *Marketing and consumer research in the public interest*, edited by R. P. Hill, 109-32. Thousand Oaks, CA: Sage.

Richins, Marsha L., and Scott Dawson. 1992. A consumer values orientation for materialism and its measurement: Scale development and validation. *Journal of Consumer Research* 19 (December): 303-16.

Richins, Marsha L., and Floyd W. Rudmin. 1994. Materialism and economic psychology. *Journal of Economic Psychology* 15 (June): 217-31.

Rindfleisch, Aric, James E. Burroughs, and Frank Denton. 1997. Family structure, materialism, and compulsive consumption. *Journal of Consumer Research* 23 (March): 312-25.

Roborgh, Peter, and Barrie G. Stacey. 1987. Happiness and radical career change among New Zealanders. *Journal of Psychology* 121 (September): 501-12.

Roper Starch Worldwide. 1994. *Survey of America's inner financial life.* New York: Roper Starch Worldwide.

Ryff, Carol D. 1989. Happiness is everything, or is it? Explorations of the meaning of psychological well-being. *Journal of Personality and Social Psychology* 57 (December): 1069-81.

Ryff, Carol D., and Corey Lee M. Keyes. 1995. The structure of psychological well-being revisited. *Journal of Personality and Social Psychology* 69 (October): 719-27.

Schyns, Peggy. 1998. Crossnational differences in happiness: Economic and cultural factors explored. *Social Indicators Research* 43:3-26.

———. Forthcoming. *The relationship between changes in income and life-satisfaction in West-Germany and the Russian Federation: Relative, absolute, or a combination of both?*

Scitovsky, Tibor. 1992. *The joyless economy: The psychology of human satisfaction: Revised edition.* New York: Oxford University Press.

Sen, Amartya. 1993. Capability and well-being. In *The quality of life*, edited by M. C. Nussbaum and A. Sen. New York: Oxford University Press.

Sheldon, Kennon M., and Tim Kasser. In press. Pursuing personal goals: Skills enable progress, but not all progress is beneficial. *Personality and Social Psychology Bulletin.*

Sirgy, Joseph M. 1998. Materialism and quality of life. *Social Indicators Research* 43:227-60.

Sirgy, Joseph M., Lee H. Meadow, and Coskun A. Samli. 1995. Past, present, and future: An overview of quality of life research in marketing. In *New dimensions in marketing/quality-of-life research*, edited by Joseph Sirgy and Coskun Samli, 335-64. Westport, CT: Quorum Books.

Suh, Eunkook, Ed Diener, Shigehiro Oishi, and Harry Triandis. 1998. The shifting basis of life satisfaction judgments across cultures: Emotions versus norms. *Journal of Personality and Social Psychology* 74 (2): 482-93.

Suranyi-Unger, Theodore. 1981. Consumer behavior and consumer well-being: An economist's digest. *Journal of Consumer Research* 8 (September): 132-43.

Tokunaga, Howard. 1993. The use and abuse of consumer credit: Application of psychological theory and research. *Journal of Economic Psychology* 14 (June): 285-316.

Van Praag, B.M.S. 1993. The relativity of the welfare concept. In *The quality of life*, edited by M. C. Nussbaum and A. Sen, 362-85. Oxford, UK: Clarendon.

Van Raaij, W. Fred. 1981. Economic psychology. *Journal of Economic Psychology* 1 (March): 1-24.

Veenhoven, Ruut. 1991. Is happiness relative? *Social Indicators Research* 24:1-34.

———. 1993. Is happiness a trait? Test of the theory that a better society does not make people any happier. *Social Indicators Research* 32:101-60.

———. 1996. Developments in satisfaction-research. *Social Indicators Research* 37:1-46.

Veenhoven, Ruut, with Joop Ehrhardt. 1995. The cross-national pattern of happiness: Test of predictions implied in three theories of happiness. *Social Indicators Research* 34:33-68.

Walson, Christopher O., and Vicki S. Fitzsimmons. 1993. Financial manager's perception of rural household economic well-being: Development and testing of a composite measure. *Journal of Family & Economic Issues* 14 (fall): 193-214.

Ward, Scott, and Daniel Wackman. 1971. Family and media influences on adolescent consumer learning. *American Behavioral Scientist* 14:415-27.

Warneryd, Karl-Erik. 1988. Social influence on economic behavior. In *Handbook of economic psychology*, edited by W. F. van Raaij, G. M. van Veldhoven, and K. E. Warneryd, 207-48. Dordrecht, The Netherlands: Kluwer Academic.

Watson, David, Lee A. Clark, and Auke Tellegen. 1988. Development and validation of brief measures of positive and negative affect: The PANAS scales. *Journal of Personality and Social Psychology* 54 (June): 1063-70.

Westbrook, Robert A. 1987. Product/consumption-based affective responses and postpurchase processes. *Journal of Marketing Research* 44 (fall): 84-91.

Wright, Newell D., and Val Larsen. 1993. Materialism and life satisfaction: A meta-analysis. *Journal of Consumer Satisfaction, Dissatisfaction, and Complaining Behavior* 6:158-65.

*Aaron C. Ahuvia is an assistant professor of marketing at the University of Michigan Business School where he studies consumer culture and quality of life. He earned his Ph.D. in 1993 from Northwestern University. Professor Ahuvia's work places a special emphasis on various forms of high-involvement consumption including materialism, fashion, luxuries, and products consumers love. Douglas C. Friedman is a doctoral student at the University of Michigan Business School and a lecturer in marketing at the University of Michigan—Dearborn School of Management, where he studies the consumer as a producer of consumption experience. He received his M.B.A. from Baruch College in 1994. His current work looks at the role of customers as coproducers of services.*