ABSTRACT. Four replicable findings have emerged regarding the relation between income and subjective well-being (SWB): 1. There are large correlations between the wealth of nations and the mean reports of SWB in them, 2. There are mostly small correlations between income and SWB within nations, although these correlations appear to be larger in poor nations, and the risk of unhappiness is much higher for poor people, 3. Economic growth in the last decades in most economically developed societies has been accompanied by little rise in SWB, and increases in individual income lead to variable outcomes, and 4. People who prize material goals more than other values tend to be substantially less happy, unless they are rich. Thus, more money may enhance SWB when it means avoiding poverty and living in a developed nation, but income appears to increase SWB little over the long-term when more of it is gained by well-off individuals whose material desires rise with their incomes. Several major theories are compatible with most existing findings: A. The idea that income enhances SWB only insofar as it helps people meet their basic needs, and B. The idea that the relation between income and SWB depends on the amount of material desires that people’s income allows them to fulfill. We argue that the first explanation is a special case of the second one. A third explanation is relatively unresearched, the idea that societal norms for production and consumption are essential to understanding the SWB-income interface. In addition, it appears high SWB might increase people’s chances for high income. We review the open issues relating income to SWB, and describe the research methods needed to provide improved data that will better illuminate the psychological processes relating money to SWB.

The happy man will need external prosperity.

Aristotle

It is difficult for a man laden with riches to climb the steep path that leads to bliss.

Islamic saying

People who claim that money can’t buy happiness just don’t know where to shop.

Anonymous
Money is a fundamental aspect of human life throughout the world. People spend a large fraction of their time earning and spending money, and use market goods during all of their waking and sleeping moments. In wealthy and poor societies around the globe, there is now an enormous concern about economic development, and in most nations it is the foremost policy issue. Nation-states recently have crumbled when they have failed to “deliver the goods.” The world economy in 1998 reached 24 trillion U.S. dollars, or 4000 U.S. dollars per person, and continues to grow dramatically.

From 1974 to 1994 productivity in the United States increased so that it required 3 days of work for a wage earner to purchase a color T.V. compared to 3 weeks just 20 years earlier, and substantially less time to buy most other items such as food, leisure, and travel (Templeton, 1999). Economic development is not just occurring in a few wealthy nations, however; it is spreading to the majority of the nations of the world. From 1975 to 1993 the number of cars in the world almost doubled, and automobiles in developing countries increased threefold. Although industrialized societies still use a disproportional share of electricity, the amount consumed in the developing countries tripled between 1980 and 1995. Even in the poorest region of the world, sub-Sahara Africa, the availability of many commodities approximately doubled in the 20 year period from the 1970’s to the 1990’s: meat and cereal production, electricity use, and automobile purchases, for example (U.N. Development Programme, 1998). In the developing nations of the Pacific Rim and Southeast Asia, consumption increased 3 to 4 times during this period. Recent growth rates in economically developed and developing nations alike have exceeded the material growth rates that characterized earlier time periods (Easterlin, 1996).

In view of the current economic growth rates of several percentage points throughout the majority of nations in the world, it is natural to ask whether most people on earth will be happier in the decades to come? One flourishing area of study in the social and behavioral sciences is concerned with the effects of income on subjective well-being (SWB), to which this review is devoted. Many people ask whether money will make them happier, and this paper reviews the intricate answer to their question.