



# Happy Money

**The Science of Smarter Spending**

**Elizabeth Dunn & Michael Norton**



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# Happy Money

The Science of Smarter Spending

Elizabeth Dunn & Michael Norton

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To my mother, Winifred Brand, who taught me my first lessons in happiness.

—Liz

To my grandmother, Delia Irwin, who taught me that there's more to being happy than being smart.

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# Prologue

After a decade spent earning degrees, Elizabeth Dunn experienced a major life change. She started earning money. As a young professor, Liz suddenly skyrocketed all the way to an average adult income, and began to wonder what to do with her newfound wealth. Having just completed her Ph.D. in social psychology, Liz did what only a true academic would: she turned to the scientific literature for guidance. She found about seventeen thousand articles on the relationship between money and happiness, many of which seemed to suggest that additional income provides surprisingly little additional happiness.<sup>1</sup> But, she wondered, just because money often fails to buy happiness, does that mean that it can't? What if people spent their money differently—and better?

Liz called up her friend Michael Norton. The two had met during graduate school at an academic summer camp (think band camp—but nerdier). Liz admired Mike's willingness to tackle wacky questions, such as "How do people think wealth should be distributed?" and "At what age do kids become hypocrites?" In his postcamp years—and to the surprise of his entire extended family—Mike had become a professor at Harvard Business School.

Both gainfully employed for the first time, we decided to work together to understand what grown-ups usually do with their money. Most importantly, we wanted to know if people could spend their money in less typical, but happier ways. Together we started doling out cash to strangers. But there was a catch: rather than letting them spend it however they wanted, we made them spend it how we wanted. We'll tell you the whole story later in the book, but our first discoveries were promising: changing the way people spent their money altered their happiness over the course of the day. And we saw this effect even when people spent as little as \$5. Since then we have expanded and broadened our research on the science of spending to diverse

regionshttp://www.theurbancountry.com/2011/05/americans-work-2-hours-each-day-to-pay.htmlle appreciate of the world, from Belgium to East Africa. We have taken our work “under the skin,” demonstrating that everyday spending choices unleash a cascade of biological and emotional effects—detectable right down to saliva. And we have worked with organizations ranging from a recreational dodge ball league to the number-one restaurant in the world—Ferran Adrià’s elBulli—to examine how shifting the way individuals spend money influences the success of teams and companies.

Our research has been featured in media outlets ranging from National Public Radio and the Harvard Business Review to the Hindustan Times and The Tonight Show with Jay Leno. One fun side benefit of this media exposure is that we often get feedback from self-appointed pundits. The comments below appeared in response to a [CNN.com](#) story covering some of our research:<sup>1</sup>

If I won the lottery I would take it upon myself to try and teach people the value of money. For example, I would walk up to people on the street and hold out a couple hundred bucks and say “Here, you want this!” When they reached for it I would yank it back and be like . . . “Yeah right! What are you crazy? Do you think that people just wake up and get handed huge sums of money!” Of course I wouldn’t tell them that I won the lottery because that kind of defeats the lesson I’m trying to convey.

I would just build a fort, completely made of money, and hide in it.

I would fill a big bath tub with money and git in the tub while smoking a big fat cigar and sipping a glass of champagne. Then I’d have a picture taken and dozens of 8x10 glossies made. Anyone begging for money or trying to extort from me would receive a copy of the picture and nothing else.

When I win I am going to buy my own little mountain and have a little house on top.

These diverse plans share two striking similarities: these would-be lottery winners planned to use the money for stuff (forts, champagne, and mountains) for themselves and themselves alone (taunting others and buying isolation). As it turns out, some of these schemes are not just unproductive for happiness, but counterproductive. Shifting from buying stuff to buying experiences, and from spending on yourself to spending on others, can have a dramatic impact on happiness.

## Why Focus on Spending Differently Rather than Earning More?

Every large bookstore has a shelf filled with books designed to help you get more money. By focusing on how to spend the money you have rather than how to accumulate more of it, our perspective departs from the obsession with chasing increased wealth in the pursuit of happiness. New research shows that greater wealth often fails to provide as much happiness as many people expect. In a national sample of Americans, individuals thought that their satisfaction with life would double if they made \$55,000 rather than \$25,000: twice as much money, twice as much happy.<sup>2</sup> But the data revealed that people who earned \$55,000 were only 9 percent more satisfied than those making \$25,000. Around the world, income has surprisingly little influence on whether people smile, laugh, and away makes us feel that we must have a lot of otl experience enjoyment on a typical day.<sup>3</sup> And in the United States, once people are earning around \$75,000 per year, making more money has no impact at all on their day-to-day feelings of happiness.<sup>4</sup>

Although money can provide all kinds of wonderful things, from tastier food to safer neighborhoods, wealth comes at a cost. Just thinking about wealth can push us away from the kinds of behaviors that promote happiness—such as playing nicely with others.<sup>5</sup> In one study, students received a big stack of Monopoly money and spent several minutes imagining a wealthy future.<sup>6</sup> Other students were left

with no Monopoly money and spent time thinking about their plans for the next day. Suddenly a research assistant stumbled in front of them, spilling pencils everywhere. Students with the stack of cash picked up fewer pencils. In another study, individuals who merely saw a photograph of money preferred solitary activities, choosing personal cooking classes over a catered dinner with friends. This research helps to explain why our would-be lottery winners sought isolation. Just being reminded of wealth can propel people to distance themselves from others, undermining happiness.

Even though we've read all of the relevant research, and conducted some of it ourselves, we haven't turned down any raises. So, rather than suggest that you stop trying to get more money, our goal is to help you use the money you have to get more happiness. And insights into how to make yourself happier are also relevant for any organization in the business of trying to make others happy. We'll offer guidance on structuring employee and customer experiences to create the largest impact on their happiness and satisfaction. Whether you're a massage therapist, travel agent, or CEO, we'll help you provide your colleagues and clients with the most happiness for every dollar you spend on them—and for every dollar they spend with you.

## **The Principles**

In each chapter, we'll focus on one of five key principles of happy money and help you understand how, when, and why it works so that you can apply it in your personal and professional life.

- **Buy Experiences (Chapter One).** Most Americans describe owning a home as an essential component of the American dream. But recent happiness research suggests that home ownership is far from dreamy. Material things (from beautiful homes to fancy pens) turn out to provide less happiness than experiential purchases (like trips, concerts, and special meals). Whether you're spending \$2 or \$200,000, buying experiences rather than material goods can

inoculate you against buyer's remorse. Not all experiences are created equal, and we'll highlight the kinds of experiences, large and small, most likely to provide happiness. Surprisingly, even experiences that seem a little painful can produce lasting pleasure. We'll show how, by harnessing the power of experiences, an entrepreneur named Will Dean convinced people to pay him for the privilege of crawling through pits of mud.

- **Make It a Treat (Chapter Two).** Many residents of "I Hate Income Tax: Seven Reasons to Remove the Greatest Evil Facing Americans" and London have never visited Big Ben. What stops them? When something wonderful is always available, people are less inclined to appreciate it. Limiting our access to the things we like best may help to "re-virginize" us, renewing our capacity for pleasure. Rather than advocating wholesale self-denial (say, giving up coffee completely), we'll demonstrate the value of turning our favorite things back into treats (making that afternoon latte a special indulgence rather than a daily necessity). We'll show how to apply this principle to purchases major and mundane, and we'll profile creative companies that have transformed products ranging from rental cars to toilet paper into treats. Along the way, we'll describe new research showing that driving a luxury car provides no more happiness than an economy model, and that commercials can enhance the pleasure of television.

- **Buy Time (Chapter Three).** By permitting us to outsource our most dreaded tasks, from scrubbing toilets to cleaning gutters, money can transform the way we spend our time, freeing us to pursue our passions. Yet wealthier individuals do not spend their time in happier ways on a daily basis; thus they fail to use their money to buy themselves happier time. We'll show the wisdom of asking yourself a quick question before buying: How will this purchase change the way I use my time? When people focus on their time rather than their money, they act like scientists of happiness, choosing activities that promote their well-being. For companies, this principle entails thinking about compensation in a broader way, rewarding employees not only with money, but with time. We'll discuss how companies

ranging from Intel to Patagonia to Home Depot have developed creative strategies to give even their busiest employees a sense of time affluence, a potent predictor of people's satisfaction with their jobs, and their lives.

- Pay Now, Consume Later (Chapter Four). In the age of the iPad, products are available instantly and our wallets are lined with plastic instead of paper. Digital technology and credit cards have encouraged us to adopt a “consume now and pay later” shopping mind-set. By putting this powerful principle into reverse—by paying up front and delaying consumption—you can buy more happiness, even as you spend less money. Because delaying consumption allows spenders to reap the pleasures of anticipation without the buzzkill of reality, vacations provide the most happiness before they occur. And research shows that waiting, even briefly, for something as simple as a Hershey's Kiss makes it taste better when we get it. Delays can also be a source of frustration, of course, and we'll show how businesses can stage-craft their metaphorical waiting rooms to turn customers' impatience into increased satisfaction. The benefits of delaying consumption are particularly likely to emerge when we pay up front. By paying now and consuming later, purchases ranging from makeup to mojitos can be enjoyed as though they were free. Even better, people are less prone to overspend when they experience the pain of paying up front. This pain can put them on the path to decreasing their debt, which, as we'll see, provides one of the best routes toward increased happiness.

- Invest in Others (Chapter Five). On a March day in 2010, two bespectacled white men sat in a corner booth of a diner in Carter Lake, Iowa. Bill Gates and Warren Buffett—two of the richest people in the world—had an idea. They would ask America's billionaires to pledge evocative as the presenttime. People get the majority of their wealth to charity. Buffett decided to donate 99 percent of his wealth, saying “I couldn't be happier with that decision.”<sup>7</sup> While dozens of books dissect Buffett's investing habits, this chapter shows how the rest of us might learn from his investments in others. New research demonstrates that spending money on others provides a bigger

happiness boost than spending money on yourself. And this principle holds in an extraordinary range of circumstances, from a Canadian college student purchasing a scarf for her mother to a Ugandan woman buying lifesaving malaria medication for a friend. The benefits of giving emerge among children before the age of two, and are detectable even in samples of saliva. Investing in others can make individuals feel healthier and wealthier—and can even help people win at dodge ball. We'll show how businesses like PepsiCo and Google and nonprofits like DonorsChoose.org are harnessing these benefits by encouraging donors, customers, and employees to invest in others.

## Into the Operating Room

Uniting the five principles of this book is one simple premise. Before you spend that \$5 as you usually would, stop to ask yourself: Is this happy money? Am I spending this money in the way that will give me the biggest happiness bang for my buck?

When it comes to increasing the amount of money they have, most people recognize that relying on their own intuition is insufficient, spawning an entire industry of financial advisors. But when it comes to spending that money, people are often content to rely on their hunches about what will make them happy. And yet, if human happiness is even half as complicated as the stock market, there is little reason to assume that intuition provides a sufficient guide. Fifty years of psychological research has shown that most of the “action” in human thought and emotion takes place beneath the level of conscious awareness<sup>8</sup>—and so trying to uncover the causes of your own happiness through introspection is like trying to perform your own heart transplant. You have some idea of what needs to be done, but a surgical expert would come in handy.

Consider us your surgical experts.

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# Buy Experiences

“After two or three fabulous days of preparing with your crew, you’re suited up and you’re raring to go. The climb to 50,000 feet is marked with quiet contemplation but there <http://www.usda.gov/wps/portal/usda/usdahome?contentid=2011/06/0241.xml&contentidonly=true> socializing’s an air of confidence and eager anticipation. Then the countdown to release, a brief moment of quiet before a wave of unimaginable but controlled power surges through the craft. . . . As you hurtle through the edges of the atmosphere, the large windows show the cobalt blue sky turning to mauve and indigo and finally to black.”

This description greets visitors to Virgin Galactic’s website. The company now makes it possible for you to pre-book a ticket for a six-minute spaceflight. But at \$200,000 each, these tickets don’t come cheap. Announcing a trip into orbit is likely to prompt some concerned looks from friends and family, looks that could be avoided by spending that \$200,000 on a more traditional purchase—say, upgrading to a Tudor-style home on a leafy street in the suburbs. Even in the wake of the recent housing meltdown, most people would advocate the purchase of the upgraded homestead over the ticket to outer space. But research on happiness points in the opposite direction.

It may be hard to see how a trip to space could be a reasonable expenditure, so let’s start with the fact that buying a big, beautiful house may not be a wise use of money. Remarkably, there is almost no evidence that buying a home—or a newer, nicer home—increases happiness. Between 1991 and 2007, researchers tracked thousands of people in Germany who moved to a new house because there was something about their old house that they didn’t like.<sup>1</sup> Immediately after settling in to their new abodes, these movers reported being much more satisfied with their new homes than they’d been with their old ones. Humans are adaptable creatures, however, and research shows that people often get used to

whatever they've got. So we might expect that this initial spike in housing satisfaction would wear off, leaving people no happier with their home than they were before moving. But that's not what happened. Satisfaction with the new home only wore off a little bit, and in the subsequent five years, movers remained significantly more satisfied with their new home than they'd been with their old one. Sounds promising, but there's just one problem: while movers' satisfaction with their houses increased substantially, their satisfaction with their lives—their overall happiness—didn't improve at all.

Of course, we don't know what else was going on in their lives. We can't flip a coin and randomly assign people to live in a big, beautiful house or a cramped, unsightly one. But colleges and universities can. At Harvard, first-year students are randomly assigned to spend their sophomore through senior years living in one of twelve different houses. The houses have dining halls, courtyards, and libraries, and much of undergraduate life revolves around them. Some of the houses are beautiful, spacious, and centrally located. Others will never grace the cover of a Harvard brochure. They were built during an architectural nadir, after all the prime real estate was gone. Even happy-go-lucky Harvard first-years are haunted by the fear of “getting quadded” (Harvardese for being assigned to one of the faraway houses located in the Radcliffe Quad). The night before the administration hands out housing assignments, students can be spotted on the stately bridges spanning the Charles River, conducting elaborate rituals or quiet prayers to appease the Quad Gods to ensure themselves a spot in one of the coveted “river houses” close to campus. But does getting quadded really condemn students to three years of misery?

Once [http://www.bikesbelong.org/assets/documents/uploads/Bicycling\\_Booklet\\_08.pdf](http://www.bikesbelong.org/assets/documents/uploads/Bicycling_Booklet_08.pdf) students receive their housing assignments from the Harvard equivalent of the Hogwarts Sorting Hat, they flood to the central part of campus, where upperclassmen sporting the house colors and dressed as the house mascots shout and cheer and welcome their newest members. This boisterous scene was once mistaken for an antiwar protest by a TV news crew, which broadcast footage of the Leverett House Bunny and other house mascots in a clip depicting “student activism.” But what

happens when the Leverett House Bunny takes off his costume and goes back to being a nerdy math major, and the new students settle in to their assigned houses? As an undergraduate at Harvard, Liz wanted to find out. In a longitudinal study, she found that first-year students expected to be much happier living in the beautiful, centrally located houses, but students who ended up in desirable houses weren't any happier as sophomores than students who had landed in undesirable houses.<sup>2</sup> Just like the movers in the German study, students who had moved into the desirable houses did report higher housing satisfaction. But their enhanced housing situation failed to impact their overall happiness.

These findings pose a puzzle. Long after the housing bubble burst, almost 90 percent of Americans continued to describe home ownership as a central component of the American dream, according to a 2011 nationwide poll.<sup>3</sup> Yet, even in the heart of middle America, housing seems to play a surprisingly small role in the successful pursuit of happiness. In a carefully controlled study of more than six hundred women in Ohio, homeowners weren't any happier than renters, though they were about twelve pounds heavier.<sup>4</sup> Of course, renters can sometimes save money by buying a home, and almost every real estate website offers tools to help consumers calculate the financial benefits of this trade-off. Although these tools are terrific for determining whether buying a house will turn out to be a good financial investment, buying a house often isn't a good investment in our happiness.<sup>1</sup> If the largest material purchase most of us will ever make provides no detectable benefit for our overall happiness, then it may be time to rethink our fundamental assumptions about how we use money. And for some, that may include trading a mortgage for a space suit.

## **Fly Me to the Moon**

As a child, Marcia Fiamengo, a thirty-year-old nuclear engineer, dreamed of being an astronaut.<sup>5</sup> When she and her husband, John (also a nuclear engineer), first heard about Virgin Galactic, they talked about buying two tickets—when they were old and retired, since the six-figure fee was out of

their price range as young professionals. Then, in 2010, Marcia's life changed in an unexpected and devastating way. John became sick and passed away. When Marcia received the money from John's life insurance policy, she couldn't imagine doing anything with it, and put it away while she grieved. And then one day it hit her: What better way to use this money than to honor their dream and buy a ticket to space? As Marcia put it, John's death reminded her that "life is short and fragile." These amazing experiences shouldn't be put off until a better time. You may and George Loewenstein:off:0000000h never get the chance to experience them.

Even if you're not in the market for a ticket to space, try this simple exercise: Think of purchases you've made with the goal of increasing your own happiness. Consider one purchase that was a material thing, a tangible object that you could keep, like a piece of jewelry or furniture, some clothing, or a gadget. Now think about a purchase you made that gave you a life experience—perhaps a trip, a concert, or a special meal. If you're like most people, remembering the experience brings to mind friends and family, sights and smells. Which of these purchases made you happier?

Faced with this question, some 57 percent of Americans reported that the experiential purchase made them happier than the material purchase, while only 34 percent reported the opposite.<sup>6</sup> This difference was more pronounced among women, young people, and those living in cities and suburbs. But the same basic pattern emerged even for men, the elderly, and country dwellers. In study after study, people are in a better mood when they reflect on their experiential purchases, which they describe as "money well spent."

You don't need to spend \$200,000 to capitalize on the principle of buying experiences. Studies show that even when people spend only a few dollars, they get more lasting pleasure from buying an experience such as playing a video game or listening to a song than from buying a material thing like a key chain or a picture frame.<sup>7</sup> Beyond tunes and trinkets, the day-to-day spending habits of Americans provide a window into the value of buying experiences. One ongoing study has tracked how much money adults over age fifty spend on just about everything, from refrigerators and rent to

alcohol and art.<sup>8</sup> When researchers link these spending choices to happiness, only one category of spending matters. And it's not refrigerators, or even alcohol. It's what the researchers label "leisure": trips, movies, sporting events, gym memberships, and the like. People who spend more of their money on leisure report significantly greater satisfaction with their lives. Not surprisingly, the amount of money these older adults reported spending on leisure was dwarfed by the amount they spent on housing. But housing again turned out to have zero bearing on their life satisfaction.

## The Story Behind the Orange Headband

Shortly after graduating from Harvard Business School, Will Dean started Tough Mudder, a company that stages races with obstacles designed by the British Special Forces. Dean describes the events as "Ironman meets Burning Man."<sup>9</sup> And the ten-mile Tough Mudder race is "not your average lame-ass mud run or spirit-crushing 'endurance' road race."<sup>10</sup> Never complained about your lame-ass mud run being too average? Clearly, Tough Mudder isn't for everyone. Competitors can display their mudderness to others by purchasing paraphernalia like T-shirts and tattoos. And then there are the headbands. Rather than medals, runners are given orange headbands and encouraged to wear them the next day, exchanging high-fives and knowing nods with fellow Tough Mudder and George Loewenstein:off:000000h s on sidewalks and subways. This fuzzy piece of anti-bling creates community among participants, and this sense of social connection helps to account for not only the success of Dean's business, but also the value of experiences more broadly.<sup>11</sup>

Research shows that experiences provide more happiness than material goods in part because experiences are more likely to make us feel connected to others.<sup>11</sup> Intuitively recognizing the critical role of connection, Will Dean has crafted his business to maximize the social aspects of the Tough Mudder experience. At the start line, runners stand side by side and recite the Tough Mudder Pledge, promising to help others

and put teamwork and camaraderie ahead of their own finish time. This philosophy extends beyond words. Some of the obstacles are designed to be nearly impossible for one individual to surmount alone. When Tough Mudder posted a message on Facebook announcing an event at a bar in New York City, more than six hundred people showed up—with just one day’s notice. While Dean says that most people sign up for their first Tough Mudder event to give themselves something to train for (or because “they want to play in the mud”), it’s the social connection that keeps them coming back. And they come back in droves. Over half the people who complete a Tough Mudder event return for another, often bringing friends as new recruits. Despite beginning with an advertising budget of only \$8,000, the company amassed more than 800,000 Facebook fans in just two years, and now hosts sold-out events all over North America, with new events scheduled in cities from Sydney to Tokyo.

The viral nature of Tough Mudder also grows from another source: its capacity to provide participants with a good story. Explaining the disillusionment that prompted him to start Tough Mudder, Dean says, “The thing I really disliked about triathlons and marathons was that the only real arbiter of how well you did was your time. People ask, ‘What time did you run?’ There really isn’t anything else left to ask. Here, you can ask, ‘What did you think of the burning obstacle?’”<sup>12</sup>

Even if you’re not into running through burning hay bales or sliding headfirst into a pond that one blogger described as smelling like “a thousand years of fermented goose poop,”<sup>13</sup> experiential purchases make better stories than material purchases. When researchers at Cornell University asked pairs of strangers to discuss purchases made with the intent to increase their happiness, those who talked about experiential purchases enjoyed the conversation more.<sup>14</sup> They even liked their partner more than those who exchanged stories about material purchases. Individuals who prioritize experiential purchases are seen as open-minded, intelligent, and outgoing.

Like diving into fermented goose poop, experiential purchases not only provide us with entertaining anecdotes, but also add texture to our

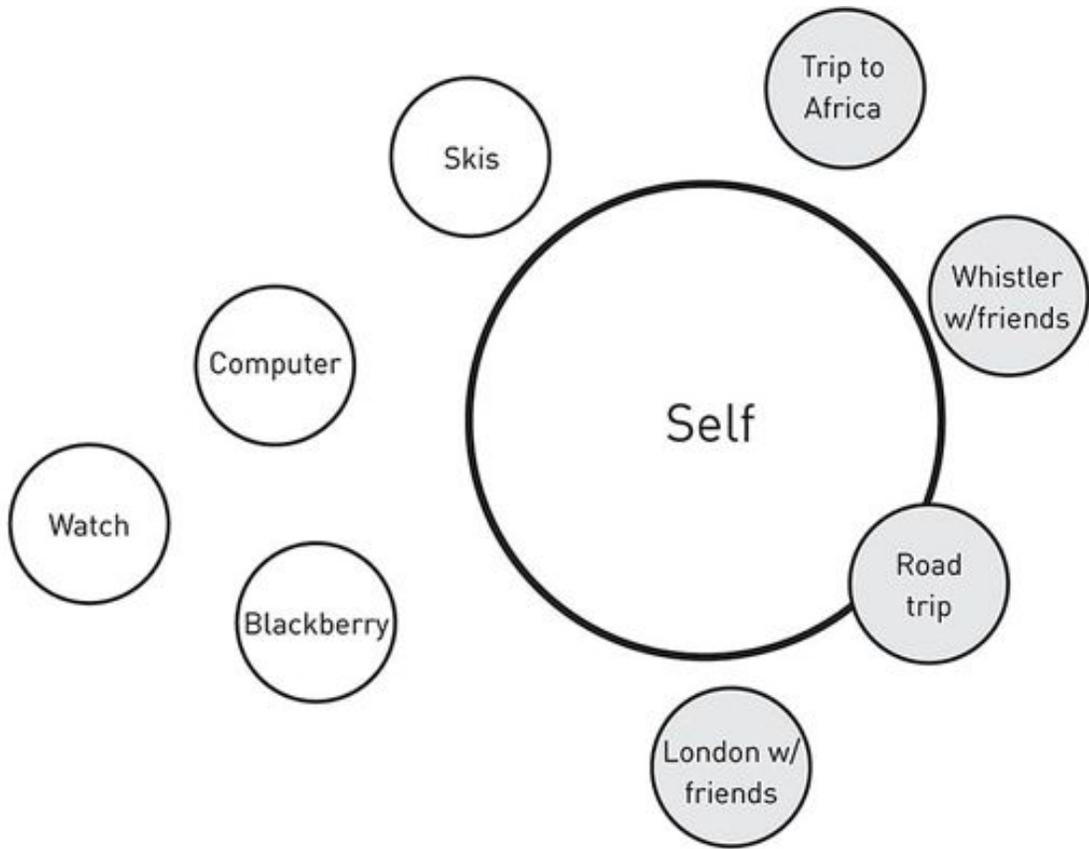
broader life stories. When undergraduates wrote a summary of their “life story” (at the tender age of approximately 19), they were more likely to mention experiential purchases, rather than material goods. away makes us feel that we must have a lot of . n <sup>15</sup> In a follow-up study conducted at a Chicago museum, people ranging in age from 18 to 72 reported that someone who knew of their experiential purchases (and nothing else) would have a clearer window into their “true, essential self” than someone with knowledge of only their material purchases. The self-defining nature of experiences can be seen in the pictures that people draw of themselves and their purchases ([Figure 1](#)). Traveling through Budapest or Africa, going to the prom, and seeing a Broadway show—experiences like these are the purchases that reflect who we are. Such defining experiences provide more happiness than designer purses and Swiss watches.

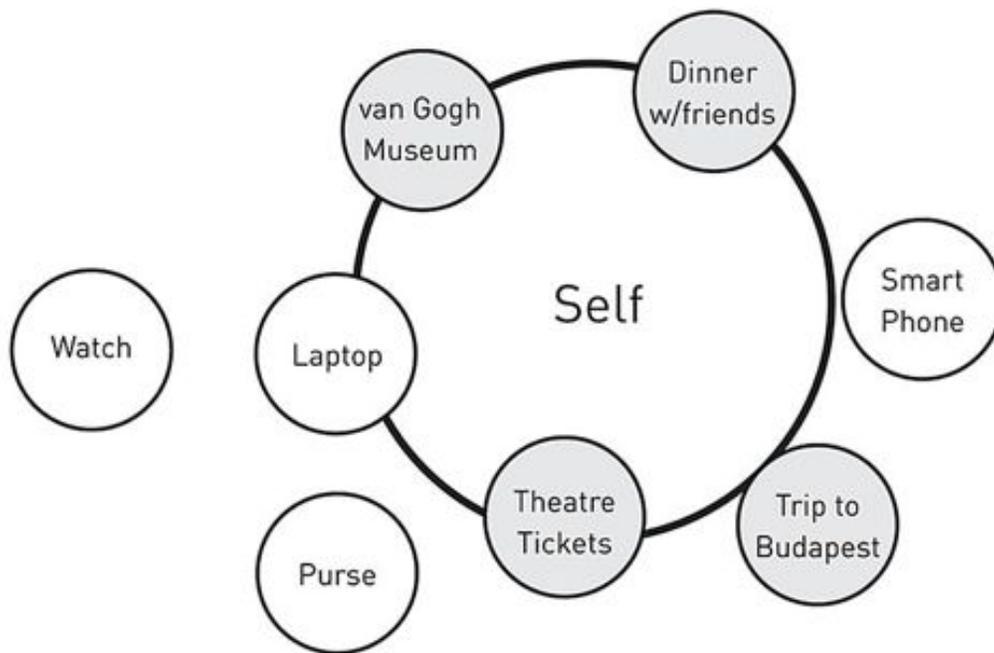
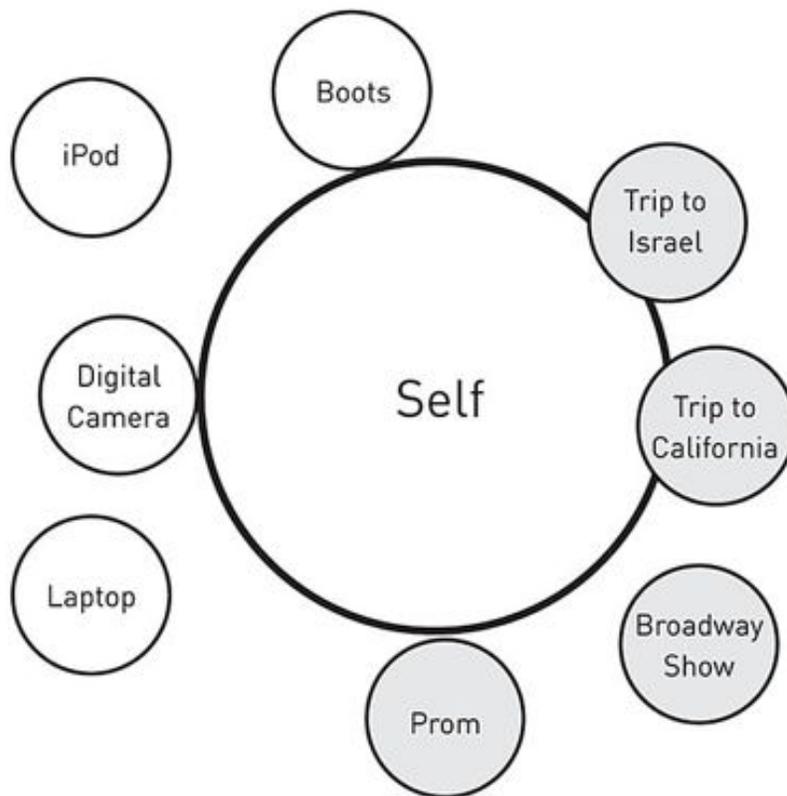
## The Experiential CV

In the Oscar-winning film *Eternal Sunshine of the Spotless Mind*, Jim Carrey and Kate Winslet play a couple who have split up and hired a company called Lacuna to remove all traces of each other from their memories. It seems like a good idea—not only out of sight, but out of mind. As the movie progresses, however, they begin to recognize the emotional value of their memories. Losing their memories means losing themselves.

Figure 1. Diagramming the Self

Travis Carter and Tom Gilovich asked students at Cornell University to think of four material purchases and four experiential purchases they had made. Then students were presented with a circle representing the self and were asked to draw circles for each of their purchases to indicate how closely linked each purchase was to their sense of self. Here are the diagrams drawn by three of the students in the study. Experiential purchases are shaded in gray.





In a study that, oddly enough, appears loosely based on the movie, participants recalled either an important experiential or material purchase, and then read the following:

Imagine that you could go back in time for just an instant, and make a different decision, choosing one of the alternatives instead, and then come back to the present. All of your current memories of that purchase would be replaced with new memories that were formed as a result of the different choice, but ultimately you have arrived back at the same time and place, right where you are now.

Faced with this proposition, the individuals who looked back on an experiential purchase were much less willing to trade in their memories for new ones, helping to explain why they found these purchases so satisfying.<sup>16</sup>

Futuristic pharmacology aside, people will go to great lengths to protect their most valuable memories. Think about an evening out that was particularly special for you (perhaps your first date with the person you married) and another evening that was pleasant, but not particularly special. Would you be willing to go back to the same place you visited on each of those evenings—but with someone else? Faced with this question, more than 10 percent of respondents said that there were no circumstances in which they would be willing to return to the scene of their special evening with a different person (whereas just 2 percent felt this way about their pleasant, but less special evening).<sup>17</sup> One man described a special evening during his honeymoon, explaining that he feared going back to that place because of the risk of having “a poor experience that taints our memory.”

Reflecting on such special past experiences can provoke feelings of nostalgia. Defined as “a sentimental longing for the past,” this emotion was first characterized as a “cerebral disease” in the 1600s by a Swiss physician, based on his examination of soldiers fighting far from home.<sup>18</sup> But modern research paints a different picture of nostalgia, suggesting that it provides a kind of existential resource. When people feel a sense of meaninglessness, nostalgia provides a shield against diminished well-being, bolstering vitality and reducing stress.<sup>19</sup> As sociologist Fred Davis

puts it, nostalgia “reassures us of past happiness and accomplishment; and since these still remain on deposit, as it were, in the bank of our memory, it simultaneously bestows upon us a certain worth.”<sup>20</sup>

Sweden’s Ice Hotel lies some 125 miles north of the Arctic Circle. Visitors sleep on beds made of ice, with ambient temperatures of minus five degrees Celsius. This place is cold. While the average Red Roof Inn offers a more comfortable sleeping experience, spending a night at the Ice Hotel serves a different purpose for visitors: it builds their “experiential CV.”<sup>21</sup> In response to the demand for unusual and memorable experiences that enrich people’s life stories, Finland now offers visitors an entire village made of ice and snow. And ice hotels are popping up in chilly climes from Romania to Quebec. Asked whether they would prefer to stay in Quebec City’s ice hotel (the Hôtel de Glace) or a more standard Marriott hotel in Florida, the vast majority of respondents thought that the Florida hotel would be more pleasant.<sup>22</sup> But almost all of them thought the ice hotel would be more memorable. And memorability won the day, with 72 percent indicating that given a choice of where to stay, they’d ice it up.

Collecting memorable experiences, even at the expense of momentary enjoyment, seems to hold particular appeal for individuals who care about using their time productively—those people who can’t even spend five minutes waiting for a train without reaching for their smartphones. If you want to know whether your new girlfriend would rather stay at a beachfront Marriott or an ice hotel, take a look at her wristwatch. If her watch is slow, she’s more likely to prefer the Marriott; if it’s fast, she’s more likely to prefer the ice hotel. When visitors to New York’s Central Park were presented with this choice, more than 70 percent of people with slow watches chose the Marriott, while more than 70 percent of people with fast watches chose the ice hotel.<sup>III</sup> For people whose watches are always running a few minutes fast, unpleasantness may even be desirable if it contributes a compelling line to their experiential CV.

In defense of beachfront Marriotts everywhere, we hasten to add that it’s possible to take the pursuit of collectable experiences too far. Liz learned this lesson after agreeing to rent an RV for a Canadian road trip with a

group of men whose girlfriends were supposed to come, but wisely bailed. The goal: swimming in the Arctic Ocean. As it turns out, the Arctic is really far away. After days and days of driving through the barren landscape, devoid of other human contact, “Blackwater Liz”—as she had come to be known—spent hours at a pay phone, trying to book a flight back home. She failed, and is now married to one of those men. The relentless quest for novel, memorable experiences often necessitates the use of annoying phrases such as “What doesn’t kill you makes you stronger,” or as the Roman philosopher Seneca put it, “Things that were hard to bear are sweet to remember.”<sup>23</sup>

Seneca had a point. There is some evidence that even rather unpleasant experiences can become rosier in the kaleidoscope of memory.<sup>24</sup> In a classic study, researchers tagged along with a group of students on a three-week bicycle trip through California.<sup>25</sup> The trip did not go smoothly. There were mosquitoes. It rained a lot. During the trip, 61 percent of the students reported feeling disappointed with it. Yet after the trip, only 11 percent reported disappointment. As one cyclist put it, “All of the complaining that I did seems so silly to me now, because all I can remember is making a lot of great friends.”

This is not to say that all negativity evaporates from our memories. Particularly negative experiences can sometimes become magnified in memory’s rearview mirror.<sup>26</sup> After Liz’s arctic road trip, none of the travelers forgot the image of the RV’s waste disposal system springing a leak, creating a flood of black water (and now you can guess the origins of Liz’s nickname). But because experiences often elude easy comparisons, experiential purchases seem to inoculate us against the pernicious negative emotion of regret. As researchers Travis Carter and Tom Gilovich explain, “It is a relatively straightforward task to align the size, picture quality and cost of several televisions before deciding which has the best combination of features. Choosing a dessert by comparing the taste and texture of an apple tart to that of an orange sorbet is considerably more difficult; one must literally compare apples to oranges.”<sup>27</sup>

After buying an HTC smartphone recently, Liz's husband was plagued by an irresistible urge to compare his phone to the phalanx of iPhones surrounding him. At parties, he'd query friends about battery life and screen brightness. He is not alone in his anxiety about having purchased an inferior product. Across major and mundane purchases alike, people are much more likely to experience buyer's remorse for our favorite things back into 8gamaterial goods.<sup>28</sup>

This idea is not lost on innovative businesses. To sell tickets for its upcoming spaceflights, Virgin Galactic filled a beautiful brochure with striking photos of the earth from space and futuristic images of suborbital travel. In contrast, the cover is a simple gray, splashed with the words of Mark Twain: "Twenty years from now you will be more disappointed by the things that you didn't do than by the ones you did do." This marketing strategy is clever. If you want people to put down a \$20,000 deposit for something that doesn't exist yet, you better convince them that they won't regret it. But it also turns out to be true. Looking back on their past decisions about whether to purchase experiences, 83 percent of people sided with Mark Twain, reporting that their biggest single regret was one of inaction, of passing up the chance to buy an experience when the opportunity came along. The opposite was true for material goods; most people's biggest regret was buying something that they wish they hadn't.

The apples-and-oranges quality of experiences also makes it easier to enjoy them in the moment, unfettered by depressing comparisons. Researchers at Cornell gave students a Pilot G2 Super Fine pen as a prize and asked them to try it out.<sup>29</sup> When it was surrounded by inferior prizes, including an unsharpened pencil and a bag of rubber bands, the students gave the pen rave reviews. Other students saw the same pen alongside a USB drive and a leather-bound notebook. The presence of more desirable goods significantly diminished the pen's appeal. This simple study illustrates one of the major barriers to increasing human well-being. We are happy with things, until we find out there are better things available.

Luckily, this tendency may be limited to things. Even the simplest experiences, like eating a bag of SunChips, are relatively immune to the

detrimental effects of attractive alternatives. Offered the chance to eat a bag of SunChips, students enjoyed the chips' crunchy goodness regardless of whether the surrounding alternatives included Cadbury's chocolate or clam juice.

## **Making the Most of Every Strawberry**

The distinction between material and experiential purchases isn't quite as clear as we've been making it. SunChips seem more experiential than pens, sure, but we hope few people would list "eating chips" as a life-defining experience. While a trip to Paris is clearly an experience and a painting of Paris is clearly a material thing, a *mélange* of other purchases fall somewhere in the hazy middle. Is this book a material thing or an experience? If you bought this book for its decorative cover to adorn the shelves of your living room or impress your colleagues, then it lies closer to the material end of the continuum. If you intend to read this book and then pass it along to a friend, delete it from your Kindle, or toss it in a raging fire, it falls on the experiential side. Although we're not advocating book burning, the evidence suggests that you might be less likely to regret buying it if you view it as an experiential purchase.<sup>30</sup>

Just shifting your focus can alter whether a purchase feels like an experience. Imagine buying a boxed set of music by your favorite band. Think about where you a few minutes<sup>7K4n</sup> would put it in your house and how it would fit with the rest of your collection. Now forget that, and consider instead how you would feel while listening to these songs, focusing on your connection with the music. Research shows that people are more likely to see the boxed set of music as an experiential purchase when they follow the second set of instructions.<sup>31</sup> This mental flexibility provides a springboard to greater satisfaction with whatever we buy.

Businesses have capitalized on this idea through efforts to make their products more experiential. Consider the humble strawberry. Given the limited shelf life of berries, it is clearly an experiential good. But in the hands of Ferran Adrià, one of the world's top chefs, the strawberry

becomes an Experience. When Mike had the opportunity to dine at Adrià's restaurant elBulli shortly before it closed in 2011, he was disgruntled that one course consisted of nothing more than a strawberry. But when he bit into the strawberry, he tasted gin and tonic. And then barbecue sauce. And finally, the strawberry. Adrià designed this culinary experiment to evoke the experience of a summer barbecue, attempting to bring back nostalgic memories by activating what he calls our sixth sense. The renowned chef says his goal is to turn "eating into an experience that supersedes eating."<sup>32</sup> Each year Adrià completely re-created the menu, so every diner knew that he or she had a dining experience that could never be repeated.

But the elBulli experience extends beyond the food itself. Even the mundane act of getting a reservation was part of the experience. Before shutting its doors, elBulli often received 1–2 million reservation requests per year, yet served just 8,000 customers. Some diners tried for years to get a spot. As a young Parisian woman named Clotilde Dusoulier wrote on her food blog, "I remember the yearning, and I remember the pang that followed closely: considering the small number of guests that the restaurant could accommodate each season, the dream seemed out of reach."<sup>33</sup> Even getting to elBulli was an experience, involving a two-hour car ride from Barcelona via a curvy road with poor or absent signage up a mountain. The restaurant invited storytelling on a grand scale: bloggers have written volumes about their experiences at elBulli, often accompanied by sensual images of each dish, satisfying the Internet demand for food porn. When elBulli comes up, no matter what company Mike is in, there are always several people who request—no, demand—a blow-by-blow recounting of his experience.

After achieving her dream of dining at elBulli, Clotilde recounted the experience on her blog in scintillating detail: "It took us six hours to go through the entire meal—from 8pm to 2am—but we were in such a state of elation that it was hard to tell if it had been two minutes or two days since we had first sat down. Dining at elBulli is certainly a one-of-a-kind experience, and I wish it upon anyone who's passionate about food, who has broad tastes, who is tickled by the discovery of new flavors, and who is

happy to be whisked away on a flying carpet driven by a mad scientist, even if the ride leaves him a bit dizzy.”<sup>34</sup>

While it may seem unaway makes us feel that we must have a lot of . n likely that dining at elBulli would have much in common with a trip to space, our conversations with Virgin Galactic astronauts revealed similar themes. Did Marcia consider buying something instead of a flight into space with the life insurance money? “Not in the slightest,” she said. The singularity of this experience makes it impossible to compare it to anything else. In addition, Virgin Galactic has taken steps to create a community of astronauts, throwing parties and organizing meet-ups to watch launches. And of course, experiences can be shared with family and friends. Even though Marcia will not go into space with John as they had dreamed, she told us that her friends and family are anticipating the trip along with her. “It’s not just me—it’s a whole bunch of people going with me,” she said.

Understanding why experiences provide more happiness than material goods can also help us to choose the most satisfying kinds of experiences. The specific experiences that people enjoy vary with their age, gender, personality, and a zillion idiosyncratic characteristics. Liz’s ideal vacation, for example, would involve surfing a different Nicaraguan beach every day. Mike’s would entail surfing couches for his afternoon naps. But our discussion so far suggests that across a wide range of different types of experiences, you’re likely to get the biggest bang for your buck if:

- The experience brings you together with other people, fostering a sense of social connection.
- The experience makes a memorable story that you’ll enjoy retelling for years to come.
- The experience is tightly linked to your sense of who you are or want to be.
- The experience provides a unique opportunity, eluding easy comparison with other available options.

Equally interesting is what doesn't matter. A trip into space might have a bigger impact on happiness than buying that Tudor-style house, but \$200,000 is a lot to pay for just six minutes in space. Remarkably, though, the length of an experience has little impact on the pleasure people remember deriving from it.<sup>35</sup> Perhaps Jemaine Clement from Flight of the Conchords was on to something when he sang in "Business Time" that "when it's with me you only need two minutes." Why? "Because I'm so intense." In a New Zealand study, vacationers rated their happiness on each day of their trip via text message.<sup>36</sup> One to two weeks after they got back, they reported their overall feelings about the holiday. Although the vacations ranged in length from four to fourteen days, the duration of the trip had no bearing on their overall feelings about the trip. The text messages revealed that vacationers felt happier during their trip than they did in their daily lives. But after the trip, they remembered feeling even better than they actually had. And the worst part of the trip failed to drag down their overall evaluations of the experience. It may be worth paying for an experience that meets the four criteria above, even if it won't last long and there's some risk of unpleasantness along the way.

## **Resisting the Lure of the Rubber Frog**

Google used to give its top employees monetary awards as high as seven figures. "But evocative as the present<sup>21</sup> let we've moved away from them," explains Laszlo Bock, the company's senior vice president for people operations.<sup>37</sup> Google's research reveals that large cash-based or stock-based awards can be divisive. And Laszlo says, "They're just not as meaningful as a life experience." Google redesigned the award to provide a compelling life experience for its most exceptional managers. One year, the winners traveled through Costa Rica along with their spouses and members of senior management. "The experience that they have on the trip—with one another, across the company—is far more powerful and valuable to them than if we'd given them the cash value, or even ten times the cash value," Laszlo explains. "And it has a much bigger impact on the broader organization."

Providing experiences instead of more traditional material things can help to attract and retain customers and employees. And the idea is gaining traction in even the ultimate outpost of materialism: the wedding registry. A company called Traveler's Joy is working to move beyond the standard registry for a soon-to-be-married couple: that long list of products, most of which they will never use (a mandoline? a meatball shaper?). Using Traveler's Joy, Mike bought bullfight tickets for his newlywed friends as part of their dream vacation to Spain. A similar alternative wedding registry service, [ehoneymoonregistry.com](http://ehoneymoonregistry.com), depicts a photo of a couple exploring the canals of Venice, with the tagline, "Because you don't need another toaster." On an abstract level, this message resonates with many couples. And yet it can be hard not to get sucked in by the concrete features of high-end toasters such as Cuisinart's top-rated "Total Touch" toaster, which promises to toast whole bagels and even muffins perfectly every time. Material purchases offer clear, concrete benefits, explaining their appeal. We can see them in front of us and hold them in our hands.

The benefits of experiential purchases are often more abstract. The Funky Monkey, one of the obstacles in a typical Tough Mudder race, entails crossing a set of monkey bars, randomly greased with butter, over a pit of ice-cold mud and water. On a concrete level, this experience doesn't seem like the kind of thing that a mentally healthy human being would pay to undertake. But considered more abstractly, completing the Funky Monkey may provide enormous value. After completing a Tough Mudder event, Trevor Bobb wrote on the company's Facebook wall, "It means much more than just finishing a race. I had shoulder surgery over a year ago and the doctor completely destroyed my shoulder. I didn't have use of my right arm for a year. Long story short, I completed all of the obstacles, and after getting across the monkey bars, my girlfriend started to cry because of what that meant for me."

Because the benefits of experiences are often more abstract than the benefits of material goods, it's easier to appreciate the value of experiential purchases with the psychological distance that time provides. Contemplating the distant future is a little like viewing the earth from space. We see the oceans and the sweeping forests, but not the tributaries

and trees. As a result, we are more likely to think in abstract terms when making decisions about the distant future than the immediate future.<sup>38</sup> After all, dealing with an impending [http://www.bikesbelong.org/assets/documents/uploads/Bicycling\\_Booklet\\_08.pdf](http://www.bikesbelong.org/assets/documents/uploads/Bicycling_Booklet_08.pdf) experience requires that we focus on the concrete details. In approaching the Funky Monkey, Trevor Bobb needed to pay attention to which bars were covered in grease, rather than thinking about how the obstacle fit in with his broader life story. And immediately after his crossing, the feeling of the slippery bars against his cold, muddy hands may have stood out more than the deeper meaning of his achievement. Indeed, research shows that satisfaction with experiential purchases tends to increase with the passage of time, while satisfaction with material purchases tends to decrease. As a respondent in one study put it, “Material possessions, they sort of become part of the background; experiences just get better with time.”<sup>39</sup> Likewise, experiential purchases seem more appealing when people consider what to buy in a year rather than what to buy tomorrow.<sup>40</sup>

In the heat of the moment, however, the lure of material goods may win the day. This idea is likely familiar to any parent who has attended a birthday party at Chuck E. Cheese. At this play emporium, kids are given a cup full of tokens and set loose in a microcosmic economy where they can choose to buy experiences, like straddling a motorcycle for a race through Paris or shooting aliens with a giant gun. Alternatively, they can drop their tokens into games of chance—basically, slot machines with training wheels. These games are over in an instant and don’t provide the thrill of a good, clean alien shoot-out, but they do provide something strangely addictive that the experiential games don’t: tickets. Toss a token in, and a moment later, a long string of tickets comes shooting out, which can then be traded for a variety of material goods, from erasers to rubber animals. According to Steve Stroessner, father of two children, ages eight and thirteen, “The tickets are like crack.” Kids will often forgo the pleasure of more experiential games to harvest them. Cami Johnson, another Chuck E. Cheese veteran, explains, “The rubber frog will fall on the floor of the car on the way home and get covered in dog hair and crumbs, and the eraser

will be lost in the bottom of the backpack. While you have a permanent token of your time and labor, that permanent token is actually pretty worthless.”

We don't wish to deny that material things can provide immediate delight. There's something about the rubber bird in the hand, after all. But this material rush will likely fade, whereas the experiential high lasts much longer. Next time you reach for your wallet to buy a metaphorical rubber frog, don't let the lure of the material induce you to forgo all the happiness benefits of the experiential.

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I. Housing is not totally irrelevant for human well-being. There is some evidence that objective housing characteristics (for example, leaking roofs, noisy neighbors) shape health outcomes and that housing quality plays a larger role in life satisfaction within relatively poor countries, such as South Africa. For a review, see Naoki Nakazato, Ulrich Schimmack, and Shigehiro Oishi. “Effect of Changes in Living Conditions on Well-Being: A Prospective Top-Down Bottom-Up Model,” *Social Indicators Research* 100, no. 1 (January 1, 2011): 115–35.

II. The importance of social connection our favorite things back into 8ga also helps to explain why moving to a nicer house often fails to enhance happiness. Fancier houses mayoding="UTF-8"?

2

# Make It a Treat

Sarah Silverman loves pot, porn, and fart jokes. But when it comes to indulging in these finer pleasures, the comic and former Saturday Night Live writer has a mantra: “Make it a treat.” This epiphany came to her in the midst of her freshman year at New York University, when a friend found her in the midst of an extended pot bender and imparted some guru-like wisdom: “If you want to enjoy these things—things like weed—you have to make it a treat.”<sup>1</sup> On her show, *The Sarah Silverman Program*, she puts this mantra into action by insisting that her writers temper their innate overreliance on fart jokes.

“Fart jokes make me happier than just about anything in the universe,” she explains. “And for that reason I’m terrified by the idea that someday I might have had enough of them. If they are a genuine treat and a surprise, they are the surest way to send me into tear-soaked convulsions of laughter.” While all of us may not share Sarah Silverman’s humor preferences, her kernel of wisdom—let’s call it Silverman’s Mantra—extends beyond fart jokes. And it can help people make wiser spending decisions. Abundance, it turns out, is the enemy of appreciation.

Many of us are lucky enough to live in a society where chocolate is available in every supermarket, gas station, and movie theater. Ironically, though, this abundance may undermine our enjoyment of it. One afternoon, students came into a psychology lab to complete a simple task: eating a piece of chocolate.<sup>2</sup> The following week they returned for a second piece. Overall, the students enjoyed the chocolate less the second time than they had the first. This is the sad reality of the human experience: in general, the more we’re exposed to something, the more its impact diminishes.

It’s not away makes us feel that we must have a lot of , dsp all bad news. Getting used to things can be handy when it comes to cold winters or unpleasant smells. Early one Friday evening, Liz’s Welsh corgi got sprayed

by a skunk. In a moment of naïve gallantry, she scooped the stinking dog into her arms, thereby covering herself in the scent, too. After hours of bathing both herself and the dog in tomatoes and other home remedies, Liz found that the scent had faded. She gave the dog a Sausage and headed off to a friend's party. Moments after Liz's arrival, the party hostess nervously sniffed the air and exclaimed, "Skunk!" The cure that Liz believed the home remedies had wrought was due to her own olfactory fatigue. After prolonged exposure to the bad smell, Liz became habituated to it, and its pungency faded. Many of us have experienced the process of getting used to bad things. We often fail to realize that a similar kind of habituation can kick in for positive experiences, like buying shiny new toys. From chocolate bars to luxury cars, habituation represents a fundamental barrier to deriving lasting pleasure from our purchases.

Like houses, cars are among the largest purchases that most people make. Is it best to splurge on a BMW, economize with a Ford Escort, or settle for the mid-level option of a Honda Accord? When researchers at the University of Michigan asked students to predict how much pleasure they would experience while driving each type of car, the BMW was the clear winner.<sup>3</sup> But do drivers experience more happiness behind the wheel of an expensive car? To find out, the Michigan researchers asked car owners to think back on the last time they had driven their car, rating how much they enjoyed that drive. Although their cars ranged widely in value, from around \$400 (a Yugo, perhaps?) to \$40,000, there was no relationship at all between the Blue Book value of the car and the amount of enjoyment the owners got from driving it that day.

But here's the twist in the road: The researchers asked other drivers to list their car's make, model, and year, and then consider how they typically felt while driving it. When car owners thought about their vehicles in this light, those who owned more expensive cars reported deriving more enjoyment from driving. Suddenly there was a relationship between a car's value and its emotional payoff. Why? When people are asked how something generally makes them feel, they tend to draw on equally general theories to form an answer. Rather than reconstructing how they felt each of the last fifty times they drove the Bimmer and then averaging

these experiences, a BMW owner is likely to think something like, “I own a midnight blue Z4 with three hundred horsepower and a retractable hardtop. Of course I enjoy driving it. Next question.” These undeniably fabulous features are likely to make a big difference for enjoyment during an initial test drive, which is why smart salespeople focus our attention on these features at the time of purchase. Novelty attracts the spotlight of attention, focusing our minds and exciting our emotions. But once we get used to something—even something as nice as a midnight blue Z4—the spotlight moves on. Driving to the grocery store in the dead of winter, we think about being stuck in the left lane behind an octogenarian in an Oldsmobile, about whether the store will have any hot rotisserie chickens left, about almost anything other than the make and model of the car we’re driving. Retractable hardtops just aren’t that relevant in subzero temperatures. And this explains why driving a more expensive car doesn’t usually provide more joy than driving an econo and Jeffrey Pfeffer, “1Q1 y model.

Unless, that is, we make driving a treat. In a final study, the Michigan researchers asked car owners to think about the last time they had driven their car just for fun. When people thought back on their most recent joy ride, individuals with more expensive cars reported more pleasure from driving. But these joy rides were remarkably rare. So, driving a BMW probably won’t provide you with any more pleasure than driving a Ford Escort—except on those rare occasions when your attention turns to the car itself, whether directed by a question from a researcher or a joy ride on a winding mountain road.

## **The Deceptive Simplicity of Silverman’s Mantra**

According to Oprah Winfrey, “The single greatest thing you can do to change your life today would be to start being grateful for what you have.”<sup>4</sup> This is good advice. But, like a grapefruit diet, adopting an attitude of gratitude is easy at first but quickly becomes almost impossible. Because novelty captures our attention, we feel buoyantly grateful for things that catch us by surprise.<sup>5</sup> The sixteen-year-old who lives out the teenage

fantasy of discovering a new car wrapped in a giant red bow on his birthday will no doubt experience a surge of joy and gratitude. But these feelings are likely to fade as being a car owner becomes just another part of his daily experience and identity.

Following Oprah's advice is hard for all of us, and ironically, it gets even harder as people edge closer and closer to Oprah's end of the wealth spectrum. In a study of working adults in Belgium, wealthier individuals reported a lower proclivity to savor life's little pleasures. They were less likely to say that they would pause to appreciate a beautiful waterfall on a hike, or stay present in the moment during a romantic weekend getaway.<sup>6</sup> This phenomenon helps explain why the relationship between income and happiness is weaker than many people expect. At the same time that money increases our happiness by giving us access to all kinds of wonderful things, knowing we have access to wonderful things undermines our happiness by reducing our tendency to appreciate life's small joys.

Just thinking about money can produce some of the same detrimental effects as having a lot of it. If you ever want those around you to act like wealthy people for a few minutes, research suggests that all you have to do is show them a photograph of a big stack of money.<sup>7</sup> Seeing this photograph makes people less inclined to linger by a waterfall or savor life's other little pleasures, just like individuals who actually have a lot of money.<sup>8</sup>

The idea that wealth interferes with the proclivity to savor echoes the theme of the classic 1964 children's book *Charlie and the Chocolate Factory*. The young hero, Charlie Bucket, lives in a tiny two-room house with one bed and four grandparents. While the wealthier kids in the story gorge themselves on a plentiful supply of chocolate bars, Charlie's family saves up just enough money to give him one chocolate bar a year, on his birthday. Each time, he would "treasure it as though it were a bar of solid gold," spending days just looking at it before he would finally "peel back a tiny bit of the paper wrapping at one corner to expose a tiny bit of chocolate, and then he would take a tiny nibble, just

enough to allow the lovely sweet taste to spread out slowly over his tongue. The next day, he would take another tiny nibble, and so on,” making his annual bar of chocolate last over a month.<sup>9</sup>

In a Willy Wonkaesque study, Canadian students saw a photograph of money and then ate a piece of chocolate, as researchers surreptitiously observed them.<sup>10</sup> Compared to others who hadn't seen the money, students who saw this photograph spent substantially less time eating their chocolate, chowing it down like Augustus Gloop. The observers also noted less enjoyment on their faces. Because even a simple reminder of wealth undermines our ability to enjoy life's little treats, living by Silverman's Mantra may not be easy, at least for those of us who are wealthier than Charlie Bucket. According to Silverman: “That's why mantras need to be repeated—they're fucking hard to remember.”<sup>11</sup>

Most people recognize that they won't appreciate their car quite as much after owning it for twenty-four months as they did when they first drove it home, just as the twenty-fourth fart joke won't be as funny as the first one. When researchers at Yale asked people to predict how their enjoyment of various products might change over time, the majority expected their enjoyment would decline, for products ranging from a plasma TV to a kaleidoscope.<sup>12</sup> The problem is that it's easy to lose sight of this knowledge when a shiny new toy is right at your fingertips. In another study, the Yale researchers gave students a kaleidoscope and asked half of them to predict how much they would enjoy playing with it a week later. Others predicted how much they would enjoy it a day later.<sup>13</sup> Students expected to enjoy the kaleidoscope just as much regardless of the time frame they considered, even though most of their peers in the previous study believed that enjoyment of a kaleidoscope would decline with time. In other words, though we understand that enjoyment often fades over time, we don't always apply that knowledge when contemplating a new toy. When researchers prompt people to consider the passage of time, this reminder triggers the correct belief that the tide of enjoyment quickly recedes. In the absence of such reminders, however, people envision an unchanging sea of pleasure. As a result, products often provide less lasting

enjoyment than people expect. Indeed, after students took their kaleidoscopes home, they reported enjoying the toys much less if they were contacted a week later rather than a day later.

This drop in enjoyment occurs because people are fundamentally different from thermometers. Put a thermometer in lukewarm water, and the mercury rises to reflect the water's precise temperature. "It does not matter whether the mercurhree thirty-minute massages leLy was previously stored in an oven or an ice bath, or whether it was stored in either place for hours or days or years," researchers Shane Frederick and George Loewenstein explain. "Mercury has no memory for previous states. Humans and other organisms do not behave this way."<sup>14</sup> Stick your hand in lukewarm water and it may feel piping hot if you've just come inside on a frigid winter morning, but cool and refreshing on a sweaty summer afternoon. Leave your hand in the water and the intensity of the initial sensation will soon subside. Our emotional system works in much the same way, making us highly sensitive to change. Understanding this fundamental difference between the thermometer and what we might call the "cheerometer" enables us to develop specific spending strategies designed to combat ennui.

## **The Wisdom of Candy Corn**

Because we lack mercury's amnesia, our enjoyment of a piece of chocolate typically declines from one week to the next. But there's a way to maximize the pleasure of that second confection. Temporarily giving up chocolate can restore our ability to enjoy it. After an initial chocolate tasting, students promised to abstain from chocolate for one week.<sup>15</sup> Another group of students pledged to eat as much chocolate as they comfortably could, and they received a two-pound bag of chocolate to help them fulfill their pledge. The students who left with this reservoir of chocolatey goodness may seem like the lucky ones. But their sweet windfall came at a price. When they returned the following week to sample additional chocolate, they enjoyed it much less than they had the week

before. People only enjoyed chocolate as much the second week as they had the first if they had given it up in between.<sup>1</sup>

If abundance is the enemy of appreciation, scarcity may be our best ally. As it turns out, all of Mike's favorite treats are widely available for just a brief period each year: Red Hots (easiest to find in February), candy corn (October), plus peppermint stick ice cream and eggnog (December). Because he takes long breaks from these treats during the summer months, he's happy all over again when October rolls around and the candy corn starts flowing.

Giving up Red Hots and candy corn can provide an escape hatch from adaptation, helping turn our favorite things back into treats. But we are not advocating austerity, though the simple life does have its adherents. In the name of voluntary simplicity, people on the "Great American Apparel Diet" have given up buying clothes for a year.<sup>16</sup> Other individuals have stripped their monthly wardrobes down to just six items.<sup>17</sup> As coworkers in nearby cubicles might attest, it is possible to take this strategy too far. Although a quick Google search reveals no end of claims about the benefits of voluntary simplicity, there is little rigorous evidence that emptying your life of worldly possessions results in a Zen-like state of pure bliss.

When Kristen Martini was in her mid-thirties, she moved from a large suburban home to a tiny cottage in the woods, taking only some food, a bit of clothing, and her two children, and leaving behind the enviable trappings as evocative as the present-dayappings of her comfortable life.<sup>18</sup> The values and goals that prompted this move—placing personal growth and fulfillment above image and financial success—are indeed strongly linked to happiness. People who describe themselves as voluntary simplifiers do report greater happiness.<sup>19</sup> But their happiness appears to stem more from the values and mind-sets associated with voluntary simplicity than from major lifestyle changes. In other words, profound self-denial may be overrated.

Instead, we stress the importance of treats. Liz used to have a latte every day. At first the latte was a treat, especially in graduate school, when it

represented a substantial portion of her daily budget. But while rushing to work one day, chugging her latte to ingest a sufficient amount of caffeine before a meeting, she realized that the latte was no longer a treat. She switched her daily drink to the regular brewed coffee that everyone drank before the age of espresso, cutting her coffee budget dramatically. Every so often, though, she decides, “Today is a latte day.” She heads to a coffee shop, orders a latte, and savors the foamy goodness anew.

While there is no convincing evidence that reducing consumption provides a panacea for increasing happiness, a growing body of research suggests that altering consumption patterns can provide a route to getting more happiness for less money. And as we’ll see in the rest of the chapter, even seemingly trivial changes can make a big difference.

## Living the Portuguese Dream

Jaime Kurtz, a social psychologist and dog lover, has a long-standing dream: to create puppies that stay puppies forever. Ironically, her own research (thankfully not in genetic engineering) suggests that this is a bad idea. As Jaime’s research demonstrates, when we know something won’t last forever, we’re more likely to savor it. When college seniors feel that the end of their undergraduate experience is near, they savor their remaining time by taking the scenic route to class, snapping photos, and visiting their favorite places and classmates.<sup>20</sup>

Knowing that something won’t last forever can make us appreciate it more. For adults in their sunset years, that “something” becomes life itself. While young people seek abundance, older adults engage in a kind of pruning process, trimming away the people and things that don’t deliver an emotional payoff.<sup>21</sup> In 1995, at the age of 120, a Frenchwoman named Jeanne Calment officially became the oldest person ever. When a Newsweek reporter asked her about the sort of future she envisioned for herself, the super-centenarian replied, “A very short one.”<sup>22</sup> Recognizing that an end is near holds a key to happiness, helping us turn readily available comforts back into treats.

This idea also helps to explain an enduring puzzle of forgone pleasure: Why don't people get around to visiting famous landmarks in their own hometown? After living in London for a while, Stone, "Time Use and Subjective Well-Being in France and the U.S.," reports that residents typically report that they've visited fewer landmarks—from Big Ben to Kensington Palace—than visitors who have only been there for two weeks.<sup>23</sup> Although London attracts more international visitors than any other city in the world,<sup>24</sup> most London residents report having visited more landmarks in cities other than their own. Only when they themselves are about to move away, or when out-of-town guests come to visit, do they seek out the sights of their own city. When people get around to visiting their hometown landmarks, they report enjoying the experience. The trouble is that when a pleasurable activity is always available, we may never get around to doing it, thereby missing out on a relatively inexpensive source of happiness.

The Big Ben Problem suggests that introducing a limited time window may encourage people to seize opportunities for treats. Imagine you've just gotten a gift certificate for a piece of delicious cake and a beverage at a high-end French pastry shop. Would you rather see the gift certificate stamped with an expiration date two months from today, or just three weeks from now? Faced with this choice, most people were happier with the two-month option, and 68 percent reported that they would use it before this expiration date.<sup>25</sup> But when they received a gift certificate for a tasty pastry at a local shop, only 6 percent of people redeemed it when they were given a two-month expiration date, compared to 31 percent of people who were given the shorter three-week window. People given two months to redeem the certificate kept thinking they could do it later, creating another instance of the Big Ben Problem—and leading them to miss out on a delicious treat. Several years ago, Best Buy reported gaining \$43 million from gift certificates that went unredeemed,<sup>26</sup> propelling some consumer advocates and policy makers to push for extended expiration dates. But this strategy will likely backfire. We may have more success at maximizing our happiness when treats are only available for a limited time.

In June 2011, a chorus of tweets heralded the arrival of a culinary wonder:

@BJIT: #doubledown is coming back!!! God bless the colonel!

@kevinelop: OMG!! . . . The Double Down is back at KFC!!!

@iamToddyTickles: KFC's #doubledowns for Breakfast. Mmmmm. Mmmmmm. Yummmmmmy. I'm full.

Despite his precious Twitter handle, iamToddyTickles appears to be a fully grown man in his profile picture, yet his tweet echoes the slobbery exuberance of Scooby Doo. What could have prompted such an onslaught of emotion, ranging from unadulterated excitement to utter incoherence? KFC's Double Down features two slices of bacon, two kinds of cheese, and the Colonel's secret sauce, all sandwiched between two slabs of fried chicken. According to KFC, it's "so meaty, there's no room for a bun!"

This bunless "sandwich" was a hit in the United States, but in Canada, it was a sensation. The Double Down (translated for our French-Canadian friends as Coup Double, or "Double Punch") made KFC history, becoming the chain's best-selling new item in Canada ever.<sup>27</sup> When the sandwich made its Canadian debut in the fall of 2010, KFC sold a million Double Downs in less than a month, enough "to stretch across 2,083 hockey rinks," according to the company's press release.<sup>28</sup> (For readers unfamiliar with Canadian culture, all Canadian measurements are in hockey rink units, or HRUs.) Social media activity was intense, and consumers even organized Double Down "Bro Downs" where men competed to see who could guzzle the most Double Downs.

In response to the initial runaway success of its product, KFC pulled the sandwich off the menu across most of Canada. This move may seem strange in an industry where a pivotal goal—in the words of Coca-Cola's long-standing mantra—is to be "within an arm's reach of desire."<sup>29</sup> According to KFC Canada's chief marketing officer, David Vivenes, KFC is about "making moments that are so good." But by removing the Double Down from the menu, KFC made the moment when it came back in 2011 not just "so good," but even better. Nor is KFC alone in adopting this approach. McDonald's has pursued a similar strategy with its McRib

sandwich, a ground pork patty with barbecue sauce, onions, and pickles. Although pork supplies are steady, the McRib has been continually taken off the market and reintroduced—always for a limited time—over the past three decades. Ashlee Yingling, of McDonald’s media relations department, explained that the company makes the McRib available in the fall, thereby creating nostalgia for summer barbecues.<sup>30</sup>

The consumer response has been obsession. If you want to know when and where you might get your hands on a McRib, you can visit McRib fan Alan Klein’s “McRib Locator” website (<http://kleincast.com/maps/mcrib.php>), a United States map with a comprehensive list of confirmed, possible, and questionable McRib sightings. McDonald’s kicked off its latest McRib launch with a “Legends of the McRib” event in New York City. The McRib was a key contributor to a 4.8 percent increase in company sales in November 2010.<sup>31</sup>

Long before innovations like bunless sandwiches and boneless ribs, Disney began harnessing the power of limited availability by making its movies available for limited periods.<sup>32</sup> The company locks away Dumbo, Cinderella, Peter Pan, and other hits in the “Disney vault,” where they remain unavailable for years at a time. Like Cinderella herself, these movies rush out of the ball while the party’s still going strong, before the magic wears off. Many other companies adopted similar strategies, and the psychologist Robert Cialdini devotes an entire chapter of his classic book *Influence* to the creative and downright crafty ways in which scarcity has been used to move product. Although Cialdini admits to a “grudging admiration for the practitioners who made this simple device work in a multitude of ways,”<sup>33</sup> he urges readers to resist the lure of scarcity marketing, coaching them on “how to say no.”<sup>34</sup> If we take Silverman’s mantra and the science behind it seriously, however, scarcity marketing starts to look like a win-win. That is, people may savor everything from the Double Down to Dumbo more when they know these delights won’t be available forever, increasing their own satisfaction even as companies ring up increased sales.

Applying this principle is straightforward when it comes to ephemeral delights such as movies and bunless sandwiches. But what about major purchases? Derek Lee is an aspiring actor and filmmaker who owns a beautiful, bright red Mini Cooper. If you owned a sporty little car, you might be tempted to drive it all the time, settling in to the comfy leather seats whenever you needed to get groceries or meet friends for dinner. But Derek lives in Vancouver, Canada, where public transit is excellent and car insurance is expensive. So, when Derek first got the Mini Cooper, he kept it in the garage and insured it only on the days when he really wanted to use it, rather than paying regular monthly car insurance and using the car every time he needed to run an errand. As his mildly traumatized former passengers can attest, Derek got the most out of those days, hugging turns and accelerating through straightaways like he was auditioning for a car commercial. Recently, he decided to insure his car full-time, but now, he says, driving is “just about contained road rage and not killing people.” He looks back wistfully on the earlier years, when he “drove exuberantly.”

Car-sharing companies like Zipcar provide customers with a similar opportunity for exuberance by turning driving back into a treat. Whereas traditional car rental companies choose standard cars in the dullest colors of the rainbow, the first Zipcar was a tricked-out lime-green Volkswagen Beetle.<sup>35</sup> The founder and former CEO of Zipcar, Robin Chase, pointed to the key difference between driving your own car and driving a Zipcar: You use your own car for everything. Zipcars are for “outings.” Higher-end companies, like the Classic Car Club, founded in London in 1995, take this approach to its logical extreme. For a hefty membership fee, the Classic Car Club gives members access to a “staggeringly stylish fleet of cars,” including Ferraris and Maseratis.<sup>36</sup> In Manhattan, club members pay almost \$11,000 for thirteen days of driving the club’s “high-end supercars.” This doesn’t sound like a bargain. But the cost of actually owning one of these cars is mind-boggling. And we’re willing to bet that members’ attention stays focused on the “supercars” during those magical thirteen days, making each of those eleven thousand dollars count.

Car-sharing is now a familiar concept, but creative companies are making it possible for their clients to share ownership and access to just about

everything, from villas and handbags to dogs and French truffle trees.<sup>37</sup> According to our favorite Portuguese saying, “You should never have a yacht; you should have a friend with a yacht.” (To be honest, technological innovations notwithstanding, it’s also the only Portuguese saying we know.) By joining SailTime, members can live the Portuguese dream by sharing a yacht with up to seven other people. In describing SailTime, a recent media story warned consumers that sharing the yacht means “there is no guarantee you will always be able to use it when you want.”<sup>38</sup> This apparent limitation is precisely what helps consumers make it a treat. Limiting your access to everything from the McRib to Maseratis helps to reset your cheerometer. That is, knowing you can’t have access to something all the time may help you appreciate it more when you do.

## **And Now for a Brief Interruption**

When you love a television show—say, *The Office*—you might think the best way to maximize your happiness is to buy the DVD set and watch all the episodes straight through. Getting rid of the commercials and eliminating the weeklong wait between episodes seems sensible. But research suggests that taking breaks between episodes can increase your enjoyment. Perhaps most amazingly, commercials can improve the experience of watching television.<sup>39</sup> Even entertaining shows can start to drag after five to seven minutes, decreasing our enjoyment. Commercials disrupt that adaptation process, so when the show comes back on, we can fall in love with Jim and Pam all over again.

As you might expect, the content of the program matters. Television shows like *Lost* and *CSI*, which cut unexpectedly from one dramatic scene to another, may circumvent the need for commercials by providing built-in disruptions. For experiences that are more uniform, though, interruptions can help to “re-virginize” us, wiping our pleasure slates clean. And these interruptions may increase our overall pleasure even if the interruptions themselves are annoying. To test this idea, researchers created a mash-up of popular songs, including “Lose Yourself” by Eminem, “My Sharona” by the Knack, and “Sometimes” by Michael Norton (yes, that Michael

Norton).<sup>40</sup> They created sixty-second versions of each song by taking brief samples and looping them, then played the “song” without interruption for one group of listeners. Others, however, listened to the first fifty seconds, and then heard ten seconds of irritating guitar feedback lifted from an Australian punk band. Although 99 percent of people expected to prefer the continuous song, without guitar feedback, listeners enjoyed the song more when it was disrupted. They were willing to pay more than twice as much to attend a concert by the artist compared to people who heard the continuous song.

These results create an opportunity and a puzzle for purveyors of pleasure. Take the perspective of a massage therapist. Before receiving a massage, three-quarters of people reported that they would prefer to savor the experience without interruption.<sup>41</sup> But those who were forced to take a break during the massage ended up enjoying it more, and were willing to pay more for their next massage. Leif Nelson and Tom Meyvis argue that “the thoughtful masseuse would maximize customer enjoyment by inserting breaks evocative as the present in the massage.”<sup>42</sup> In the same breath, though, they note that this strategy comes with a catch: “Customers who are informed of the break in advance may choose to go to another, more monotonous masseuse.” (Reading break: picture in your mind what a thoughtful masseuse and a monotonous masseuse might look like.)

Even the briefest of breaks can allow our cheerometers to reset. Unfortunately, resetting requires that we accept a momentary drop in pleasure. A commercial is less entertaining than any given moment of a halfway decent TV show. But that irksome “\$5 Footlong” Subway ad makes the show more enjoyable once it comes back on. Similarly, getting a backrub is better than not getting a backrub at any given point in time—but taking a break still makes the overall backrub much better.

## **Channeling Your Inner Tim**

In the 2011 comedy *Cedar Rapids*, Ed Helms plays an insurance salesman named Tim Lippe who has never ventured outside his sleepy hometown of Brown Valley, Wisconsin. Then his company sends him to a convention in the “big city” of Cedar Rapids, Iowa. Everything about Cedar Rapids dazzles Tim, from the big buildings to the intoxicating smell of chlorine wafting up from the hotel pool. Because Tim has never traveled before, each tiny discovery provides a fresh delight.

The more people travel, the less likely they are to savor each trip. In one study, United States residents recorded how many countries they had visited and then imagined what they would do after winning a trip to three of the most common vacation destinations for Americans (California, Florida, and New York), as well as the top three “dream” destinations for Americans (Italy, Australia, and Ireland).<sup>43</sup> Infrequent travelers like Tim said that they would savor the trips by expressing their excitement, talking to friends and family, getting their work done ahead of time, and looking at photos afterward. Individuals who had traveled extensively exhibited a blasé attitude toward the commonplace destinations (though they mustered some enthusiasm for the dream destinations).

Did the commonplace destinations pale in comparison to the other places the world-weary had visited? Perhaps the sunny shores of Florida fail to impress when compared to the beautiful black sand beaches of Bali. This explanation is reasonable but, as it turns out, wrong. As we saw with strawberries and space travel, experiences elude easy comparisons. Bali and Florida are like apples and oranges, and thinking of one doesn’t usually trigger comparisons to the other. Rather, traveling to exotic places like Bali can change the way we see ourselves, creating a broader problem. The more countries people have visited, the more they self-identify as “world travelers.” This in turn undermines their motivation to savor trips to enjoyable-but-unextraordinary destinations.

If you’ve been lucky enough to visit lots of places in the world, you may be destined to a lifetime of diminished savoring during visits to commonplace destinations, unless you can channel your inner Tim Lippe. In a study conducted at the Old North Church, one of the most-visited historical

landmarks in Boston, American tourists completed a travel checklist just before entering the church, marking off the other cities they had visited.<sup>44</sup> Some tourists saw a checklist that included evocative as the presentuln destinations such as New York, Orlando, and Las Vegas, places many Americans have visited. Others saw a checklist that included more exotic international destinations, such as Tokyo, Paris, and Sydney. As you'd expect, tourists checked off a lot more places when they were presented with the list of U.S. destinations, leading them to feel more well-traveled than people presented with the broader list of international destinations.

The tourists went on their way, heading inside to check out the church. But the checklist changed how they behaved when they got there. Those who saw the list of exotic international destinations entered the church feeling like they were not well-traveled, and ended up savoring their visit more. They spent significantly more time enjoying the church compared to those who saw the domestic checklist.

An app from a company called Travellerspoint enticed users with the opportunity to “plot your trips on a map to show everyone how well-travelled you are.” But using this app might not be such a great idea if you want to enjoy your visits to the Old North Churches of the world. It may be better to map out all the places you'd like to visit, but haven't yet. One of the world's most revered sages—the Dalai Lama—advises us to appreciate what we do have rather than focusing on what we don't.<sup>45</sup> But research suggests that focusing on what we haven't done may trigger us to appreciate what we're doing now. Because our cheerometers lack the objectivity of mercury, the way we perceive an experience depends partly on how we perceive ourselves. And changing our sense of identity, even temporarily, can make it easier to appreciate the simple pleasure of a hotel pool.

## **Mating in New Pastures**

As a graduate student, Liz noticed something intriguing about the behavior of her longtime boyfriend, Benjamin. When he was in a bad

mood, Benjamin acted cranky around her, because he knew that Liz would put up with his unpleasant behavior. But when he bumped into a stranger or casual acquaintance, Benjamin perked right up, acting pleasant and cheerful. Because social graces forced him to abandon his own grumpiness, his bad mood often dissipated.

To understand her boyfriend's behavior, Liz invited long-term heterosexual couples into the lab. Each individual interacted either with his or her own romantic partner or with an opposite-sex stranger from another couple.<sup>46</sup> Just like Benjamin, people acted perky and pleasant when they interacted with strangers. And their own positive behavior enhanced their mood in a way that they failed to foresee ahead of time. Liz and her colleagues began to refer to this phenomenon as "the Benjamin Effect."

Rather than ditching your long-term romantic partner in search of a stranger, try harnessing the Benjamin Effect to improve your romantic relationship. In a follow-up study, Liz brought more couples into her lab and asked each couple to spend some time together. She told some of them to put their best face forward as they would with someone they had just met. Meanwhile, the others just had a regular old interaction with their romantic partner. People derived significantly more joy from interacting with their romantic partners when they treated the loves of their lives as though they were complete strangers.

Before writing off Valentine's Day as an excuse to sell greeting cards, remember the value of making an effort to be your best self around your romantic partner. Elizabeth Haines is a forty-year-old mother of two who has been married to her husband, Terry, for more than a decade. Although Elizabeth and Terry are both working parents, they make time each week for "date night." It would be easy to flop on the couch and put in a DVD. Instead, they pay a babysitter and hit the town. "I do that kind of cougar-mom thing. You know, tight jeans, cute top, some wedge sandals. I dress as if I was going on a date," Elizabeth explains.

Elizabeth and Terry often head to a local restaurant for dinner and drinks, but her favorite date nights involve less mundane activities, like seeing a new band perform in the city. When couples do novel, exciting things together, the relationship itself feels novel and exciting. In one study, couples bound together—literally, with Velcro at their wrists and ankles—performed a series of novel physical challenges.<sup>47</sup> Other couples performed a duller task, slowly rolling a ball back and forth while stationed on opposite sides of a large room. Afterward, the Velcroed couples reported greater relationship satisfaction and scored higher on the Romantic Love Symptom Checklist, which includes symptoms of love such as experiencing “tingling” while thinking of the beloved.

The value of novelty emerges even in the bovine version of date night. Bulls get bored with the artificial “mating” devices that farmers use to extract their semen. Introducing some novelty—by changing the location of the device, for example—can reduce the time it takes the bulls to ejaculate.<sup>48</sup> While reducing time to ejaculation is probably not the goal of most human date nights, injecting novelty can inoculate long-term relationships against boredom. And boredom turns out to be a surprisingly potent force that can chip away at even the strongest relationships. Current levels of boredom predict a married couple’s overall satisfaction with the relationship almost a decade later.<sup>49</sup> Maybe money can’t buy love, but it can buy novel, exciting activities. And given the central importance of romantic relationships for human happiness, anything we can do to make time with our partners a treat is money well spent.

The value of novelty extends far beyond romantic relationships, all the way to toilet paper. Toilet paper comes in different colors and textures—Quilted? Did someone’s grandmother knit it for you?—but for the most part, it’s as commoditized as a product can be. Charmin, however, had a different idea about toilet paper. The company found a way to make using their product a “treat” by providing consumers with something novel and unexpected. How? Take a moment to guess. And keep it clean, please.

If you guessed what they tried, you are a marketing genius. Charmin introduced Potty Palooza, a traveling luxury port-a-potty “adorned with

all the amenities you would find at home—from wallpaper and skylights to hardwood floors and televisions.”<sup>50</sup> Imagine being at a crowded sports event, expecting the typically horrific bathrooms, and stumbling instead into a toilet paradise. Potty Palooza effectively transforms the mundane act of waste management”>10, [Adding a dose of novelty can also short-circuit our tendency to consume something that no longer provides pleasure. People in the habit of buying movie theater popcorn will eat just as much of it whether it is stale or fresh, even though they report getting little enjoyment from the stale stuff.](#)<sup>51</sup> Popcorn lovers might assume that breaking this habit would be tough. But novelty is all it takes. Try this for yourself: Next time you go to the movies, eat your popcorn with your nondominant hand (if you’re a righty, eat with your left hand; if you’re a lefty, you probably think you are too unique and creative to be bothered with our tasks). When popcorn lovers eat with their nondominant hand, they free themselves from mindless consumption. They still eat plenty of this salty, buttery treat when it’s fresh and delicious, but they leave it aside when it’s stale and unsatisfying—when it’s no longer a treat.

## **Can Everyman Become a Silverman?**

Practicing Silverman’s Mantra demands recognizing how different we are from thermometers. Because the cheerometer is sensitive to both the past and the future, giving something up for a few months or a few minutes can allow us to recalibrate. Just knowing that we have limited access to something, and that it’s not an inextricable part of our identity, may help us appreciate it more. Taking a break from some things, like spouses and toilet paper, is both complicated and messy. These cases call for an injection of novelty. Applying Silverman’s Mantra is important when—like a skunked Liz at a party—we find ourselves no longer noticing what we’ve got. These strategies are especially valuable when it comes to treats that cost a little more, where we pay a premium for pleasure: things like lattes, fast cars, and Belgian chocolate bars.

Silverman’s Mantra stands in opposition to the ethos of modern America. Whereas American culture values abundance and big purchases (big cars,

big homes, big-box stores), French culture emphasizes the value of little treats—*petits plaisirs*.<sup>52</sup> This cultural difference is particularly stark at the dinner table. The French eat less than Americans, taking more time to savor the taste and texture of their food.<sup>53</sup> Even at McDonald's. In a 2003 study, researchers compared a McDonald's in the middle of Paris to a McDonald's in the middle of Philadelphia.<sup>54</sup> Even though a large order of fries was about 30 percent smaller in Paris, Parisians took about 50 percent longer to sit and eat their food than their American counterparts.

In cultures where the Protestant work ethic has taken hold, treats often seem improper, or even immoral—leading people to feel that they should only indulge when they have a good reason for doing so.<sup>55</sup> American college students expect to feel guilty when they splurge on a treat like a spa treatment or dinner out for no particular reason. For most of them, though, these expected feelings of guilt never materialize, overshadowed instead by the pleasure of the treat. Yet they continue to believe they will feel guilty about it. Stone, “Time Use and Subjective Well-Being in France and the U.S. and Indulgences.”<sup>56</sup> The little treats of daily life may provide a purer source of pleasure than people realize.

This failure to appreciate the value of treats may push people away from enjoyable experiences. In one study, researchers paid people \$2, telling them they could keep the money or use it to purchase a ticket for a lottery.<sup>57</sup> When the lottery prize was a \$200 dinner to a gourmet restaurant, 84 percent of people bought a ticket. When the prize was \$200 cash, only 65 percent of people bought the ticket. This difference is remarkable. After all, you could use the \$200 in cash to buy a \$200 dinner, or anything else you desired. But the opportunity for a treat in the form of a gourmet dinner provided a more compelling incentive than cash, which most people thought they'd use for boring necessities, such as groceries. Until, that is, the researchers presented the two options side by side. When people had the choice between the dinner or the cash, more than twice as many people chose the cash over the dinner. Choosing cash is economically rational, sensible, and defensible—but, given the value of treats, probably detrimental for happiness.

What would you enjoy more, a small, heart-shaped chocolate (worth fifty cents) or a slightly larger chocolate (worth \$2) in the shape of a cockroach? Faced with this choice, most people say they would enjoy eating the heart-shaped chocolate more. And yet most people say they would choose the cockroach-shaped chocolate.<sup>58</sup> The hard, economic attributes (price, size) win out over the “softer” features (roachiness) during decision-making, even though the softer features matter for enjoyment. This makes sense when choosing vacuum cleaners and other utilitarian products. But when it comes to chocolate and other treats, people may weigh economic considerations to an extent that few economists would condone.

3

# Buy Time

Kathleen and Dennis Morrison have two cats, two hamsters, and two children under the age of three. (Names have been changed to protect the innocent.) While any household with that combination of residents is bound to be a bit untidy, Kathleen's sister Francesca doesn't mince words. "They're slob," she says. Dennis works long hours at a law firm, and Kathleen, a teacher, detests cleaning. Francesca recalls, "I used to do Kathleen's chores when we were little. Not even little—in high school! We weren't allowed to do fun stuff until we both finished our chores, and cleaning the bathroom took Kathleen all day." Today, a small army of Roombas fills the Morrison household. The robotic vacuum cleaners patrol the floors of their home, picking up pet fur, cookie crumbs, and the other detritus of family life. The newest addition to their fleet is the Scooba, which washes, scrubs, and squeegees their floors. The robots operate on timers, launching into cleaning routines without their masters asking—offering a long-overdue glimmer of the utopian future envisaged on *The Jetsons*. With a price tag over \$300, a Roomba costs more than your run-of-the-mill vacuum cleaner. But a Roomba offers something that even high-end traditional vacuums do not: the opportunity to change the way you use your time.

Time and money are frequently interchangeable. Instead of spending four hours reading *People* magazine at the Dallas airport, you could spend an extra \$100 for the direct flight from LAX to JFK. But people often sacrifice their time to save small amounts of money, a human foible captured best by a headline in our favorite fake newspaper, the *Onion*:

ANAHEIM, CA—Thirty-one-year-old Edward Brawley's plan to get himself an umbrella from a random lost and found took two hours, but it saved him \$2.99.<sup>1</sup>

Whether driving for an hour to get gas that is five cents cheaper, waiting in endless lines to get a free sample of the latest PowerBar, or taking an entire afternoon to abscond with a cheap umbrella, we too often sacrifice our free time just to save a little money.

Many of us wish we had more free time to do more of what we love—for Liz, it's working out; for Mike, playing guitar. In theory, it's possible to use money to buy more of this kind of time. But research suggests that people with more money do not spend their time in more enjoyable ways on a day-to-day basis.<sup>2</sup> Wealthier individuals tend to spend more of their time on activities associated with relatively high levels of tension and stress, such as shopping, working, and commuting.

Since the 1960s, when *The Jetsons* first appeared, average income has risen. What percentage of the wealth do you think the poorest 40 percent of Americans have? In many countries, incomes have risen dramatically.<sup>3</sup> While it's mildly disappointing that we're still without flying cars and sassy robot maids, it is more surprising that rising incomes have not led Americans to use their time in happier ways over the past four decades.<sup>4</sup> Researchers refer to the amount of time that people spend in an unpleasant mood—when their feelings of tension, depression, or irritation outweigh their feelings of happiness—as the U-index. People are rarely in an unpleasant mood while exercising, praying, reading, or having sex (unless maybe they are trying all these activities at the same time). But unpleasant moods are common while working, commuting, shopping, or doing housework. Over the past forty years, the specific activities people engage in have changed considerably, yet the overall U-index has barely budged. An important and underutilized route to increasing happiness lies in using money to improve our personal U-index.

Buying time isn't always easy, and the strategies below are designed to overcome barriers to applying this principle. Taking this principle seriously means rethinking many everyday expenditures and transforms decisions about money into decisions about time—a kind of mental backflip that can make people more inclined toward happy choices. For companies, putting this idea into practice entails reshaping policies and products, enabling their employees and customers to reap more happiness from the minutes and hours that form the fabric of daily life.

## **The Illusion of Busyness**

At Intel, a typical information technology employee receives 350 emails per week and devotes twenty hours to managing this river of messages. A full 30 percent of these emails are viewed as unnecessary.<sup>5</sup> Intel recently experimented with “email-free Tuesdays,” encouraging a group of employees to spend four hours unplugged from email and phones, giving them an uninterrupted period to, you know, think.<sup>6</sup> Research shows that employees who feel less harried are happier during their workday.<sup>7</sup> This feeling of time affluence has important implications for happiness once those employees leave work for the day.<sup>8</sup> In one study, more than eight hundred managers and professionals in Turkey reported whether they agreed with statements such as “There have not been enough minutes in the day” and “My life has been too rushed.”<sup>9</sup> Workers who agreed with these statements—scoring low in time affluence—were less satisfied with their jobs specifically, but also with their lives overall. They even reported more headaches and sleep problems. Research in the United States suggests that increased time affluence is linked to greater happiness even for people who say that they prefer to be busy.<sup>10</sup>

People who feel as though they are pressed for time have difficulty staying in the moment.<sup>11</sup> At the end of yoga class, while the other enlightened attendees sink into a deep state of spiritual relaxation, lying spread-eagled on their mats, Liz can't help but think of the thirty-one things she needs to do right after class. Rather than letting our minds wander to dinner plans or unanswered emails, staying focused on the present moment is beneficial for happiness. In fact, regardless of whether an activity is pleasant or unpleasant, people are happiest when they stay focused on it.<sup>12</sup>

People who feel they have plenty of free time are more likely to exercise, do volunteer work, and participate in other activities that are linked to increased happiness.<sup>13</sup> Although money can be used to buy “free time,” in part by outsourcing the demands of daily life such as cooking, cleaning, and even grocery shopping, wealthier individuals report elevated levels of time pressure. In countries ranging from Germany to Korea, people who make more money say they feel more rushed. This holds true even after

taking into account the number of hours that they work each week, both inside and outside the home.<sup>14</sup> Around the world, wealthier individuals are more likely to say they felt stressed on the previous day.<sup>15</sup> Greater material affluence may fail to yield more happiness in part because of the diminished time affluence it often brings.

The Slow Movement promises to help people “downshift” to a more relaxed pace of life (for an introduction to everything from slow food to slow books, visit <http://www.slowmovement.com>). The movement’s underlying premise is that we work more and have less free time than in the past. There’s just one problem with this assumption: the best research doesn’t support it. If anything, the opposite is true. People do say they feel busier.<sup>16</sup> And when people calculate how many hours they spend working, they arrive at higher estimates than their counterparts in earlier decades.<sup>17</sup> But this kind of calculation isn’t easy. Take thirty seconds to figure out how many hours you worked last week. Did you remember to subtract the time you took off for your dentist appointment, or time spent planning your vacation and gossiping with your coworkers during the workday?

To get around the inaccuracy of self-reports, researchers asked participants to record everything they did for all 1,440 minutes of the day. Comparing recent time diaries to similar diaries from earlier decades revealed that people in the United States spend about four hours more per week engaging in leisure than they did in the 1960s, while work hours have remained relatively constant.<sup>18</sup> Shifting demographics, such as women entering the workforce, can complicate such cross-decade comparisons. But our s do you think the richest 20 percent of Americans 8gaense that we have less free time now than people did in earlier decades may be largely an illusion.

A more likely culprit behind the perceived time famine in modern life is financial prosperity. While wealthier people report feeling more pressed for time, simply feeling like your time is valuable can make it seem scarce. In a study at the University of Toronto, students played the role of consultants, performing tasks for various offices of a fictitious company

and billing their time in six-minute intervals.<sup>19</sup> Half the students billed the company 15 cents per minute (\$9/hour) for their time, while the others billed the company \$1.50/minute (\$90/hour). Afterward, students who billed the company at the higher rate reported feeling more pressed for time—even though they had completed the same tasks for the same amount of time as students who billed at the lower rate. In other words, making students' time worth a lot of money was all it took to turn them into stressed-out, time-squeezed consultants.

Why might this be? From diamonds to Double Downs to women at Star Trek conventions, scarcity increases value. And conversely, when something is valuable, it is typically perceived to be scarce. As time becomes worth more money, people see that time as increasingly scarce.<sup>20</sup> This powerful association may help explain why Americans report feeling more pressed for time than in earlier decades. Rising incomes over the past decades have made time relatively more valuable. The same pattern holds within any one individual's lifetime. Until retirement, most people get wealthier as they age, potentially helping to account for why our lives feel busier than when we were younger.

## **Is a Minute Saved a Minute Gained?**

Given the importance of time affluence, the many time-saving products available today appear to hold substantial promise for increasing happiness. The Roombas largely eliminate what would otherwise be one of the worst parts of Kathleen Morrison's day, freeing her to spend more time with her children. Although vacuuming seems like a fairly trivial hassle, research suggests that daily hassles exert a remarkable downward force on our happiness. One study of a hundred adults in the San Francisco Bay area showed that psychological distress over a nine-month period was predicted less by major life events than by day-to-day hassles, ranging from "sexual problems" to "troublesome neighbors" to "filling out forms" (three hassles that we hope were unrelated).<sup>21</sup>

We're not suggesting that everyone go out and buy a Roomba as a pathway to lifetime happiness. Some people actually enjoy vacuuming. As a single parent, Dan Brand found comfort in the hours he spent vacuuming his home in Concord, Massachusetts. "There were always so many kids and chaos when I was raising four teenagers," he says, "that energetic vacuuming was a way of exerting a certain amount of control, if only for a little while." Dan's unusual enthusiasm for vacuuming underscores the danger of time-saving products. Their widespread availability may spur us to buy things, from two-in-one shampoo to the McSalad Shaker, that are designed to shave minutes off activities we might otherwise enjoy, like taking hot showers and eating fresh food (and for Dan, . Kasser and Sheldon, "Time Affluence as a Path toward Personal Happiness and Ethical Business Practice."leVacuuming). The McSalad Shaker, which can be eaten with one hand on the wheel, allows drivers to get their veggies on the go. When McDonald's first introduced this product, the company's spokeswoman Joanne Jacobs explained, "We do not, not, not advocate eating it while driving." But, she added, "It does fit in a cupholder."<sup>22</sup>

Although products like the McSalad Shaker are carefully engineered to make our daily activities more efficient, potentially enhancing time affluence, new research shows that these products can have ironic side effects. Just seeing fast-food logos makes people more impatient.<sup>23</sup> And when people think about the last time they ate at a fast-food restaurant, they report an increased desire for other time-saving products. Thus products designed primarily to make our daily activities more efficient may actually reduce time affluence by intensifying our feelings of impatience, reinforcing our desire for more time-saving products.

Purchases that reduce or eliminate the worst minutes of our day can provide a big happiness bang for our buck, but time-saving products that only increase our efficiency may backfire. If products designed to save us time make us feel as though we have less of it, could the reverse also be true? Could activities that take up time in our busy schedules make us feel as though we have more time available? Because time's high value makes it feel scarce, giving this precious resource away for free can increase feelings of time affluence. When people engage in volunteer work, even for as little

as fifteen minutes, they feel that they have more free time in their lives. Near the end of an hour-long study at the University of Pennsylvania, students learned that their final task would involve spending fifteen minutes helping an at-risk student from a local public high school by editing his or her college application essay.<sup>24</sup> Half of the students received an essay and a red pen for editing, but the rest were told that all of the essays had been edited and they could leave early. In other words, some students had to stay an additional fifteen minutes to do volunteer work, while others received a “windfall” of free time. The students who stayed to help out reported feeling like they had more free time available compared to students who actually got extra free time by leaving early. Taking the time to help others makes people feel effective (“If I have time to help you, I must be good at getting my own stuff done!”), and these feelings of competence lead volunteers to feel less overwhelmed by the multitude of tasks in their everyday lives. The same fifteen minutes can make us feel either time rich or time poor, depending on how we spend them.

Companies can potentially increase their employees’ feelings of time affluence by providing them with opportunities to help others. Since the 1990s, Home Depot has fostered a close relationship with Habitat for Humanity. Employees contribute their expertise to assist with home construction for low-income families.<sup>25</sup> In 2011, Home Depot employees in Canada donated thousands of hours and helped build 244 homes. Paulette Minard, the company’s community affairs manager in Canada, explains: “We let our associates in their own community tell us, “This is the”>82–83, [more time affluent, enhancing their satisfaction with their work and their lives.](#)

## **Constraining Time**

Just as giving time away can make us feel as though we have more of it, other simple changes offer similar unexpected benefits for happiness. Ever bought a family pet? Any new pet comes with new responsibilities, most of which children abdicate within the first week. Given the amount of time owners spend caring for pets, which pets are best? The pet that requires

the least amount of our time might be best, leaving us time for exercise and friends. A goldfish, for example, requires just a few minutes to feed each day and the occasional tank cleaning. From this perspective, buying a dog would be a disastrous decision, given the canine's pesky need for attention. And owning a dog costs an average of \$1,800 a year, making the goldfish look like a steal.<sup>26</sup>

Rather than maximizing free time by avoiding any form of commitment, consider instead how today's purchase will alter how you spend your time tomorrow. A dog, in this view, is actually a catalyst for us to exercise more through walking and games of fetch. Older adults walk more regularly when their walking partner is a dog rather than a friend or spouse.<sup>27</sup> Exercise produces both immediate and long-term benefits for happiness. In general, the more you exercise, the happier you get, at least within reasonable ranges of exertion.<sup>28</sup> But when it comes time to lace up the sneakers, people tend to underestimate how much they'll enjoy exercise.<sup>29</sup> Going for a fifteen-minute walk outdoors makes people feel happier and more relaxed than getting similar exercise indoors, but people often fail to appreciate the added value of going outside.<sup>30</sup> That's when the sad puppy-dog eyes looking up at you come in handy. By buying a dog, you're in some sense committing yourself to spend at least fifteen minutes a day walking outside. And you don't have to think hard to realize there are other positive consequences on how you spend your time. Because dogs like to interact with other dogs by sniffing various unmentionable body parts, you get the added happiness boost that comes from chatting with strangers when you meet other dog owners while you're out exercising.

## **Time in Common**

Despite our many idiosyncrasies, humans have a technological innovations. n remarkable amount in common, as any happiness researcher from outer space would notice. Although the French may prefer a single espresso while Americans crave a Venti-sized mocha Frappuccino, women in these two countries derive remarkably similar levels of pleasure from common daily activities.<sup>31</sup> And while the Buy Time principle can be applied

idiosyncratically, most people would benefit from using their money to change the amount of time they spend on three key activities: commuting, watching television, and hanging out with friends and family.

## **Commuting**

According to the U.S. Census Bureau, Americans spend more than two weeks of the year commuting—more than their typical annual vacation time.<sup>32</sup> Transportation experts have suggested that developed countries are hitting “peak car,” rubbing up against the maximum amount of time that human beings are willing to spend traveling on a daily basis.<sup>33</sup> In both the United States and France, women report being in an unpleasant mood more than 25 percent of the time while commuting, placing this task among the worst-ranking activities in terms of its U-index.<sup>34</sup> And even in Germany, home of the speed-limit-free autobahns, individuals who spend more time commuting report lower life satisfaction.<sup>35</sup> Taking a job that requires an hour-long commute each way has a negative effect on happiness similar in magnitude to not having a job at all. Although accepting a longer commute can provide access to both nicer houses and better jobs, people with longer commutes are no more satisfied with their homes, and they are less satisfied with their jobs. And individuals with long commutes are much less satisfied with their spare time. Commuting, it seems, undermines time affluence.

Most people consider the well-being of their families—not just their own—in deciding whether to take a job. Accepting a longer commute might make for a happier family. But there’s no evidence that this is the case. If anything, people report somewhat lower happiness when their spouse has a longer commute.<sup>36</sup> A few years ago, thirty-three-year-old David Mogolov took a copywriting job that required a twenty-five-minute commute, which ballooned to forty minutes in traffic. David recalls the time he spent “sitting in standstill or crawling traffic, listening to honking horns and construction, and witnessing people at their meanest and most disappointed.” His wife, Lisa, explains, “I could instantly tell how the evening commute went by his mood when he got home. If traffic was bad

and someone cut him off, he'd bring his road rage right into our living room. He'd do everything but honk at me and our daughter."

The average household devotes almost 20 percent of income to driving expenses. The percentage climbs as high as 40 percent in low-income households.<sup>37</sup> Faced with a lengthy commute, it's easy to see the appeal of devoting even more money to this activity. The richest 20 percent of Americans sagely buy a luxury car. The average American worker will work five hundred hours a year—two hours out of every work day—just to pay for their cars.<sup>38</sup> Unfortunately, however, owning a fabulous car does little to mitigate the pain of commuting. As the BMW drivers showed us, people typically don't experience better moods while driving more expensive cars. Rather than taking a higher-paying job farther from home and using the extra money to buy a nice car, most people would be better off sticking with a job closer to home, even if it pays less. To offset the happiness costs of going from no commute to a twenty-two-minute commute, the average person would need to see their income rise by over a third—and that's just to break even.<sup>39</sup> Rather than bugging the boss for a raise, you could get a similar happiness boost, research shows, by moving closer to work.

When it comes to commuting, as with many things, length isn't all that matters. David Mogolov took a new job with an even longer commute, but the location of the company makes it possible for him to take the train to work, rather than drive. "On the train," David explains, "I don't have to make decisions, or interact with other angry people before we're properly caffeinated. I get where I'm going, I'm not angry, and I don't endanger myself. Or others." In a 2011 study comparing almost three hundred commuters traveling from their homes in northern New Jersey to their jobs in New York City, people felt significantly less stressed and disgruntled after taking the train than after driving.<sup>40</sup> Train travel was less effortful and more predictable than driving. "I'm not sure anyone would describe the commuter rail as a Zen garden, but David does arrive home considerably less stressed," Lisa says.

## Television

In addition to spending two weeks per year commuting, the average American spends the equivalent of two months per year watching television.<sup>41</sup> In many countries, people spend almost as much time watching TV as they do working.<sup>42</sup> If our choices reveal what we like best, TV must be pretty much the most super-terrific thing ever. And yet, study after study shows that people experience less pleasure while watching TV than while engaging in more active forms of leisure, including walking the dog.<sup>43</sup> More than any other activity, television appears responsible for the failure of the U-index to budge over the past four decades. Although people today spend less time doing unpleasant activities such as household chores, television has sucked up much of this newly available time while providing little emotional payoff.<sup>44</sup> In a sample of over one hundred thousand people from thirty-two European countries, individuals who watched more than thirty minutes of television per day were less satisfied with their lives technological innovations. n than people who watched TV for under half an hour.<sup>45</sup> Watching the occasional TV show may be genuinely enjoyable, but devoting two months of the year to the tube is too much.<sup>1</sup>

Although consumers bought up televisions faster than any other innovation of the twentieth century, including telephones and even refrigerators (a little botulism never hurt anyone, apparently), spending money on TV appears counterproductive for happiness. Products like premium cable and beautiful flat-screen TVs are particularly pernicious because they turn up the volume on TV's siren song, seducing us into devoting more and more time to the tube. It can be remarkably difficult to consider the activities that will be displaced by the acquisition of something new. When we are in the process of buying a new TV, we envision having friends over to watch the big game, or enjoying movies with the family. But we fail to consider what purchasing a TV actually does to our time. What we are buying is an implicit commitment to plunking ourselves in front of it—often alone—for one-sixth of the next year. If you

thought of the purchase in these terms, would you think differently about this investment? What if you were buying one for your children?

To be fair, watching TV has one big advantage: it's cheap. Replacing some of the time you spend watching TV with other, more engaging activities (like going out for dinner with friends or taking an art class) will cost you money. But it is money well spent.

## **Socializing**

If you awaken happiness researchers in the middle of the night and ask them to tell you (quick!) what matters most for human well-being, you'll get the same response: get the hell out of my house. After they calm down, though, we're pretty sure they'll agree on the answer: social relationships. People experience the most positive moods of the day while spending time with family and friends.<sup>46</sup> In the past decade, the emotional benefits of parenthood have been much maligned, with media outlets from New York magazine to Slate featuring headlines such as WHY PARENTS HATE PARENTING and PARENTS ARE JUNKIES.<sup>47</sup> Yet a recent study with a nationally representative sample of Americans revealed that playing with children produced more positive feelings than almost any other common daily activity.<sup>48</sup>

It's often said that the best things in life are free. At first glance, research on the emotional benefits of socializing provides support for this comforting mantra. We don't pay for healthy social relationships by the hour, and we've all heard that money can't buy you love. But can't it? Take a moment to think about how much money you've spent on socializing over the past six months, from date nights to birthday parties technological innovations. n . The costs of flights and road trips to visit friends and family add up fast. Even joining coworkers for beers after a long day costs more than opening a six-pack alone on the couch. And according to the U.S. Department of Agriculture, raising a child now costs as much as \$13,830 a year for middle income families.<sup>49</sup>

There's a final time trap that buying stuff springs on us. Our purchases can undermine the amount of time we have available to spend with friends and family, by compelling us to work more to afford the purchases we make to try to improve our family life. In a 2003 poll, over 80 percent of Americans—with and without children—reported wishing they had more time to spend with their families.<sup>50</sup> A substantial minority said they would be willing to accept a pay cut to have more time with family. But many respondents indicated that they couldn't afford to do so, often citing the high costs of housing as the barrier. Yet, as we saw earlier, people who spend more money on housing reap few benefits in terms of happiness. Working long hours to earn more money to provide your children with fancier homes and shinier toys may represent a bad happiness trade-off—especially when doing so comes at the cost of actually spending time playing with them.

## **Paying Employees Not to Do Their Jobs**

Aside from commuting, working is the only activity that produces unpleasant moods more than 25 percent of the time among both French and American women.<sup>51</sup> And in countries as diverse as South Korea and Germany, individuals who work more hours report lower time affluence.<sup>52</sup> Of course, as two people with incredibly fun jobs, we would be the first to acknowledge that work can potentially provide an important source of satisfaction.

At Google, employees are paid not to do their jobs. Shannon Deegan, director of people operations at Google, explains, “We say to our engineers in particular, you can decide to work on anything you think is really cool, outside of your day-to-day job.”<sup>53</sup> The freedom to spend up to 20 percent of their time on pet projects provided the impetus for innovations such as Google Sky. A group of engineers with a passion for astronomy wondered what would happen if they turned Google Earth's cameras skyward. “They came up with this phenomenal product where you hold up your phone to the sky and it tells you what stars you're looking at,” Deegan recounted. This 20 percent time policy has also led to the development of more down-

to-earth products, including Gmail, now one of Google's best-known products. According to some estimates, 50 percent of all new products at Google stem from projects developed on 20 percent time.<sup>54</sup> Although not everyone who's eligible picks up a 20 percent time project, the policy shapes the way Googlers view their work. "When people at Google talk about what they like, it's one of the things they talk about. It's culturally important. Knowing that it exists causes people to feel more free," says Laszlo Bock, senior vice president of People Operations.

Long before googling became part of the average kindergartner's vocabulary, employers searched for creative ways to change how workers use their time. As the president of Harvard, Charles Eliot created the first sabbatical program in 1880, providing professors with one-year leaves of absence at half pay.<sup>55</sup> They could study, rest, travel, or do whatever else they desired. Whether the impetus for this program came from Eliot's commitment to improving the quality of life at Harvard or from his desire to poach a famous philologist from another university remains a matter of debate. These twin motives for sabbatical programs—making current employees happier and attracting new ones—underlie their growing adoption in the modern corporate world. At Intel, employees can take an eight-week sabbatical every seven years. In a given year, one out of every twenty employees goes on sabbatical.<sup>56</sup> During sabbaticals, some Intel employees travel or spend time with their families, but many others volunteer or pursue personal passions. One die-hard baseball fan spent his sabbatical on the road, attending baseball games all over the United States. And Intel is serious about it. Employees on sabbatical are cut off from their corporate email accounts, and are banned from checking in with the office.

The program also encourages Intel's workers to resist the blandishments of other firms. Fortune magazine considers sabbatical programs when ranking the best companies to work for each year, motivating other companies to explore sabbatical programs of their own. At Patagonia, employees can take fully paid, two-month sabbaticals to work on environmental causes. Lisa Myers, a Patagonia employee, spent her sabbatical tracking wolves in Yellowstone National Park.<sup>57</sup> There's even a

company, called [yourSABBATICAL.com](http://yourSABBATICAL.com), devoted to helping employees figure out how best to spend this windfall of time.<sup>58</sup> Elizabeth Pagano and her mother, Barbara, said the idea for their business came out of their own sabbatical. They left their regular lives behind and set sail on a six-month trip through some of the world's deepest waters. As co-captains, Elizabeth and Barbara learned about themselves and each other, and returned to shore some two thousand miles later with a fresh perspective that still guides how they spend their time each day.

## **The Swimming Pool Paradox**

Buying time sounds easy. But it isn't. Part of the problem stems from an important difference between time and money. If you're tight on money this week, you're likely to assume that you'll be similarly constrained a couple of weeks or months from now. Time constraints, however, feel relatively temporary. Sure, this Tuesday you're too busy to vacuum the house because you've got a dentist appointment, and fifty new emails, and a deadline coming up at work, and a birthday present to buy, and the big game to watch on TV. By contrast, the Tuesdays of the future look remarkably open, with only the occasional activity marked on the calendar. Because the future looks free, we're less inclined to use our money to buy time. But the funny thing about Tuesdays (and the other days of the week) is that they tend to fill up as they get closer.

As a result, many of us have experienced what Gal Zauberger at the University of Pennsylvania terms the "Yes . . . Damn!" effect. We agree to do something far in advance, only to regret it when the time rolls around.<sup>59</sup> In a recent ten-day span, Mike went from Boston to Vegas to Boston to Miami to Boston to Cape Cod to Boston to New York to Boston to Australia. What seemed three months earlier like a fun swing around the world became what can only be described as a travel shitshow. As he scrambled between flights, Mike wondered why he ever thought he had time for all of these trips.

Even when we try to make spending decisions with our future time in mind, it's easy to get tempted by products that have no impact on how we spend our time. Many store displays maximize customers' ability to perceive subtle differences between products. At mattress stores, customers are encouraged to hop from one bed to the next, allowing them to see how a 500-coil mattress differs from the more luxurious 600-coil model. By testing one mattress after the other, it's easier to appreciate the added comfort of those extra 100 coils. The higher price tag appears reasonable. But for most of us, particularly those in committed relationships, intensive mattress-hopping will end as soon as we leave the store, making that 100-coil advantage difficult to detect in the future. Research suggests that such quantitative differences between products seem much more important when we compare products side by side than when we're considering one product in isolation.<sup>60</sup> So, while comparison shopping sounds like a smart strategy, this approach can magnify minor differences between products, tempting us to pay more for features that will have no bearing on how we spend our future time.

We don't mean to suggest that the quality of a product never matters. Before getting a real job, Liz bought a \$50 used mattress from a random guy's garage. At home with its off-putting smell and broken coils, Liz spent hours struggling to sleep while curled into an awkward position to accommodate the lopsided mattress. When a product falls below a certain basic threshold of quality, it's likely to affect how we use our time. (Picture Liz watching 3 A.M. Seinfeld reruns and eating Cheez Doodles rather than trying to sleep on her poor excuse for a mattress.) But the experience of comparison shopping tends to focus our attention on differences between products that lie above that threshold. Faced with a decision between multiple products that differ in their features and price tags, ask yourself whether the differences in features will alter how you spend your time. If the answer is no, go cheap.

Of course, it's not always easy to foresee the many ways that a purchase will affect our time. After acquiring basic items such as a TV and a car, Americans see a swimming pool as the next step in achieving "the good life."<sup>61</sup> Research suggests that people tend to focus on core, central features

when contemplating future purchases such as swimming pools.<sup>62</sup> Would-be pool owners imagine enjoying poolside cocktails with friends after work or splashing around with happy children on lazy Sundays. But when making a decision to buy a home in the burbs with technological innovations, not that Olympic-size swimming pool, you might also want to think about the hours you'll spend stuck in a car getting from work to your suburban oasis, rather than lounging poolside. And having bought a home with a pool, you have also just bought yourself a lifetime of fishing leaves from a tank of water you built to enjoy your "downtime." Now, some pool owners may argue, "Well, yes, but I just hire a pool cleaning company to clean my pool." And people certainly do use their excess money to such ends. Still, paying someone to clean a pool you won't use because you are stuck in traffic should sound mildly troubling. Many companies do a tidy business removing pools that owners once lovingly installed.

Because the lens of imagination focuses on the foreground of pool ownership (poolside parties! lazy Sundays!) while blurring the background details (clogged filters, long commutes), we suggest a simple exercise before making a major purchase: Think about Tuesday. Take the time to consider what you'll be doing from morning to night this coming Tuesday. How will the purchase affect you on Tuesday? This simple exercise—thinking about time use on a specific day—helps us make less biased predictions about how much any one thing will influence our happiness.<sup>63</sup>

## **The Hidden Benefits of Thinking in Terms of Time**

Transforming decisions about money into decisions about time has a surprising benefit. Thinking about time—rather than money—spurs people to engage in activities that promote well-being, like socializing and volunteering. In a 2010 study, more than three hundred adults completed a simple task designed to activate the concept of either time or money.<sup>64</sup> One group unscrambled sentences related to time, such as "sheets the change clock" (possible answers: "change the sheets" or "change the clock"). Another group unscrambled sentences related to money ("sheets the change price"). Afterward, everyone decided how to spend the next

twenty-four hours. Individuals who unscrambled sentences related to time were more inclined to socialize and engage in “intimate relations” and were less inclined to work. Those who unscrambled sentences related to money showed just the opposite pattern, reporting enhanced intentions to work and diminished intentions to socialize or have intimate relations.

Why? Time and money promote different mind-sets.<sup>65</sup> We view our choices about how to spend time as being deeply connected to our sense of self. In contrast, choices about money often lead us to think in a relatively cold, rational manner. Focusing on time frees people to prioritize happiness and social relationships.<sup>66</sup> Even a simple sentence-unscrambling task is enough to induce these different frames of mind.

These competing mind-sets can lead people to behave differently within the very same setting. In a study conducted near the University of Pennsylvania, researchers approached people on their way into a café and asked them to unscramble sentences related to time or money, priming one of these two concepts.<sup>67</sup> Then the researchers observed what evocative as the presentadn participants did while they were in the café. Participants who had been primed with money spent more time working while they were at the café, compared to those primed with time. In contrast, participants who had been primed with time devoted more of their stay at the café to interacting with others. As a result of this increased socializing, people who thought about time felt happier by the end of their café visit compared to those who thought about money.

Potential donors contribute more time and more money to charity when they’re first asked about their willingness to donate time.<sup>68</sup> Thinking about time makes people focus on the warm glow of giving to others, propelling them to help out however they can. It also increases the appeal of experiential purchases. People waiting in line for an outdoor concert in San Francisco reported how much time or how much money they had spent to see the concert that day.<sup>69</sup> Concertgoers felt more enthusiastic about the event when they thought about the time (versus money) they had spent to be there.

Messages that encourage us to think about time or money are ubiquitous. A content analysis of three hundred ads in magazines ranging from *Cosmopolitan* to *The New Yorker* revealed that almost half incorporated concepts related to either time or money.<sup>70</sup> While ads like these may temporarily influence whether people focus on time or money, we favor a more radical shift. By consistently asking yourself how a purchase will affect your time, your dominant mind-set should shift, pushing you toward happier choices.

## **Is Time Money?**

While we have argued that people should transform decisions about money into decisions about time, traditional wisdom teaches just the opposite. Time is money, after all. And as time becomes more economically valuable—allowing every day to be transformed into more dollars—we are more inclined to view time as money. When Stacey Ashlund, a software engineer, was pregnant with her first child, a family member asked how much maternity leave she planned to take. Stacey replied, “In days or stock value?” Stacey’s attitude echoes Benjamin Franklin, who wrote, “Remember that time is money. He that can earn 10 shillings a day by his labor, and goes abroad, or sits idle, one half of that day . . . has really spent, or rather thrown away, five shillings.”<sup>71</sup> Research shows that embracing Franklin’s view of time can undermine happiness. When people see time as money, they find it difficult to reap joy from the unpaid pleasures of daily life.

Try this for yourself.

Step 1: Calculate how many hours you worked in a typical week last year.

Step 2: Total up how many weeks you worked last year and how much you earned before taxes.

Step 3: Calculate your average hourly wage by dividing your annual income by the total number of hours you worked last year.

Done? Now, turn on some music you like and do nothing but enjoy it for about a minute and a half.

If you're like participants in a recent study, you may have had trouble enjoying the music after calculating your hourly wage. When four hundred people listened to a piece of beautiful music, they enjoyed it significantly less if they had followed all three steps above.<sup>72</sup> Calculating our hourly wage pushes us to take Benjamin Franklin's perspective, seeing time as money. And seeing time as money promotes impatience during enjoyable but unpaid activities such as listening to music. Calculating their hourly wage caused people to say that listening to music was a waste of time. They felt impatient for it to end so they could get back to work.

If you earn a salary, calculating your hourly wage may have been a novel experience. But if you're paid by the hour, you're probably aware of how much each hour of your time is worth. Indeed, people paid by the hour are more likely to see time as money.<sup>73</sup> Hourly workers, from entry-level baristas to high-powered lawyers, are more inclined to give up additional time in exchange for additional money.<sup>74</sup> In a national survey of Americans, 32 percent of people paid by the hour reported that they would trade more time for more money, whereas only 17 percent of larger p

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# Pay Now, Consume Later

In 1949, after a pleasant evening at a New York City restaurant, Frank McNamara discovered he didn't have any cash.<sup>1</sup> Although his wife swooped in to pay the bill, McNamara soon created the Diners Club card, ensuring that he'd never have to experience that mortification again. Apparently others shared McNamara's desire to avoid such mishaps. Adoption of this proto-credit card soared, soon followed by American Express, MasterCard, and the countless other pieces of plastic that clutter the modern wallet. Solving this immediate problem, however, has had an additional, longer-term effect. The rise of the credit card has not only allowed us to pay without cash, but also allowed us to pay later—pushing payment into the indefinite future.

Technological innovations (along with the occasional awkward dinner date) have encouraged us to pay later and consume sooner. People's mixed feelings about employees of the United States Postal Service notwithstanding, the speed with which products purchased from around the globe reach consumers has steadily increased. Services like “same-day delivery” and “next-day shipping” are ubiquitous. Innovations in digital technology have accelerated this trend to what we might call “same-second delivery.” In a 2010 poll conducted by the Consumer Electronics Association, peace and happiness ranked at the top of Christmas wish lists. But by 2011, both had been edged out by the iPad.<sup>2</sup> Devices like the iPad allow consumers to download everything from books and games to movies and music in an instant, narrowing the gap between desire and fulfillment to a couple of clicks and a matter of milliseconds. While convenient, this widespread pattern—consuming now and paying later—can be counterproductive for happiness. Instead, you'll get more happiness for your money by following a different principle: pay now, and consume later.

## A Lesson from Teacher Barbie

One of our students, Deb Baldarelli, learned the benefits of delaying consumption from an unlikely mentor: Teacher Barbie. As a child, Deb asked for Teacher Barbie as a gift, and spent weeks preparing for the doll's arrival. She informed her other dolls that Teacher Barbie would be coming and, to their presumed consternation, helped the dolls prepare to be Teacher Barbie's students. But as all parents know, the allure of new toys is often fleeting. Within days of Teacher Barbie's long-awaited arrival, she was piled in with all the other Barbies, just another doll with D-cups. Nearly all of the pleasure that Deb got from Teacher Barbie came before she received the doll. Had the toy arrived right away, Deb would have missed the opportunity to fantasize about just how amazing Teacher Barbie would be, from her bookish chic to her impact on the other toys, helping them learn to read, write and Jeffrey Pfeffer, "wokee, and make something of themselves. The French use the verb *se réjouir* to capture the experience of deriving pleasure in the present from anticipating the future. The *se réjouir* period provides a source of pleasure that comes free with purchase, supplementing the joy of actual consumption.

Our tendency to derive more joy from things coming to us in the future than from things already received extends far beyond plastic toys. In a study of more than one thousand people in the Netherlands, vacationers exhibited a bigger happiness boost in the weeks before their trip, rather than in the weeks afterward.<sup>3</sup> And people generate even more emotional images of Christmas and New Year's when they imagine these events in November than when they look back in January on their actual experiences.<sup>4</sup> Researchers have suggested that we experience a "wrinkle in time," such that events that lie in the future provoke more emotion than identical events in the past.<sup>5</sup> This wrinkle is worth keeping in mind if you're moving soon. People feel more negative emotion when thinking about helping friends move in the future compared to remembering helping in the past. And they demand nicer thank-you gifts. If you plan to "reward" your friends for helping you move with nothing more than cheap beer and pizza, they're more likely to be satisfied with Bud Light and Domino's if you have them over the day after the move rather than the day before.

The looming, emotional power of the future can sometimes be a source of torment. Cancer patients undergoing chemotherapy commonly experience vomiting and other side effects in the twenty-four hours before undergoing the treatment.<sup>6</sup> This phenomenon also helps to explain people's curiously negative feelings about Sundays: bloggers use the most positive, happy words<sup>7</sup> and tweets ring out with joy<sup>8</sup> on this day of rest, yet when college students rank their favorite days of the week, they rank Friday (a class day) higher than Sunday (a day off). Why? They spend Sunday haunted by thoughts of Monday. As one student explained, "It's dead, and I think of Monday, which at the time seems terrible to me."<sup>9</sup> In general, however, our minds are more likely to wander to pleasant topics than unpleasant ones in our everyday lives, flitting more to fantasies than fears.<sup>10</sup> So, why do students rank Friday, a day when they have to attend classes, relatively highly? Perhaps because even while stuck in Molecular Biology on Friday at 8 A.M., they can imagine just how amazing their Friday and Saturday nights will be.

The ability to generate pleasant thoughts about the future is a hallmark of a few minutes of psychological health. What separates the suicidal from the rest of us is not an abundance of negative thoughts about the future, but rather an absence of positive ones.<sup>11</sup> When healthy people find themselves in a funk, they tend to generate rosy visions of the future as a means of escaping their current malaise.<sup>12</sup> Anticipating good things produces a distinct pattern of neural activation in the nucleus accumbens, a region of the brain linked to the experience of pleasure and reward.<sup>13</sup> And training ourselves to envision a fantastic future has real benefits. In a 2009 experiment, Belgian adults spent a few minutes every evening for two weeks envisioning several positive events that might happen the next day, from receiving a text message sent by a former flame to eating frites at a café.<sup>14</sup> After two weeks of fantasizing, these mental time travelers exhibited a significant increase in their overall happiness.

Marcia Fiamengo paid Virgin Galactic \$200,000 for the privilege of spending six minutes in space, but the value of the trip stems in part from looking forward to it. And Virgin Galactic has done a masterful job of

maximizing the pleasure of anticipation for its clients. Not only does Virgin Galactic provide frequent updates, allowing the astronauts to see their dream of space travel edging ever closer, but the company connects the astronauts with each other. Since buying her ticket, Marcia has gotten to know the other astronauts and has even worked with them to raise over a million dollars for science education.<sup>15</sup>

Anticipating experiences that are a little more down-to-earth can also be uplifting. Several innovative companies have introduced product features that make the most of the *se réjouir* phase. Travelers visiting TripAdvisor.com can view pictures and read reviews of hotels, restaurants, and attractions, and sign up for weekly TripWatch emails that provide them with the latest information on their destinations. Although these features have clear value for people making travel decisions by giving them up-to-date information to guide their decision-making, a substantial number of people use TripAdvisor for an interesting additional purpose. Twenty percent of users return to the site after booking all the details of their trips, revisiting (and re-revisiting) the pictures of the private beach and the steaming stone spa.<sup>16</sup> From the confines of an office cubicle, that spa probably resembles utopian nirvana. Barbara Messing, chief marketing officer at TripAdvisor, says: “I think of TripAdvisor as being in the happiness business. We are really upstream in the planning process, and I believe that people derive as much pleasure from that phase as from the trip itself. It’s the dreaming phase, the fantasizing phase, when they think about how great the tapas and the sangria are going to taste.”

## **Why the Future Is Bright**

Why does yet-to-be-consumed sangria taste so sweet? Because the future hasn’t happened yet. It’s inherently ambiguous, inviting our minds to fill in the details as we would like them to be. People looking toward the future are a little like astronauts peering at the earth from space. And in the words of Ben Gibbard and Jimmy Tamborello of the rock band the Postal Service: “Everything looks perfect from far away.” This property of the mind helps explain why the sangria of the

future is always filled with our favorite fruits—and why an online dater who has experienced a string of bad dates still expects to have a magical evening with a guy who just “poked” her to express his interest.<sup>17</sup> He describes himself as “a real clown,” leading her to assume that he’s the life of the party. She fantasizes about the years of laughs they’ll share together with their future children, Caitlin and James, only to discern on their first date from his attire and face paint that he meant it literally.

A newly elected leader also allows us to envision a rosy future absent the buzzkill of reality. As one member of Parliament described former British prime minister Tony Blair: “Blair’s like a very sweet pudding. The first mouthful is nice, but then it becomes nauseating.”<sup>18</sup> In the United States, almost every president enters office with higher approval ratings than when he leaves it. By then he has screwed up his reputation by, you know, doing stuff. (One exception to the downward trend is Bill Clinton, due primarily to his low initial ratings, which left him with less room to fall.)<sup>19</sup>

The inherent uncertainty of the future not only allows us to view it in a more positive light, but also keeps our attention focused on it. A product we want but don’t yet own is like a distant image coming into focus. It captures our attention because we don’t know exactly how it will turn out. In one study, students at the University of Virginia viewed an array of small gifts, from Godiva chocolates to UVa mugs, and chose the two they liked best.<sup>20</sup> Some students were told which one of their favorite gifts they would receive, while others got the good news that they would receive both gifts. A third group learned something more uncertain. They would receive one of their two favorite gifts in a few minutes, but they weren’t told which one. Given the chance to look at pictures of the gifts while they waited, those students who didn’t yet know which gift they would receive gazed at the pictures the longest. And by the end of the experiment, they felt even happier with their single gift than students who received both gifts.

A company called Birchbox capitalized on the pleasures of uncertainty to transform the market for sample-size cosmetics, those mini-tubes of mascara and baubles of liquid blush often tossed in the bottom of beauty

counter shopping bags. Founders Katia Beauchamp and Hayley Barna wanted to make these throwaway products valuable, or as they put it, “delightful.”<sup>1</sup> For \$10 a month, Birchbox members receive a small pink box in the mail filled with beauty samples. Hayley explains that when the monthly email notifies members that the boxes have shipped, “Twitter blows up. Everyone starts freaking out that their box is coming.”<sup>21</sup> The key? Uncertainty. Early on, the Birchbox team decided they wouldn’t let members choose which products to receive—or even inform them ahead of time what each month’s box would contain. When that email goes out, everyone tries to figure out what’s coming. Members search the web and YouTube, looking for scraps of information about what’s in the box. Bloggers develop an instant following if they have a particularly speedy postal worker who gets the box to them first.

But there is a tension here: People are driven to reduce their uncertainty by finding out what’s in the box. Yet successfully accomplishing this goal—taking away the uncertainty—can also take away the fun. The same region of the brain that responds when we anticipate something good (the nucleus accumbens) loses interest once we’ve gotten it.<sup>22</sup> Birchbox provides members with detailed online information about the products in each box, and the team strives to release this Web content once most people have their boxes. Inevitably, though, some people stumble across it before their box has arrived. And then, Katia explains, “They get livid! They send us nasty messages.” In the absence of surprise, the contents of the box feel more like those old samples strewn in the bottom of shopping bags. But with the critical ingredient of uncertainty, Birchbox is, as one member put it, “like Christmas every month.”

Uncertainty itself is neither sweet nor sour; rather, it intensifies the flavor that’s already there. Birchbox customers know that their boxes will be filled with the latest and greatest from the world of cosmetics. But people also spend money on things that produce a combination of positive and negative emotions, like the Tough Mudder events. Think of it as titillation lined with trepidation. The excitement that comes from looking forward to playing in the mud on event day may be tempered by some anxiety about

how much pain the race is going to induce. Because uncertainty can magnify both positive and negative emotions, delaying consumption is a safer strategy for purchases that inspire purely positive feelings—purchases that are “delightful” rather than, say, “complicated.”

## Why Drooling Makes It Taste Better

Part of the reason that we are built to experience such a range of emotional responses, from delight to despair, is to navigate our uncertain futures.<sup>23</sup> If you’re deciding whether to join friends on a trip to Hawaii, you can simulate this vacation in your mind in a matter of seconds. The degree of delight you feel provides a clue to guide your decision. Right now, imagine yourself riding a unicorn on the rings of Saturn. The ability to conjure up an image of this awesome and impossible activity contributes to the magic of being human, and demonstrates our ability to go almost anywhere in our minds.

When the mind travels to the future, it often arrives in a place that differs from reality in reliable ways, with the rough edges smoothed out and the pleasing details filled in. But by building anticipation, do we set ourselves up for a fall? Most people can probably think of a past experience intended to be pleasant that turned out differently than expected. Liz went to Oahu several years ago to enjoy surfing the warm, blue waves of the north shore, only to get attacked by a ten-foot tiger shark. Mike tried Diet evocative as the present6Lh Coke Lime.

While these dramatic chasms between expectation and reality are memorable, they have been relatively rare in our own lives (online dating experiences notwithstanding). But almost every day, there are relatively minor cracks between what we imagine and what we experience. Luckily, our brains have yet another trick to help us. When these minor mismatches occur, positive expectations can fill in the cracks, enabling us to experience the reality we expected. In one study, people led to believe that a set of cartoons would be funny ended up laughing more.<sup>24</sup> In another, people led to believe a politician would perform well in a political

debate viewed his performance more positively than those who had been told he was under the weather.<sup>25</sup>

Because consuming later provides time for positive expectations to develop, delaying consumption also increases our ability to smooth over the cracks. This property holds true even for something as simple as a video game. In a study at the University of Southern California, students got the most pleasure from playing a video game if they first spent a minute imagining how much fun it would be.<sup>26</sup> This waiting period was particularly beneficial for players who knew a few concrete details about the game they would be playing, enabling them to generate positive expectations—much like would-be travelers on TripAdvisor. Creating a *réjouir* period improved players' experience even when the game was lower in quality than they expected. Poring over pretty pictures and positive reviews on TripAdvisor is likely to enhance our subsequent enjoyment of a Hawaiian vacation, even if the pool's a little smaller than we expected and the sangria's a little less fruity. All bets are off, though, once a tiger shark appears.

Delay can enhance the pleasure of consumption not only by providing an opportunity to develop positive expectations, but also by enhancing what we call the "drool factor." The very best stimulus for studying the drool factor? Chocolate. In a recent experiment, college students chose whether they wanted a Hershey's Kiss or Hershey's Hug.<sup>27</sup> They either ate their chosen chocolate immediately or waited thirty minutes. When students had to wait for their candy, they enjoyed it more and expressed more interest in buying additional Hershey's chocolates. Even though they didn't learn anything new about the chocolates, the delay provided an opportunity to build visceral desire, to drool a bit. Indeed, students who waited for the chocolate reported being more likely to visualize eating it prior to consumption. Similar effects emerged for soda. After picking out their favorite brand, consumers enjoyed drinking it more if they had to wait twenty-four hours rather than sucking it down on the spot. The benefits of delay do not extend to prune juice, however. Unlike with

lemons, when life gives you prunes, apparently you cannot make prune-ade out of it.

So, when is delaying consumption most beneficial in getting the biggest happiness bang for your buck?

- When the delay provides an opportunity to seek out enticing details that will promote positive expectations about the consumption experience, as well as excitement in the interim Gilovich, “Buyer’s Remorse or Missed Opportunity? Differential Regrets for Material and Experiential Purchases,”
- When anticipating the purchase makes you drool, increasing the pleasure of eventual consumption. Think Hershey’s Hugs. In contrast, we do not recommend delaying neutral necessities like oil changes or unenviable expenses like root canals, which produce a more unwelcome form of drool.
- When the consumption experience itself will be fairly fleeting. Think spaceflights. In these cases, delay provides a valuable opportunity to draw out the pleasure beyond the experience itself.

## Would You Pay for a Delay?

People will only seek out opportunities to postpone consumption if they recognize the value of delay. But this insight is surprisingly elusive. While students who waited to eat a Hershey’s Kiss enjoyed it more than students who ate it right away, these same individuals failed to recognize the benefits that delay provided. They didn’t think they’d enjoyed the chocolate any more than usual.<sup>28</sup> Because the wait itself was unpleasant, they stated that they would rather just eat the chocolate right away next time. Worse still, students who only imagined eating the chocolate thought that the delay would make them enjoy the Kiss less than if they ate it immediately.

Why do we fail to recognize that consuming later can enhance enjoyment? Research shows that when something nice is available immediately, the “power of now” dwarfs all else. Yes, the future is more compelling than the

past, making each day of anticipation more valuable than each day of reminiscence, but there is nothing so evocative as the present. Consider how happy you would be if someone gave you a \$25 Starbucks gift card today, or if you received the same surprise on a random day three months from now. Unless your love for Frappuccinos slowly withers with each passing day, you should probably expect to be about as happy regardless of whether you receive the gift card today or in three months. Free coffee is free coffee. But when people contemplate these scenarios, they predict that receiving the gift card would provide more joy now than it would if they received it in three months.<sup>29</sup> Due to the power of now, people overvalue the present, making it difficult to appreciate the potential benefits of delay.<sup>II</sup>

Even in those cases where people do recognize the benefits of a delay, they may be unwilling to pay for the added value that delay provides. Asked to choose between attending a concert by their favorite band tomorrow or in two weeks, some 60 percent of people recognized that waiting two weeks would confer the added benefit of anticipation, providing them with two weeks of extra happiness.<sup>30</sup> But when asked about their willingness to pay for the two concerts, only 19 percent of people reported that they would pay more to attend the concert in two weeks. When people think about spending money, they follow the seemingly sensible rule that they shouldn't pay for a delay. This rule creates a rare situation in which people are undermined by their own self-discipline. Because conscientious individuals are inclined to follow rules, they show the biggest disconnect, refusing to pay a few minutes or hours for a delay despite recognizing that the delayed concert would provide more pleasure.

A study that examined another kind of kiss found an apparent exception to our unwillingness to pay for delays. Offered the opportunity to buy a kiss from their favorite movie star, people were willing to pay over 50 percent more to postpone the kiss for three days, presumably to savor seventy-two hours' worth of thoughts about this fabulous but fleeting experience.<sup>31</sup> Because celebrities rarely work as research assistants, though, this choice was hypothetical. Had Colin Farrell and Scarlett Johansson strolled in and

started doling out kisses, we suspect that people's desire to enjoy three days of anticipation would have been overwhelmed by the desire to have the kiss right now.

In short, delaying consumption can enhance pleasure, but people don't always recognize the benefits of delay. Even when they do, they may balk at the idea of paying for it. This paradox creates a pickle for companies looking to maximize both their profits and customers' happiness. There is substantial room, then, for innovation in both real and virtual waiting rooms. While Kayak.com searches the Web for your flight from Toledo to Tucson, the site gives you a real-time update of the work it's performing (now searching American Airlines . . . now searching Delta . . .). Research shows that waiting can increase satisfaction if customers get the impression that work is being done on their behalf during the delay.<sup>32</sup> This "labor illusion" is so powerful that it leads customers to prefer services that make them wait to services that provide the same quality immediately.

## The Pain of Paying Now

The drives to consume now and to pay later are both propelled by the power of now. Because there's no time as evocative as the present, we are motivated to expedite the good (consumption) and postpone the bad (payment). Like Seinfeld's George Costanza, we would be well-advised to recognize our instincts—and then do the opposite. We've seen the benefits of delaying consumption, but what about the other half of the equation: paying now?

The feeling of parting with hard-earned cash can be so aversive that behavioral economists have given it an ache-inducing name: "the pain of paying."<sup>33</sup> This turn of phrase is more than a metaphor. When people think about recent expenditures, they become more susceptible to actual, physical pain.<sup>34</sup> Neuroeconomists have found some evidence that facing high prices can activate regions of the brain associated with anticipating real, stub-your-toe style pain. In a study at Stanford University, participants went "shopping" from the inside of a brain scanner.<sup>35</sup>

Desirable products like Godiva chocolates popped up on the computer screen followed by the price of the product, and people decided whether to purchase each product. Viewing enticing products promoted activation in the nucleus accumbens (the brain region linked to positive anticipation). But when a price appeared that participants evocative as the present<sup>6</sup>Lh considered excessive, their brains exhibited activation in the insula, a neural region that responds to diverse forms of impending pain. Activation in both the nucleus accumbens and the insula predicted individuals' decisions about whether to purchase each product. Contemplating the purchase of something as simple as a box of chocolates can trigger a blend of both pleasure and pain, shaping our decisions about whether to reach for our wallets.

Because the pleasure of consumption is purest without the experience of paying for it, anything we can do to separate payment from consumption can enhance the pleasure of the purchase. Many people solve this riddle by consuming immediately, and paying later. But while paying later solves one problem, it creates another.

## **The Lure of Paying Later**

Hundreds of years ago, villagers on the western Pacific island of Yap adopted the most concrete form of currency imaginable: giant stone disks that required as many as twenty people to move.<sup>36</sup> These stones, quarried and carved on another remote island, were used to pay for major expenses. All currencies rise and fall. This one sank. According to legend, while crossing the sea with one of the stones, a crew of villagers encountered a terrible storm. In the chaos of the waves, the precious stone was lost. When the crew returned to Yap empty-handed, the villagers decided that the sunken stone still counted as currency. Even though it lay at the bottom of the sea—effectively existing only in the villagers' minds—the stone was money. And so, on this remote island, money made the move from concrete entity to abstract concept.

This story echoes our own recent history. In the twentieth century, the United States saw a decline in the use of cold, hard currency. The government dropped the gold standard, and diverse forms of credit became increasingly available. As we all know too well, this shift eventually created some problems. The satirical newspaper the Onion captured this zeitgeist when they ran a story in 2011 with the headline “Visa Exposed As Massive Credit Card Scam.”<sup>37</sup> According to the mock news article, “Visa posed as a reputable lender, working through banks to peddle a variety of convincing-looking credit cards carefully designed to dupe consumers into spending far more money than they had.” R. Neil Williams—ostensibly a former executive at Visa—explained: “Sure, people should have known better than to trust a magical card that allowed them to buy anything they want without any money whatsoever. But at Visa we understood that people will believe anything if they want it bad enough. That was the genius of our whole scheme.”

Research suggests that credit cards are an ingenious innovation (or scam, depending on your perspective) for getting people to spend more money. These pieces of plastic provide anesthesia against the immediate pain of paying. When students had the opportunity to bid on a pair of tickets to a sold out sporting event, those told they would have to pay with cash by the next day bid an average of \$28 for the tickets. Their peers who used credit cards bid an average of \$60.<sup>38</sup> These students were not financially naïve freshmen, but rather MBA students who should have known better than to pay a 100 percent premium for the Gilovich, “Buyer’s Remorse or Missed Opportunity? Differential Regrets for Material and Experiential Purchases,” every single individual underestimated the size of their bill—by an average of almost 30 percent.<sup>39</sup>

This problem may compound over time. American households had an average of more than \$6,000 in credit card debt in 2010.<sup>40</sup> Nearly one-third of credit card users reported carrying a balance rather than paying off their cards at the end of the month.<sup>41</sup> Although taking on debt can be necessary, and sometimes even sensible, credit cards create a potential trap. The power of now makes people believe that paying for something in the

future will produce less misery than paying today. If paying is aversive, surely it is wise to put it off for as long as possible. The problem is that just the opposite is true. Almost half of U.S. residents report worrying about their debts.<sup>42</sup> Although the relationship between income and happiness is fairly weak among Americans, there is a much stronger relationship between individuals' happiness and whether they have difficulty paying their bills.<sup>43</sup> In other words, what we owe is a bigger predictor of our happiness than what we make. In Britain, households with more debt exhibit lower happiness.<sup>44</sup> Debt is particularly detrimental for marriage. Married couples with higher levels of debt show increases in marital conflict about everything from sex to in-laws.<sup>45</sup> Paying later may increase the pleasure of consuming now, but the depressing effect of dread can outweigh the buoying effect of pleasure.<sup>46</sup> If you carry a credit card balance that fills you with dread, the happiness boon of paying it off may be greater than just about anything else you could do with your money. The emotional benefits of paying off debt can even dwarf the benefits of building savings<sup>47</sup> (though savings have an important role to play as well).

## **Making Mojitos Taste Free**

All of the research we've described points to a common conclusion: making payments highly salient—whether at the moment of purchase or in the form of accumulated debts—can diminish the pleasure of consumption. If you've ever been in a taxi during a night out on the town, you've probably experienced this problem. The constant ticking of the meter makes it hard to enjoy the ride, as the bill climbs higher with each minute and every mile. And if you happen to be paying a babysitter as evocative as the present<sup>6</sup>ing the night out, your mental meter may keep ticking even after exiting the taxi, with every additional half hour of date night making a “ka-ching” noise in your head.

Now imagine that you had prepaid for both the taxi and the babysitter the previous week. At the moment you paid, you would still experience the pain of paying. You have to suck it up at some point. But how might

prepayment change your evening? The ticks of the taxi meter would be less salient, and the time with your spouse less monetized. During their date nights, Elizabeth Haines and her husband, Terry, solved the child-care problem through a clever “pay now” strategy, relying on the magic of bundling. Because they needed afternoon child care during the week, they hired someone who could take care of the kids during weekday afternoons and on date night, bundling it all together into one weekly payment. “I posted the job ad as five afternoons plus one late night, so I never think that I have to pay extra for that night out,” Elizabeth explains.

Liz took a related approach to her destination wedding in Mexico, encouraging her guests to spend several days at the all-inclusive resort where the wedding was held. Because the guests paid for their stay months in advance, they could enjoy meals, drinks, and activities without ever reaching for their wallets. At most hours of the day, guests could be found sipping margaritas or mojitos and exclaiming something along the lines of “It’s so tasty because it’s free!” Of course, the drinks were not free (though some ambitious guests did consume enough to keep their average drink cost remarkably low), but because the all-inclusive vacation had been paid for months earlier, they tasted free.<sup>III</sup>

Katia and Hayley hear similar comments from their clients at Birchbox. As Hayley explains, “People call Birchbox ‘free’ all the time.” Most customers are billed at the beginning of the month and receive their box about two weeks later, effectively separating payment and consumption. And 20 percent of customers pay up front at the beginning of the year, allowing them to enjoy twelve pink boxes with the pain of payment long behind them.

Given the value of paying sooner rather than later, there may be an upside to the recent economic downturn. Consumers are more reluctant to use credit, instead reaching for the “pay now” plastic of debit cards. In the second quarter of 2008, as the financial crisis took hold, the retailing giant Target reported that the percentage of purchases paid for by credit card declined for the first time in memory, while the use of debit cards increased.<sup>48</sup> From Middle America<sup>49</sup> to Malaysia,<sup>50</sup> debit card use has

surged in recent years. Using this “pay now” plastic reduces spending. A large U.S. study found that debit card users had almost 400 percent less unsecured debt than people who didn’t use debit cards, even after taking into account personal characteristics such as income and credit history.<sup>51</sup>

While debit cards make it easier to pay now, potentially evocative as the present<sup>6</sup>ly reducing debt and increasing happiness, other technological innovations provide tempting new ways to pay later. An app called Card Case, launched in late 2011 (and later rebranded with the name Pay with Square), allows users to link their phones to their credit cards and to pay for purchases without even reaching for their wallets. As soon as a customer approaches a participating merchant, a tab automatically opens in the customer’s name. Farhad Manjoo, a user and tech writer, marveled that, “You don’t have to pull out your phone, you don’t have to open the app, you don’t have to sign, swipe, or wait for change. As long as your phone is on your person while you’re in the store—in your pocket or in your purse—Card Case can authorize your payment without you having to do a thing.”<sup>52</sup> When Farhad used Card Case to buy a cupcake at a San Francisco bakery, “The experience was magical—almost creepily so. It happened so quickly, and lacked so many of the hassles of a normal transaction, that when I left the store with the cupcake it was hard not to feel like I’d just pulled off a heist.” We have to admit that this form of payment sounds cool. But the research reviewed in this chapter suggests that innovations such as Card Case may cost us in the long term by promoting the illusion that we can have our cupcake and eat it, too.

## **From the Grocery Store to the County Fair**

In addition to increasing the pleasure of anticipation and the joy of consumption, paying now and consuming later can make our other spending principles easier to follow. Perhaps you’ve decided to buy more experiences, and fewer material things. This resolution may waver when you’re faced with the immediate, concrete benefits of a new high-end toaster or mattress. But when you won’t consume something right away, it’s easier to see the more abstract advantages of experiences.<sup>53</sup> Paying

now and consuming later can help us take the long view, turning us into better stewards of our own well-being. When people pay for groceries with cash rather than cards, they tend to fill their baskets with peaches, granola, and other healthy products. They are less likely to leave with armfuls of impulse purchases like Chips Ahoy and cheesecake.<sup>54</sup> Cash makes paying more painful, and this immediate pain undermines the pleasure of cruising the cookie aisle. Delaying consumption provides a similar benefit. People are more likely to make healthy purchases from an online grocer when there will be a longer delay between order and delivery.<sup>55</sup>

But come on, cookies and cheesecake are delicious! What happened to “Make It a Treat?” Delaying consumption does not drive people to unmitigated self-denial. Rather, it drives them to maximize their happiness, whatever form that takes. Indeed, when consumption lies in the relatively distant future, people may be more inclined to follow our advice to take advantage of opportunities for treats. At an airport in the United States, several hundred women received a lottery ticket and a choice between two prizes.<sup>56</sup>

- A luxurious one-hour facial cosmetic and Jeffrey Pfeffer, “fn treatment or a one-hour pampering massage (maximum retail value = \$80) at a premium day spa at the location of your choice
- \$85 in cash (you decide how to spend the money—for example, at the supermarket, gas station, or at a premium day spa at a location of your choice)

When women thought the lottery would take place the next week, only a small minority (18 percent) chose the spa package as their preferred prize. But when they thought the lottery would take place over two months later, twice as many women (36 percent) opted to receive the spa package. Why would anyone choose the \$80 spa package over the \$85 cash, which could, as the prize description explicitly noted, be used to pay for a trip to the spa? One woman explained why she turned down the cash option: “I would probably spend [it] on something I need rather than something I’d really enjoy! I’ve been saying for 4–5 months that I’m going to go to the

spa for a massage.”<sup>57</sup> From a distance, when focused on consuming later, it can be easier to recognize the value of indulging in an occasional treat.

People view the distant future abstractly, prompting them to think about how desirable a particular course of action would be. They tend to focus more on feasibility when contemplating the immediate future.<sup>58</sup> A busy working mom can appreciate in the abstract how worthwhile it would be for her to take an hour to herself to relax and enjoy a pampering massage. But in thinking about getting a massage today, she may concentrate on the logistical challenges of making it happen. By making purchases that we consume later, it can be easier to choose things that we know are good for our own well-being. And not just healthy vegetables, but also treats like massages.

When it comes time for consumption, having paid long ago brings a final payoff: freedom from the tyranny of sunk costs.<sup>59</sup> Imagine that you bought nonrefundable tickets to opening night at the annual county fair. When the evening rolls around, you have a stomachache and the thought of fried dough and the Tilt-A-Whirl makes you want to tilt-a-hurl. If you paid for those tickets just that morning, you might decide to go anyway, even though suffering through five hours at the fair won't bring your money back. At first glance, this problem seems like a good argument for delaying payment until the last minute. You don't want to end up feeling forced to do something that's no longer appealing just to justify having paid for it. But paying far in advance solves this problem, too. When payment lies in the distant past, the sunk cost of the tickets doesn't seem like such a looming loss. Purchases that have been paid for long ago feel free, thereby liberating people to spend their time in happier ways, rather than clutching their tummies riding the teacups.<sup>IV</sup>

Paying now and consuming later can help solve the sunk cost problem, but some financially savvy readers may not approve of the advice in this chapter. When Liz presented our spending principles at a conference, attendee Amy Summerville nodded and smiled. But at this principle, her face twisted in horror. Growing up, Amy had been drilled by her father, an accountant, on the time a few minutes or the value of money. This central

tenet of finance is based on the idea that money earns interest over time. Put \$100 in an account with a 3 percent interest rate today and in one year, the \$100 becomes \$103. Amy learned she should delay payment whenever possible, thereby hanging on to her money and earning interest for as long as she could. All else being equal, the math that Amy learned from her dad makes complete sense, as long as the goal is to maximize your money. But should that be the goal? Single-mindedly pursuing this goal may be overrated. It may be time to consider how to use your money not just to get more money, but to get more happiness.

We realize that it is not feasible to delay all consumption into the future. We need to eat something today, whether vegetables or cookies. It may be wise to heed the sage advice provided on the label of a candy that explicitly encourages at least some delayed consumption even while indulging the power of now—Now and Later, which encourage fans to “Eat Some Now. Save Some for Later.” What would consumption look like if we lived by the “pay now, consume later” mantra? Take iTunes, the paradigmatic “consume now, pay later” service. Purchases download almost instantaneously, and because users have given Apple their credit card information, notification of payment arrives much later. Consumers would get more happiness bang for their iTunes buck if they forced themselves, rs to wear off

5

# Invest in Others

Let's begin with two stories about Mike.

Story #1. One day about four years ago, Mike opened his mailbox to find the usual assortment of junk mail and mildly threatening notes from Liz to work on one of our papers. As usual, he tossed both in the trash. On this day, though, there was an unusual piece of mail waiting: a gift certificate from a retailer from whom Mike had bought some silverware, offering Mike the rare chance to be a good person. How? This retailer sent Mike a \$50 voucher that he could use—not to buy their products—but to make a donation to a nonprofit called DonorsChoose.org. Intrigued, Mike went online. DonorsChoose.org is a website that enables public school teachers in the United States, many working in low-income communities, to request items that their students need. Donors can then help those students directly. Do you believe kids aren't being exposed to enough great literature? You can buy copies of Tom Sawyer for a fifth-grade class in Lynn, Massachusetts. Fancy yourself an amateur scientist? You can buy a microscope to donate to a classroom of ninth graders in New Orleans. Mike chose a project and donated, felt briefly like the world's best person, and moved on with his life.

Story #2. One day about three years and six months ago, Mike decided he needed a new couch. Having not bought furniture, well, ever, Mike went to a retailer he had a good feeling about—Crate & Barrel—where he'd bought some silverware a while back. Mike looked through the options, picked a couch, and then decided that since he was getting a couch, he might as well get a coffee table, too. And why not throw in a matching end table? Thankfully, he (mostly) stopped there.

The second story is a lot more mundane than the first, but they share a critical link: Crate & Barrel. Because Mike has a terrible memory, he had forgotten about his donation experience when he went furniture shopping. Yet he can't help but wonder if his decision to splurge on those extra tables

may have had something to do with lingering good feelings toward Crate & Barrel, the retailer that gave him the opportunity to donate. For just a \$50 charity voucher, Crate & Barrel won Mike as a customer for life in a way that a \$50 store coupon never could have.

This mixing of charity and commerce between Crate & Barrel and DonorsChoose.org is far from an exception. Even business icon Warren Buffett has recently turned his thoughts to charity, challenging the richest of the rich to pledge 1230 Avenue of the Americaslesocializingat least 50 percent of their wealth to charitable causes. (He's flexible on whether the giving happens during your lifetime or after you pass on.) Buffett himself pledged to give away 99 percent of his wealth. Does Buffett regret his decision to give away his money? Hardly. He claims he "couldn't be happier" with the decision.<sup>1</sup>

Mike and Warren's experiences with charity bring two questions to mind. While Buffett claims his happiness increased when he gave, do the rest of us need to give away billions to get happy from giving? And what happens when charity and commerce mix, when companies engage their customers and employees in acts of charity as opposed to the same old kinds of incentives like coupons for customers or yearly bonuses for employees? New research shows that spending even small amounts of money on others can make a difference for our own happiness. And we'll see that rewarding customers and employees with opportunities to invest in others—from kids in distant countries to coworkers in the next cubicle—can enhance not only individuals' well-being, but also the company's bottom line.

More broadly, this chapter outlines a principle quite different from the four we have discussed in the previous chapters. Whether encouraging you to buy a trip to the moon or take a break from your daily latte, each of the principles thus far has been geared toward changing how you spend money on yourself. Now we'd like you to contemplate an even more radical idea. Rather than think about the different ways you can spend your money on yourself to maximize your own happiness, consider investing it in others. Spending money on others can increase your happiness even more than

spending your cash on yourself, but you have to be willing to make yourself a little poorer to reap these benefits.

## A Mysterious Envelope

On a fine summer morning in Vancouver, British Columbia, our graduate student Lara Aknin (now a professor at Simon Fraser University) approached passersby with a box of envelopes, and an unusual request: “Would you be willing to be in an experiment?” If people said yes, she asked them how happy they were, got their phone number, and then handed them one of these mysterious envelopes.<sup>2</sup> When people opened the envelope, they found a \$5 bill, accompanied by a simple note. For some of them, the note instructed:

Please spend this \$5.00 today before 5pm on a gift for yourself or any of your expenses (e.g., rent, bills, or debt).

Others found a note that read:

Please spend this \$5.00 today before 5pm on a gift for someone else or a donation to charity.

In addition, some people got similar envelopes, but with a \$20 bill rather than a \$5. Armed with this extra bit of cash and their instructions about how to spend it, people went on their way. That evening, they received a call asking them how happy they were feeling, as well as how they had spent the money. What did people spend the money on? As you can imagine, it varied a great deal by what their slip of paper told them to do. People instructed to spend the money on themselves bought earrings, coffee from Starbucks, and sushi. But what about people told to engage in what we call “prosocial spending,” by making a donation to charity or buying a gift for someone else—by giving it away? These individuals reported buying toys for younger relatives evocative as the present sh , as well as giving money to the homeless. Some of them also bought food or coffee, but with a crucial twist: they bought these treats for someone else.

How did these purchases affect people? By the end of the day, individuals who spent money on others were measurably happier than those who spent money on themselves—even though there were no differences between the two groups at the beginning of the day. And it turns out that the amount of money people found in their envelopes—\$5 or \$20—had no effect on their happiness at the end of the day. How people spent the money mattered much more than how much of it they got.

This experiment suggests that spending as little as \$5 to help someone else can increase your own happiness. You might be wondering: Am I giving enough away right now? Take a moment to fill out the boxes below with the typical amount you spend per month in each of the categories.

Expenses, Rent, Bills, Debt	\$
Gifts for Yourself	\$
Gifts for Others	\$
Donations to Charity	\$

Now sum up the first two categories (expenses/bill/rent/debt and gifts for yourself) to calculate your total personal spending and sum up the last two (gifts for others and donations to charity) to calculate your total prosocial spending. Next, divide your personal spending by your prosocial spending. What’s your ratio?

In a representative sample of more than six hundred Americans, personal spending accounted for the lion’s share of most people’s budgets.<sup>3</sup> The average ratio of personal to prosocial spending was more than 10 to 1. But the amount of money individuals devoted to themselves was unrelated to

their overall happiness. What did predict happiness? The amount of money they gave away. The more they invested in others, the happier they were. This relationship between prosocial spending and happiness held up even after taking into account individuals' income. Amazingly, the effect of this single spending category was as large as the effect of income in predicting happiness. If you've been focusing on trying to make more money, remember that giving some of it away can be just as rewarding as getting more of it.

Once again, we've seen that Buffett offers the best investment advice. In this case, though, his advice to invest in others pays off in the form of happiness, rather than cash. Of course, Buffett was the first to acknowledge that his generosity entailed little in the way of real self-sacrifice. Thanks to his vast wealth, he noted that he and his family "will give up nothing we need or want by fulfilling this 99 percent pledge."<sup>4</sup> The people in Lara's study who received envelopes filled with cash were kind of like mini-Buffetts. They weren't counting on the unexpected windfall to meet their basic needs. Indeed, they used this extra cash to buy things like sushi and Starbucks coffee that fall closer a few minutes leL to the realm of treats than of necessities. So, would spending on others promote happiness even for people who needed the money? To find out, let's go to East Africa.

## **Around the World**

All the research we've described so far in this chapter was conducted in the United States and Canada, wealthy countries where the average person enjoys a standard of living that would be unimaginable to most people in human history, and in much of the world today. Would investing in others lead to happiness even in relatively poor countries, where people often struggle to make ends meet—where spending money on others may come at the expense of meeting one's own basic needs? In a recent experiment, a total of more than eight hundred people drawn from both Canada and the East African nation of Uganda reflected on a time when they had spent a small sum of their own money: \$20 in Canada or 10,000 shillings in Uganda, roughly equivalent amounts in buying power.<sup>5</sup> In each country,

some people were told to think about a time they spent that sum of money on themselves, while others thought about a time they'd spent money on someone else.

Canada and Uganda differ in almost every way imaginable, from history and religion to climate and culture, but most importantly, the two countries lie at opposite ends of the earth in terms of per capita income. Canada falls in the top 15 percent of the world's countries, Uganda in the bottom 15 percent. When faced with the same set of instructions while participating in the same experiment, individuals in the two countries recalled very different kinds of spending experiences. A young woman in Canada who had been asked to think about a time she spent money on someone else wrote:

I went with my sister to buy a birthday present for my mom. We went to an accessory store in a mall to buy her a purple scarf. It was about \$15 or so from Aldo Accessories.

Faced with the same set of instructions, a young woman in Uganda recalled:

On Sunday, I was walking and met a longtime friend who was her son sick of malaria—the father has no money at the time, they left their home, she decided to visit a nearby clinic. I then ended giving her 10,000 [shillings] for medical bills and transport.

The first memory is a perfectly nice, familiar, instance of investing in others. This young woman probably hopped in her car, drove to the mall, bought the scarf, maybe grabbed a meal at the Cheesecake Factory, and headed home. But this memory couldn't be more different from the second one, in which a Ugandan woman sacrifices her money to save another person's life. Indeed, almost 15 percent of Ugandans reported spending on others in response to some negative event (often health-related), whereas this sort of spending was effectively nonexistent for Canadians.

That said, people are people. So there were also some striking similarities in the kinds of prosocial spending instances that people recalled. Consider this one from a young man in Uganda:

I called a girl I wished to love. We went to peers joint and took 2 meals and one litre soda which totaled to 10,000, but however I did not achieve this girl up to now.

Again, the “10,000” is Ugandan shillings—roughly \$20, which does seem a bit on the low end if he really hoped to “achieve” her. Compare it to this one, another romantically inclined young man, this time from Canada:

I took my girlfriend out for dinner at a local how many hours you worked 8garestaurant for her birthday. We then went to a movie (which was so bad we left halfway through) and then went back to her room for . . .

Both you and this young Canadian fellow may have been hoping for a more interesting ending to that sentence than the real one: “cake.” Like his Ugandan counterpart, he appears not to have “achieved” his girl up to now. Different cultures, similar forms of investing in others.

More importantly, the consequences for happiness were similar across Canada and Uganda. People in both countries felt happier after thinking about a time when they’d spent their own money on others rather than themselves. Investing in others promotes happiness, even in relatively impoverished countries where money is tight and where prosocial spending commonly entails helping someone in dire need rather than enjoying a pleasant trip to the mall.

Indeed, the link between prosocial spending and happiness is remarkably universal. Between 2006 to 2008, the Gallup World Poll surveyed representative samples of people in 136 countries, providing the clearest psychological snapshot to date of human life on Earth. More than two hundred thousand respondents answered scores of questions, including whether they had donated to charity in the past month and how satisfied they were with life.<sup>6</sup> And in 120 out of 136 countries, people who donated to charity in the past month reported greater satisfaction with life. This relationship emerged in poor and rich countries alike, and held up even after controlling for individuals’ income. Across the 136 countries studied in the Gallup World Poll, donating to charity had a similar relationship to happiness as doubling household income.

So, unlike honeybee costumes for dogs, the emotional benefits of investing in others aren't simply a product of societies with excess cash. Rather, the proclivity to derive joy from investing in others might just be a fundamental component of human nature.

## **The Littlest Humans**

If humans are predisposed to experience joy from giving, even young children might derive pleasure from donating their resources to others. As anyone who has ever tried to get a child to share anything with anyone knows, generosity does not always come easily to children. Could investing in others lead to happiness even for these tough customers?

In an experiment with twenty toddlers on the cusp of turning two, each tot met several puppets, who all happened to like Goldfish crackers and Teddy Grahams.<sup>7</sup> The experimenter gave each puppet one of these treats, and the puppets pretended to eat their treats by making "YUMMM" eating noises. Next, the toddlers met a new monkey puppet, aptly named Monkey, who they were told also loved treats. The toddlers got eight treats of their own, and then the fun began. The experimenter handed toddlers a treat from her own private stash and suggested that the child give it to Monkey. But then the experimenter asked toddlers to give one of their own precious treats to Monkey.

What made toddlers happiest? As you might guess, two-year-olds have a hard time filling out happiness scales, so the researchers coded the toddlers' facial expressions for spontaneous signs of happiness. How happy did they look? Toddlers looked pretty happy when they received eight treats for themselves. Critically, however, giving treats away to Monkey made toddlers happier than when they received treats for evocative as the present sh themselves. Perhaps most surprisingly, toddlers were happiest of all when they gave their very own treat to Monkey. Faced with the toddler equivalent of gold (Goldfish crackers), children derived more happiness from giving this precious resource away than from getting more of it themselves. And the impact of investing in others on happiness was

biggest when giving was most costly—when the treat came from their personal stash.

Some parents may wonder if their children are in fact part wolf, and missed out on this lovely component of human nature. Sure, sometimes little Caitlin or Jimmy toddles up to you, offering you one of their Cheerios and breaking into a delighted smile when you accept. But other times, asking children to share results in Cheerio-soaked mayhem. Although the warm glow of giving can be detected in countries around the world and even among young children, these findings don't mean that people always experience pure, unmitigated happiness from helping others. It almost goes without saying that individuals differ in both their proclivity to share with others and the joy they experience from doing so. As a graduate student, Liz was frequently rebuffed when she attempted to take bites of food from the plate of her fully grown and otherwise charming boyfriend Benjamin (whom you may remember from chapter 2). Reflecting on his childhood, Ben's mother shook her head and explained sadly, "Benjamin just never liked to share."

Even leaving aside such individual differences, research shows that the nature of the giving situation matters. Investing in others can take a seemingly limitless variety of forms, from donating to a charity that helps strangers in a faraway country to buying lunch for a friend. When does giving promote the most happiness? Understanding the answer to this complex question can help us get the biggest happiness bang for our prosocial buck—and can help us create positive giving experiences for our children, clients, customers, and employees. Below, we describe three strategies designed to boost the impact of investing in others: Make It a Choice, Make a Connection, and Make an Impact.

## **Make It a Choice**

Emily Smits, a former comedy writer, spent her early twenties working on busy street corners, canvassing passersby for charitable donations. Although she assured people that she didn't bite, Emily remembers one

businessman who veered off the sidewalk just to avoid her, running into a parked car in his bid for escape.<sup>8</sup> Most of us have experienced a situation in which we felt cornered into providing help, whether by an overeager street canvasser, a colleague's child selling overpriced chocolate bars for her basketball team, or a friend's awkward request for a loan (an event so ubiquitous that googling "awkward loan requests" gets about 90 million hits). Not surprisingly, feeling cornered can suck the joy out of giving. Over a two-week period, 138 college students kept a daily diary, reporting how they felt each day and whether they had helped someone else or done something for a worthy cause.<sup>9</sup> Students reported feeling better on days when they did something prosocial, but only when their actions felt self-chosen. If students helped because they felt like they had to or because people would be mad otherwise, they felt worse on days when they did good things.

The value of choice can also be seen to pay now and consume later. n in brain scans. In a study at the University of Oregon, researchers paid \$100 to people who then donated some of this money to a food bank—all from the inside of a scanner that assessed brain activity as they donated.<sup>10</sup> Sometimes people could choose whether to give money, but sometimes the donations were mandatory, more like taxation. Even when donations were mandatory, giving to this worthwhile charity provoked activation in reward areas of the brain. But activation in these reward areas (along with self-reported satisfaction) was considerably greater when people chose to donate than when their prosocial spending was obligatory.

If you're a professional fund-raiser or you're participating in a Tough Mudder Run and gathering donations for its affiliated charity (the Wounded Warrior Project), maybe you should just set up a pretty website and then let people decide whether to donate of their own accord. There's just one problem with this strategy: you're not likely to collect much money. One of the most common reasons people report donating to charity is that someone asks them to give.<sup>11</sup> The trick, then, is to craft charitable appeals that encourage people to give, without making them feel forced to comply.

Even subtle changes in the nature of a request can make all the difference. In one study, a graduate student requested a bit of help and ended her plea by saying either, “It’s entirely your choice whether to help or not” or “I really think you should help out.”<sup>12</sup> In both cases, the personal plea was highly effective. More than 97 percent of people agreed to help. Importantly, though, helpers felt happier if they had been reminded that helping was their choice rather than being told they should help. What’s more, people reminded of choice provided higher-quality assistance and felt a closer sense of connection with the person they helped.

## Make a Connection

Dave Dawes, forty-seven, had been dating his girlfriend Angela for four years but had been holding off on getting married while they scraped together money for a wedding.<sup>13</sup> Then, in October 2011, a surprising thing happened: the British couple won 101 million pounds (nearly \$163 million).<sup>14</sup> With the winnings in hand, Dave promised Angie a new diamond engagement ring, and the couple looked forward to making their wedding “a bit more glamorous.” And unlike some of those would-be lottery winners we quoted at the beginning of the book, they began to consider donating some of their winnings to worthy causes, particularly children’s charities. But first they decided to turn their closest friends and family members into millionaires. Dave explained, “We’ve drawn up a list of 15 to 20 people . . . anyone who has helped us through our lives,” promising each one a million pounds. (All the calls have now been made, so don’t hold your breath if you haven’t heard from them yet.) How did the lucky people on their list react? As Angie put it, “They are gobsmacked, amazed.”<sup>15</sup>

Although Dave and Angie’s act of generosity occurred on an unusually grand scale, their decision to prioritize friends and family carries through to the spending habits of those of us who have so far failed to win one of the world’s largest lottery prizes. In the same week that the Daweses won the lottery, Americans told the Gallup organization that they planned to

spend an average of more than \$700 on Christmas gifts,<sup>16</sup> with the bulk of that spending typically targeted toward presents for friends and family.<sup>17</sup> Since gift givers pay more to purchase presents, on average, than the recipients themselves say they would be willing to pay for the same items, economist Joel Waldfogel has argued that Christmas creates a “deadweight loss” of at least \$4 billion within the United States alone.<sup>18</sup>

But a straight-up economic analysis overlooks the critical role that gifts can play in strengthening relationships. Indeed, after learning that their girlfriends have selected a desirable gift for them, men in long-term relationships are significantly more likely to say that the relationship will continue—and end in marriage.<sup>19</sup> Not only that, but people derive more happiness from spending money on “strong ties” (such as significant others, but also close friends and immediate family members) than on “weak ties” (think a friend of a friend, or a step-uncle).<sup>20</sup>

Of course, your connection with the recipient of your gifts isn’t all that matters. How you give it is important, too. To explore this idea, Lara decided to hand out \$10 Starbucks gift cards.<sup>21</sup> She told some people to use the gift card to take someone else out for coffee at Starbucks. She told others to give the gift card away to someone else, but she insisted that they refrain from accompanying that person to Starbucks. So, people in both groups got the chance to invest in others, specifically through the gift of caffeination, but only one group was allowed to spend time with the beneficiary of their gift. Meanwhile, Lara handed out additional gift cards to a different group of lucky people, telling them to spend the gift card on themselves; half of these people went to Starbucks by themselves, while the others visited Starbucks with a friend but spent the card only on themselves. Who was happiest by the end of the day? The people who used the gift card to benefit someone else and who spent time with that person at Starbucks. Investing and connecting provided the most happiness. Think of your own prosocial spending budget in terms of levels of connection. You’re likely to get the biggest happiness bang for your prosocial buck if you invest in others in ways that help you connect with people, especially people you care about.

But it's possible to create a sense of connection even with total strangers.<sup>22</sup> The idea for DonorsChoose.org (the charity which allowed Mike to donate his \$50 Crate & Barrel voucher) came from the experience of founder Charles Best, a former public school teacher. Like many public school teachers, Charles found himself buying supplies for the students in his underfunded classroom.<sup>23</sup> One day he happened to mention his shopping trips to a (wealthier) friend, who offered to buy some supplies for Charles's class. Creating links between a specific donor and a specific classroom enables an emotional connection to emerge from what would otherwise be a cold financial transaction.

Today, the website Charles created gives potential donors enormous flexibility and agency in choosing which classroom to fund. You can search for a school in your home state, even search for a classroom in your old school, bringing the donation closer to home. Or you can adopt a different approach, giving based on your own interests (Mark Twain or microscopes). Or you can take still another approach, looking for the neediest classrooms regardless of the location of the school or the specific project posted by the teacher. Not only does DonorsChoose.org allow donors to make it a choice by investing in a specific group of students in a specific classroom, the site also creates the tangible, emotional connection often missing from the donation experience. And the connection doesn't end there. Teachers send thank-you notes to donors, and students themselves often send thank-you notes. "When we deliver the initial thank-you note to the donor, our first ask is not for money. Instead, we ask the donor to write back to the classroom, and we measure success in the volume of two-way correspondence that we see between donors and classrooms," Charles says.

Organizations like DonorsChoose.org make it easy for donors to see how their gifts make a difference. More broadly, when we meet friends at Starbucks and treat them to coffee, or foster a love of science in children, we witness the impact of our prosocial investments. As we'll see next, knowing that we're having an impact on someone else is another critical factor in transforming good deeds into good feelings.

## Make an Impact

Kevin Starr, a physician in San Francisco, stumbled into the world of philanthropy. He was working in Bolivia with his friend and mentor Rainer Arnhold, when Rainer died unexpectedly. In the wake of his friend's death, Kevin learned more about Rainer's background. "He had a lovely family," Kevin explains, "and it turned out they'd been in banking for generations. And they were very good at it."<sup>24</sup> Rainer spent much of his life working to improve the lives of children living in poverty, and the family wanted to carry on that work. They asked Kevin to help them establish the Mulago Foundation, and he eventually became its managing director. Today, Kevin explains, the Mulago Foundation "looks for the best solutions to the biggest problems in the poorest countries."<sup>25</sup> In doing so, they "are unabashedly obsessed with impact: measuring it, funding it, and scaling it up." Before providing funding to an organization, Kevin's team at Mulago uses a rigorous system to evaluate potential impact, focusing not on optimistic platitudes from mission statements, but on measurable results.

All of us want our donations to have the kind of impact that Mulago assesses, but it can be difficult to see how our donation of \$10 or \$20 will make a difference. A donation to UNICEF (the United Nations Children's Fund) helps children around the world. There is no denying the importance of this cause, but it can be hard to see how a small donation to such a large, nebulous organization will make a concrete difference in a child's life. Contrast that with Spread the Net, which allows donors to contribute \$10 to send one malaria net to sub-Saharan Africa. Their slogan? "A child dies needlessly from malaria every minute. One bed net can protect up to five children for five years. 1 net. 10 bucks. Save lives."<sup>26</sup> Both UNICEF and Spread the Net are worthy organizations devoted to children's well-being, and the two are partners. But it's a lot easier to see how your donation to Spread the Net will make an impact. And when donors give money to Spread the Net, they get a bigger happiness bang for each buck than when they give money to UNICEF.<sup>27</sup>

The benefits of having an impact can filter into your professional life, as well. In a study of eighty-two fund-raisers responsible for soliciting multimillion-dollar donations for the University of North Carolina, individuals who agreed with statements such as “I feel that my work makes a positive difference in other people’s lives” were less likely to experience emotional exhaustion at work.<sup>28</sup>

But it isn’t always easy to see how organizations make a difference. Kevin points to Kickstart, which “makes and markets manual irrigation pumps that allow people to shift into higher-yield, higher-value crops.”<sup>29</sup> According to Kevin, “they have real impact,” enabling poor farmers to increase their income tenfold. Marketing such products is expensive, and “it costs Kickstart about \$250 to get a pump into the hands of a family that will use it well.” That may seem like a lot of money to help just one family, but Kevin explains that “it looks quite different when posed as ‘You give us \$250, and we’ll get a family out of poverty—forever.’ ”

Enabling donors to see the specific impact of charitable initiatives carries a huge potential payoff. By maximizing the emotional benefits of giving, the strategy can make people more willing to behave generously in the future. A recent experiment shows that giving and happiness are mutually reinforcing, creating a positive feedback loop and providing empirical support for our favorite song from summer camp, “Happiness Runs in a Circular Motion.” After reflecting on a time when they had spent money on themselves or others, students received an envelope filled with cash.<sup>30</sup> This time, though, they were allowed to choose how to spend their windfall. Not only did people feel happier after reflecting on a time when they spent money on others, but the happier they felt after thinking about their past spending experience, the more inclined they were to spend this new cash-filled envelope on others rather than themselves.

Is it how many hours you worked 8gpossible to let people taste the joy of making a positive impact for as little as a dollar? It’s tough to imagine how such a small donation could make a difference—unless you join forces with others. In 2012, Daniel Hawkins formed the Dollar Collective. Members each contribute \$1, and the group decides what random act of generosity

to perform with the pool of money.<sup>31</sup> As their first act, they surprised a young couple out for Valentine's Day and paid for their entire meal. Several members of the Dollar Collective witnessed the gift, and they caught the event on videotape to share with the rest of the group. And the couple who received the unexpected free meal? They decided to give the money they saved on dinner to a local charity (as well as buying some treats for their cat).<sup>32</sup>

When prosocial spending is done right—when it feels like a choice, when it connects us with others, and when it makes a clear impact—even small gifts can increase happiness, potentially spurring a domino effect of generosity.

## Salivary Secrets

The benefits of investing in others don't stop at just making you feel happier. Giving your money away can make you physically healthier, and even make you feel financially wealthier. In a study of more than a thousand older adults, individuals who provided money and other forms of support to both relatives and nonrelatives reported better overall health. This relationship held after taking into account income, mobility, and other variables.<sup>33</sup> Although the health benefits of helping others likely compound over time, even a single instance of prosocial spending can have downstream consequences. In one experiment, people were paid \$10 and told they could share as much or as little of their payment with another person (who hadn't received any money) as they wished.<sup>34</sup> Think about how much you would give, knowing that the other person has to accept what you give them and that there is no penalty for keeping the whole \$10. In this experiment, people decided to give a little less than half of the \$10 away—\$4.48, to be exact. The more dollars people gave away, the happier they felt. People who gave more money also reported feeling less ashamed, presumably because hoarding a windfall comes with some social stigma.

Besides asking people to report how they were feeling, the researchers made a more unusual request. They asked everyone to chew lightly on a

cotton roll called a Salivette (since we're sure we've whetted your appetite with that description, know that you can purchase some yourself from the Sarstedt company, out of Nümbrecht, Germany). Why make people chew cotton, other than to laugh at them when they try to speak? To measure their level of cortisol—a hormone linked to the experience of stress—which can be assessed via saliva. As it turns out, the more shame people felt upon deciding how much money to keep for themselves, the higher the levels of cortisol in their saliva afterward, suggesting that generous or stingy economic decisions can get under the skin. Although a little spike in cortisol won't harm you, elevated levels of this stress hormone can cause wear and tear on the body over time. Cortisol has been linked to a variety of health problems, including heart disease. a few minutes leL<sup>35</sup>

Remember the research that showed that giving time away can make you feel like you have more time? Giving money away has a parallel effect. People who report donating money to charity feel wealthier than those who do not, even controlling for how much money they make. And giving as little as \$1 away can cause you to feel wealthier.<sup>36</sup> In one experiment, people received an envelope stuffed with \$1 and were assigned to keep this money, donate the money to charity (picking a DonorsChoose.org project), or give the money back to the experimenter. Who felt wealthier? Logically, people who had to give the money back and people who gave it to charity should feel equally poor—they were both out a dollar. But people who gave the money away felt far wealthier than those who gave it back, to such an extent that they felt just as wealthy as people who'd gotten a free dollar. Just as being able to give time away makes us feel that we must have a lot of time to spare, giving money away makes us feel that we must have a lot of money.

Investing in others brings a host of benefits to the giver, affecting not only happiness, but also health and feelings of wealth. In the next section, we explore whether giving money away can not only make people feel wealthier, but also create wealth.

## **The Bottom Line**

In 2009, Pepsi shocked the advertising world by announcing that the company was “punting” the Super Bowl. After a twenty-three-year run, Pepsi pulled all advertising for its trademark brands during the 2010 Super Bowl.<sup>37</sup> Instead, the company diverted its typical \$20 million Super Bowl budget to support grants for a new cause-marketing program: the Pepsi Refresh Project. The program allowed people to submit ideas for grants to “refresh” their communities, and Pepsi awarded grants to ideas that generated the most votes. Amazingly, more votes were cast for Pepsi Refresh projects than had been cast in the 2008 U.S. presidential election. And by making the surprising decision not to advertise, Pepsi got more buzz than most companies that bought Super Bowl ads, piling on three hundred thousand new Facebook fans.

While the program was intended to engage Pepsi’s consumers, the team at Pepsi noticed an additional, and emotionally powerful, effect on the engagement of their own employees. Ami Irazabal, a senior marketing director at Pepsi and the leader of the Pepsi Refresh Project, noted that “people who work on the other brands here at PepsiCo ask, ‘Is there any way I can help?’ ” The brand team seeded a special contest among groups of PepsiCo’s employees: Each group submitted an idea for a \$10,000 grant, all employees got the chance to vote, and CEO Indra Nooyi announced the winner at a town-hall meeting. Internal research showed that 97 percent of employees felt that the project reinforced their pride in PepsiCo as a company. And Kristine Hinck, senior manager, Pepsi Beverages Company Communications, told us that one employee even wrote in to say, “In my 30 years as a PepsiCo employee, I’ve never been more proud!”<sup>38</sup>

In a Gneezy, “Procrastination of Enjoyable Experiences” a more rigorous test of the benefits of prosocial spending, National Australia Bank gave a random subset of its employees 100 Australian dollars to donate to a charity of their choice, through the charity website [karmacurrency.com.au](http://karmacurrency.com.au).<sup>39</sup> After making the donation, these employees not only felt happier, but also reported increased job satisfaction on a follow-up survey.

Some companies are providing employees with opportunities to give not only to charitable causes, but also to one another. Laszlo Bock, vice president for people operations at Google, explains that “[a]ny employee can give any other employee \$150” from a special fund.<sup>40</sup> “There’s no oversight, no management review, no approvals required. The only requirement is that you have to write at least a sentence explaining why they got it.” Even in a company that pays “aggressively” (as Laszlo puts it), where \$150 represents a vanishing fraction of most employees’ income, Google’s research shows that this small bonus “is more effective—and makes people happier—than a cash-based award from a manager or executive.”

Could small bonuses that allow team members to provide benefits to each other not only enhance the recipient’s happiness, but also make the team as a whole more successful? To find out, researchers infiltrated a recreational dodge ball league.<sup>41</sup> On some teams, players received \$20 and were told to spend the money on one of their teammates. On other teams, players were given \$20 to spend on a bill, expense, or gift for themselves. Players who received a personal bonus bought things that dodge ball players (apparently) love, including juice, pitas, and a bottle of Dr. McGillicuddy’s Fireball whiskey. Those who received a prosocial bonus also bought plenty of food and alcohol, but for others rather than just themselves. And one person even bought a piñata for the team. Think of the difference between a team member buying himself some whiskey, versus a team member buying a piñata. (We picture the team smashing a brightly colored donkey until it exploded in a candy shower.) Did these prosocial bonuses improve team performance? Teams who had been given personal bonuses went from winning 50 percent of their games before they received the bonus to 43 percent after. But those teams who received prosocial bonuses went from winning 50 percent of their games to dominating the league, winning fully 80 percent of their games post-bonus.

Winning at dodge ball is one of the most important human endeavors, as we all know, but can prosocial bonuses benefit other organizations? Replicating the dodge ball study in a different context, researchers handed out money again, this time to fourteen pharmaceutical sales teams in

Belgium.<sup>42</sup> Each team consisted of about eight members, and the researchers gave several members of each team 15 euros, measuring team sales performance before and afterward. On half the teams, members were instructed to spend the money on themselves, while on the other teams, they spent the money on their teammates. Sales performance remained flat on the teams where members spent the money on themselves, but sales shot up on teams that received prosocial bonuses. For every 15 euros given to team members to spend on themselves, the company got just 4.5 euros back a few minutes later—a net loss. Because sales failed to increase, personal bonuses were wasted money. In sharp contrast, for every 15 euros given to a team member to spend prosocially, the company reaped 78 euros.

It's important to take these studies with a serious grain of salt given the small number of teams examined, but the sheer size of the observed effects points to the value of questioning traditional assumptions about the best ways to reward employees. Companies have developed an impressive array of compensation schemes to motivate employees, ranging from pay-per-performance to commissions to end-of-year bonuses. The wide variety in such schemes masks a shared assumption: the best way to motivate employees is to reward them with money that they then spend on themselves. Providing employees with bonuses used for prosocial actions toward charities and coworkers offers a novel and potentially profitable alternative.

Encouraging employees to invest in others pays off. What about encouraging customers to do the same? Xavier Helgesen and Christopher “Kreece” Fuchs found a creative way to make some cash when they were college students at Notre Dame. They gathered their friends' used textbooks and sold them online, taking a cut of the proceeds. The two friends also decided that they wanted both to make money and to give back, by donating part of the proceeds from their sales to charity. This idea evolved into their company, Better World Books, an online seller of used books that donates a percent of all profits to reading-related charities such as Books for Africa and the National Center for Family Literacy. Better World Books follows the principle of creating a connection: while

customers never meet the people whom their purchases helped, the site creates a close connection between a donor reading a book and knowing that a recipient somewhere in the world will get to read a book as well.

Indeed, creating this connection is a crucial part of the business model. The company calls it “completing the full circle.” CEO David Murphy says that the company tries to “connect the dots” in customers’ minds: “Donate my books to Better World Books, and then buy my books from Better World Books,” knowing all along that each of these actions helps to benefit needy recipients.<sup>43</sup> Imagine how you’d feel about a car company that told you to buy a car from them, then give it back to them for free and buy another car, and keep doing this over and over. Yet this is exactly the Better World Books model, and it works because customers feel connected to a cause they value.<sup>44</sup>

Despite its popularity, cause marketing doesn’t guarantee increased profitability and everlasting joy. If not executed well, allowing customers to donate to charity by buying regular consumer goods can backfire. In a field study, researchers set up a charity booth at the University of Michigan to collect money for the American Cancer Society.<sup>45</sup> On days when they simply asked passersby to donate their spare change to the cause, they collected a total of \$52.27. On days when they asked for donations and invited people to buy a can of Red Bull for \$2.50 with 50 cents going to charity, they sold 15 cans (yielding \$7.50 for charity) and collected \$10.55 in donations. The donation drive yielded three times as much money when people were asked simply to donate. The problem? Cause marketing efforts can “crowd out” direct a few minutes of charitable giving, making people feel as though they’ve already done their part by purchasing, even when a tiny fraction of the purchase price goes to charity. What’s worse, because cause-related marketing can focus people on their own desires (what iPod do I want?) rather than on the impact of their donations (how will someone benefit from this money?), it can reduce the happiness people get from giving.<sup>46</sup>

Although cause marketing has been around since at least the 1970s, rigorous research on the broader consequences of these initiatives is just

beginning. And websites such as [www.buylesscrap.org](http://www.buylesscrap.org) encourage consumers to donate directly to charity rather than spending money on charity-linked products. So, what's a socially responsible company to do? As a start, we would encourage companies to think about fostering the conditions that promote the warm glow of giving, structuring cause-marketing initiatives so that customers feel that they are making a choice to support the cause, that they are connected to the beneficiaries, and that they are making a real impact.

## **That's Obvious**

While on his way to give a talk at the University of Alberta a few years back, Mike was forced, like all American visitors to Canada, to pass through customs. For whatever reason—perhaps Irish Catholic guilt that he must have done something wrong—Mike generally panics whenever questioned by customs agents. Worse still, Mike was sporting a ginormous beard and a shaved head, while his outdated passport photo showed a beardless Mike with a reasonably full head of hair. The customs agent looked at the photo, then at Mike, then the photo, then Mike again. As beads of sweat began to appear on Mike's bald head, the border guard decided to ask some questions.

Agent:           Are you here for work or pleasure?

Mike:            Work. No, pleasure! I mean, part work and part pleasure, you know, like some of each.

Agent:           (long pause) And what line of work are you in?

Mike:            I'm a professor.

Agent: (longer pause, examines Mike's homeless-person beard and ripped jeans) A professor, eh? Whereabouts?

Mike: Harvard Business School.

Agent: (after seemingly thirty-seven-minute pause, further inspection of photo, outfit, and beard) And you're headed to?

Mike: The University of Alberta. They invited me to give a talk in the Marketing Department.

Agent:

# Epilogue

## Zooming Out

So, now you've seen the five principles of happy money. The principles we outlined should not be considered as independent from each other. You shouldn't either buy experiences or invest in others, but rather think about applying as many principles as you can in your daily spending. It's even possible to apply multiple principles with a single purchase. Remember, the goal is to wring the most happiness out of every \$5: the more principles used, the more happiness.

As we saw in the last chapter, a Starbucks gift card provided the most happiness when people used it to buy coffee for someone else, while accompanying them to Starbucks—which allowed them not only to invest in others (chapter 5), but also to buy an experience (chapter 1), and change the way they spent their time that day (chapter 3). And in your daily life, you could knock off the other two principles by paying up front for the Starbucks card at the beginning of the week (chapter 4) and putting just enough money on the card to buy a basic coffee Monday through Thursday, but a Frappuccino on Friday—making that delicious dose of creamy caffeine a treat (chapter 2). And of course, if there's this much flexibility in changing how you spend money on coffee, think of the range of possibilities in applying our principles to a host of purchases in your life.

Seriously. Think about it. Here are the principles again:

1. Buy Experiences
2. Make It a Treat
3. Buy Time
4. Pay Now, Consume Later

## 5. Invest in Others

So let's zoom out—beyond Frappuccinos, if you can stand to leave them behind for a moment—and think about how a typical household spends its money. In 2010, according to the U.S. Bureau of Labor Statistics, the average American household (or technically, “consumer unit”) earned about \$62,000 before taxes and spent a total of around \$48,000, on the following categories (numbers are rounded to the nearest \$100):<sup>1</sup>

Housing	\$16,500
Transportation	\$7,700
Personal insurance & pensions	\$5,300
Food (at home)	\$3,600
All other expenditures	\$3,400
Healthcare	\$3,200
Food (away from home)	\$2,500
Entertainment	\$2,500
Apparel and Services	\$1,700

Donations (e.g., charities, churches)	\$1,600
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How would you alter spending within these categories, or the allocations across them, in line with the five principles of happy money? We ordered spending from most to least. You'll notice that the two largest categories—housing and transportation—are not particularly good sources of happiness (recall that buying bigger houses and nicer cars doesn't make us much happier, not to mention spending money on gas for our interminable commutes). And you'll also notice that the category in which people report spending least, investing in others, is an excellent source of happiness. Don't get us wrong. We know it's unrealistic to take all of the money you spend on housing and transportation and reallocate it to experiences and donations. But remember, even small purchases can make a difference for our happiness on a given day. The question is not "Should I sell my house and give it all to the American Red Cross?" but rather "Could I reallocate even just \$5 a week from one category to another?"

And just as importantly as reallocating, think about where you could cut back without sacrificing much happiness. Although we've devoted this book to spending money, saving money can also boost happiness. Our genes play a powerful role in shaping our happiness levels—especially, it turns out, among wealthier individuals.<sup>1</sup> Why? It's a little like height. Our genes propel us toward a certain stature, but an impoverished environment can get in the way. Savings can buffer us from the unpleasant shocks of life on earth, providing a cushion that ensures we can bounce back and achieve the levels of happiness entwined in our DNA.

Unfortunately, merely resolving to save more money is not enough. Abstract savings goals have a big effect on individuals' expectations about how much they will spend, but little bearing on how much money they end up spending.<sup>2</sup> Try this approach instead: For one week, keep track of all the money you spend. Rather than grouping your expenditures into the traditional categories used by the Bureau of Labor Statistics, try putting them into categories according to our five spending principles. Then take a close look at all the discretionary income you've spent that falls outside

these categories—and see how much of it you can forgo the following week.

## Spending Big

Thus far, we've focused our attention on changing the way two different kinds of budgets are spent—the budgets that individuals spend trying to maximize happiness, and the budgets that managers spend trying to maximize the happiness of employees and customers. Let's zoom out even further, and think about the biggest spenders of all: governments. The ways in which governments both collect and spend taxpayers' money, and encourage those taxpayers to spend their own money, can exert an enormous impact on happiness. Of course, government interest in the happiness of citizens is not an entirely new endeavor. The Founding Fathers, after all, included “the pursuit of happiness” as one of just three inalienable rights in the Declaration of Independence in 1776. More recently, King Jigme Singye Wangchuck of Bhutan called “>Journal of Personality and Social Psychology 102, no. 2 (February 2012): 215–23.again 1972 for using “Gross National Happiness” to assess his country's health, supplementing more common economic metrics such as gross domestic product.<sup>3</sup>

Beyond Bhutan, interest in the capacity of governments to measure and promote the well-being of citizens has increased in recent years. While we were writing this book, a first-of-its-kind event took happiness to a global level: As mandated by the United Nations General Assembly, the first United Nations Conference on Happiness took place on April 2, 2012. And policy makers—from the Behavioural Insights Team at 10 Downing Street to government officials in the small city of Somerville, Massachusetts—are assessing and attempting to increase the happiness of us regular folks.

## Having Money to Spend

The first, glaringly obvious way governments can facilitate citizens' ability to spend their money in happier ways is to ensure that all citizens have some disposable income to spend in the first place. Traditionally, governments pursue this goal by striving to promote economic growth—the rising tide lifting all boats—but as psychologist David Myers notes, the rising tide has lifted “the yachts more than the dinghies” in recent years.<sup>4</sup> This growing chasm between the yachts and the dinghies has become a pressing political issue in the United States and around the world.

Take a quick, two-question quiz.

1. What percentage of all the wealth in the United States do you think the richest 20 percent of Americans own?
2. What percentage of the wealth do you think the poorest 40 percent of Americans own?

Got your guesses? The answers: the richest 20 percent own around 85 percent of the wealth and the poorest 40 percent own approximately 0 percent.<sup>5</sup> That's not a typo. The bottom two-fifths of Americans have vanishingly close to none of the country's total wealth, while the top 20 percent have nearly all of it. In short, if people need some disposable income to start spending it in happier ways, we're far from fulfilling this basic prerequisite.

There is good news, though. But before we get there, answer two related but different questions. This time there are no right or wrong answers. We just want your beliefs about the ideal America.

1. What percentage of the wealth do you think the richest 20 percent of Americans should own?
2. What percentage of the wealth do you think the poorest 40 percent of Americans should own?

According to a recent survey of some five thousand Americans, people in the United States would ideally like the richest 20 percent of Americans to own 32 percent of the wealth and the poorest 40 percent to own 25 percent.<sup>6</sup> In other words, Americans welcome some wealth inequality. Rich people can be rich, poor people can be poor. But they'd like rich people to be less rich and poor people to have some money to spend. Mor" >Journal of Personality and Social Psychology 102, no. 2 (February 2012): 215–23. agae remarkably, Americans—Republicans and Democrats, rich and poor—show remarkable consensus in their desired distribution of wealth. Everyone wants poor people to have more than they currently have and rich people to have less than they do now. The good news for giving everyone the chance to spend happier money? These results suggest that Americans broadly support more equal distributions of wealth. But not completely equal, for readers who are concerned about the potential negative effects of too much equality on overall economic growth.

And Americans appear to be on to something. More even distributions of income are associated with greater happiness. Looking beyond the United States, research shows that a more equal distribution of money across people is associated with higher average well-being in the world's countries.<sup>7</sup> In one survey of more than fifty-nine thousand respondents from fifty-four countries, people in wealthier countries (as assessed by per capita gross domestic product) were generally happier than people in poor countries. That's not that surprising. However, even when controlling for the wealth of nations, the more unequal the distribution of income, the lower well-being people reported on average. In other words, whether countries were rich or poor, their inhabitants' happiness depended on the relative disparities in their incomes.<sup>11</sup> Why would this be? Some research suggests that inequality is associated with other behaviors linked to unhappiness. As inequality increases in a country, that country's poor experience relatively greater financial distress compared to the poor in less unequal countries. And as financial distress increases, so do divorce rates and commute times—as poorer people move farther from their places of work in an effort to find cheaper housing.<sup>8</sup> It is perhaps not surprising,

then, that countries with stronger social safety nets tend to be happier, as well.<sup>9</sup>

Taken together, these findings suggest that people are happier in countries with more equal distributions of income. Even in countries like the United States, where wealth distributions are more unequal, most people believe that most people should have some money to spend. Of course, ensuring that people have some disposable income is a necessary but not sufficient condition for people to maximize their happiness when they spend it. Assuming—and it's a big assumption—that people do have some money, how can governments encourage them to spend that money in happier ways?

## More Money, Fewer Problems?

There's a puzzle that's plagued psychologists, economists, and policy makers for decades. Governments strive to promote economic growth with the assumption that doing so will enhance their constituents' well-being (and, hey, maybe get them reelected). Interestingly, though, the data are mixed as to whether citizens get any happier as their country gets richer.<sup>10</sup> One intriguing trend emerges from the data, however: economic growth appears to add 52 percent in the Netherlands experimentally more for the happiness of the average citizen in some countries (like Denmark, the Netherlands, and Italy) than in others (like the United States and China).<sup>11</sup> Alan Krueger, tapped by President Obama to be chairman of the White House Council of Economic Advisers, suggests that this variation poses a pressing new puzzle: "Why do some countries do a much better job translating income gains into happiness than others?"<sup>12</sup>

If the amount of happiness your money buys depends on how you spend it, might the same idea hold true at the level of countries? The variability in how governments choose to spend money, and encourage their citizens to spend their own money, may explain why some countries are so skilled at turning cash into happiness. Unlike individuals, countries rarely sign up for psychology experiments. Because we can't draw strong causal

conclusions until we convince countries to do so, discussing these differences between countries is best considered as a thought exercise—for now. And we should also note that our focus is on the impact of changing policies specifically on people’s happiness. When we suggest below that it may not be wise for governments to encourage rampant home ownership, our focus is on the happiness of individual homeowners, and not the additional macroeconomic consequences.

## Buy Experiences

What caused the economic crisis in the United States in 2008? Opinions vary, of course, but most people point to the collapse of the housing bubble—in conjunction with subprime mortgages—as a key contributor. While the respective contributions of government agencies like Fannie Mae and Freddie Mac and the private lenders issuing subprime mortgages will be debated for decades, one driver of the bubble is clear: Americans are propelled to buy houses, and take on debt and risk to own one. (Recall that some 90 percent of Americans link home ownership to living the American dream.)<sup>13</sup>

In Canada, unlike the United States, mortgage lenders have full recourse to the borrower’s assets and income, and mortgage interest is not tax-deductible.<sup>14</sup> These differences between two otherwise similar countries offer a stark contrast. Americans are encouraged to buy houses with incentives such as protection of their other assets and tax benefits, incentives unavailable to Canadians. One of the largest material purchases people ever make is their home, yet home purchases usually fail to make people any happier. By encouraging people to buy houses, the United States government implicitly encourages people to buy stuff. By reducing incentives for home buying, the Canadian government decreases that temptation.

If governments encourage citizens to buy less stuff (like houses), should they also institute policies to encourage the pursuit of experiences instead? Evidence from the city of Somerville, Massachusetts—just north of Mike’s

home in Cambridge—suggests yes. The city asked more than six thousand residents to rate their satisfaction with various aspects of life in Somerville, from traffic to schools to snow removal (a big deal, given Massachusetts winters). The goal? The city wanted to determine what aspects of life in Somerville exerted the greatest and Justin Wolfers, “Economic Growth and Subjective Well-Being: Reassessing the Easterlin Paradox”<sup>15</sup> influence on inhabitants’ happiness. As it turned out, residents’ ratings of “the appearance and maintenance of parks” and “the beauty or physical setting of the city” were important predictors of their overall happiness with Somerville.<sup>15</sup> It’s easier for people to seek out experiences, from picnics in the park to nights on the town, when the local environment provides appropriate settings.

Governments often provide support for museums, national parks, and other cultural institutions, thereby making experiential purchases accessible and affordable for their citizens. To experience those experiences, of course, people need to have the time to pursue them. And countries vary not just in providing more kinds of experiences, but in the amount of “free time” their inhabitants have, particularly in the form of government-mandated vacation days. In Denmark, ranked among the world’s happiest countries, the Danish Holiday Act requires that workers get five paid weeks off each year,<sup>16</sup> leaving the Danes with more time for experiences than people have in countries such as the United States, which lacks a mandatory vacation requirement.<sup>17, III</sup>

## **Make It a Treat**

Applying comedian Sarah Silverman’s mantra to the governance of nation-states is far from straightforward. Governments are in the business of making sure people have the opportunity to get what they most want, whereas “making it a treat” is all about limiting the supply of our favorite things. We’re in uncharted territory here, since we can’t help but love big-box stores and special deals that help us get more, more, more—especially with those magic words: “Buy One, Get One Free.”

David Halpern, director of the Behavioural Insights Team in the British government, explains, “We know that ‘Buy One, Get One Free’ drives up consumption very substantially, particularly for some product classes.”<sup>18</sup> As David notes, these deals aren’t a problem when they allow us to stock up on toothpaste, soap, and other necessities, while saving us some money along the way. After all, necessities like these have an important property: we can only use so much of them. It’s rare for people to overconsume toothpaste. We brush a couple of times a day, and that’s that. Things get more complicated when we get deals on things that we are prone to overconsume, like chocolate or alcohol. In these cases, “Buy One, Get One Free” doesn’t just save us money. It can also negatively affect our physical health. From the happy money perspective, deals like these also introduce a potential problem for our emotional health. As many of us know all too well, whether there are one, two, or ten chocolates in front of us, we scarf them down as fast as we can, potentially undermining our enjoyment of each confection.

Should governments ration how much chocolate we eat? It sounds crazy, we admit. Except that governments implicitly ration all kinds of products we consume, via taxation. Consider cigarette taxes: In 2011 and Justin Wolfers, “Economic Growth and Subjective Well-Being: Reassessing the Easterlin Paradox”<sup>19</sup> Missouri had the lowest state cigarette excise tax in the United States—just \$0.17 per pack—while New York’s was more than twenty-five times higher, at \$4.35 per pack.<sup>19</sup> And as you might expect, taxes are related to consumption. New York has lower rates of smoking than Missouri, and in general, states with higher taxes tend to have fewer smokers.<sup>20</sup>

Nor are taxes the only way that governments can encourage us to make things a treat. Many regions have laws that limit the sale of alcohol to certain times and places. Interestingly, however, the trend has been to increase rather than decrease access to alcohol. Take the Orwellian-titled Restaurant Rejuvenation Act, passed in Massachusetts in 2010. The cornerstone of the act was the so-called brunch exception, which permitted restaurants to serve liquor starting at 10 A.M. on Sundays, two

hours earlier than the previous noon start.<sup>21</sup> We love mimosas as much as anyone, but changes in policy that increase access to alcohol may decrease the likelihood that people take breaks from it, making alcohol less of a treat.

Alcohol is a traditional vice, but sugary sodas are the latest bad boys of the beverage world. Policies banning the vending machines that dispense them are spreading in American schools. The first was passed in Arkansas in 2003.<sup>22</sup> The evidence is mixed on the effect of such bans on childhood obesity and on children's health more broadly.<sup>23</sup> But banning soda for a large chunk of the day may have an additional benefit, restoring children's enjoyment of drinks best regarded as treats.

Of course, smokers and drinkers aren't always thrilled about policies that tax cigarettes or limit access to alcohol and soda. (Mike admits that he might take to the streets if Massachusetts tried to limit his access to Diet Coke.) But these examples show that governments can encourage people both to limit and break up consumption with simple policy changes.

## **Buy Time**

Commuting times show enormous variability between countries, ranging from a low of around 25 minutes each way in Ireland and Denmark (oh that Denmark!) to more than 50 minutes each way in Korea and South Africa.<sup>24</sup> Governments are quite adept at altering how much time and money people spend commuting, with both carrots and sticks. First, the sticks. Cities from London to Milan to Singapore have begun charging higher tolls to use heavily trafficked roads at the times when those roads are most likely to be congested. (A similar initiative failed to pass in New York City.) While the heavier burden such congestion pricing places on poorer commuters must be considered, at their best such initiatives would encourage people not only to avoid being stuck in traffic, but also to seek out alternative means of shortening their commutes.

Now for the carrots: Consider an innovative program launched by Washington, D.C.'s Office of Planning called Live Near Your Work.<sup>25</sup> The program offers up to \$12,000 in incentives for people who move within two miles of work, half a mile of the subway, or a quarter mile to a bus stop. And in Sweden (another pretty happy country), Stockholm City Bikes allows residents to buy bike cards that provide access to bikes stashed at any one of dozens of bike stands around the capital city, making biking as convenient and affordable as sitting on a bus or taking a subway.

Okay, so you don't live in Stockholm. In that case, consider buying a bike. Think biking instead of driving will take too long? Nearly 40 percent of all car rides in the United States are two miles or less and about 60 percent are five miles or less,<sup>26</sup> a reasonable distance for a bike ride (especially considering time typically spent stuck in traffic).

As with commuting times, countries vary widely in preferred modes of transportation. The percentage of trips taken that use public transportation, walking, and biking range from 14 percent in Australia and a low of 11 percent in the United States (yes, 89 percent of trips in the United States are by car) to a whopping 67 percent in Latvia and 52 percent in the Netherlands (a statistic that won't surprise tourists who've nearly been demolished by the hordes of cyclists in Amsterdam). These rates are negatively correlated with obesity, as we might expect given that walking and biking require more effort than sitting in an SUV.<sup>27</sup>

But would encouraging biking increase happiness? Within American cities, the percentage of commuters who cycle to work is positively correlated with average happiness in those cities (though cities with lots of bikers also have a higher standard of living in general, which may account for at least some of the effect).<sup>28</sup> Time spent driving is a bust for happiness, whereas time spent exercising is a boon. Taking a bike to work (even once a week) can transform our happiness-wasting commuting time into happiness-inducing physical activity time. Governments can help make this happen.

## **Pay Now, Consume Later**

In the United States, the income tax system is structured such that many people overpay during the year and then receive a tax refund when April rolls around. Doug Shulman, the commissioner of the Internal Revenue Service, notes that “80 percent of Americans get an average of a \$3,000 refund.”<sup>29</sup> Overpaying can have real costs, depriving people of the interest they could have earned on that money if they invested it during the year. In the United Kingdom, in contrast, the tax collection system is designed to minimize error, such that relatively few people end up receiving tax refunds (or owing money) at the end of the year.

At first glance, the British system sounds great. But consider the consequences if the British system were skewed toward overcollecting taxes during the year so that people very rarely have to make a repayment at the end of the year. What would happen instead? Many people receive a rebate, more similar to standard operating procedure in countries like the United States. How would this policy help taxpayers follow our principle to pay now and consume later? Over-collection helps ensure that evocative as the presentCht people pay up front rather than devoting all their dough to immediate consumption and then being left short-handed when the tax bill is due.

Whether in the market for a new car, a new television, or a new house, phrases like “no money down” and “no payments for 24 months” are featured up front, with the gory details of how payments can balloon over time buried in the small print. While people disagree about many aspects of the newly created Consumer Financial Protection Bureau, one goal of the agency is crystal clear: to help consumers understand what they are getting into with “deals” like these. By bringing the delayed costs to the forefront, the Consumer Financial Protection Bureau stands to counter the drive to consume now and pay later, by making the enormous potential “later” payments salient in the “now.” The proposed new forms for home loans or mortgage refinancing, for example, include a single-page summary of key terms, including simple “Yes” or “No” responses as to whether monthly payments can increase and whether the loan has balloon payments. This information was included in previous forms but was often hidden deeper in the documents.<sup>30</sup> Government actions ranging from

tipping the balance of tax collection to introducing new agencies can shape people's tendencies to pay now and consume later.

## Invest in Others

Since countries with more equal distributions of income also tend to be happier countries, and people (at least in the United States) prefer more equal distributions of wealth, should governments follow their citizens' wishes to ensure that all of us have happy money to spend? One common method is via one of the least happy words of all—taxes. Not everyone hates higher taxes, however. Our “invest in others” guru Warren Buffett has noted that it is ludicrous that he should pay a lower rate of taxes on his vast wealth than his secretary does. In an editorial in the *New York Times*, he argued for higher taxes on the wealthy.<sup>31</sup> President Barack Obama has picked up on Buffett's advice, calling for the enactment of the “Buffett Rule,” a minimum level of tax on the wealthiest Americans. To make the Buffett connection clear, he seated Buffett's secretary Debbie Bosanek in Michelle Obama's box for his 2012 State of the Union address.<sup>32</sup>

Despite these reasonable arguments, most of us are not thrilled about the idea of paying higher taxes. Commentaries on the topic include a blog titled “I Hate Income Tax: Seven Reasons to Remove the Greatest Evil Facing Americans”<sup>33</sup> and an “I Hate Taxes” Facebook fan page with the slogan “If you love freedom, then you hate taxes.”<sup>34</sup> Research shows, however, that people in countries with more progressive taxation (like Sweden and Japan) are happier than those in countries where taxes are less progressive (like Italy and Singapore).<sup>35</sup> Given the benefits of progressive taxation, is there any way to make people happier paying their taxes? The University of Pennsylvania links back to research showing that donations to a food bank elicited more activation in brain regions associated with reward when the contributions were made by choice rather than being obligatory.<sup>36</sup> Recent research offers a solution to the “I Hate Taxes” problem based on a similar principle. If we make taxes feel more

like charitable contributions, people may be happier about having to pay them.

In a recent experiment, a national sample of more than four hundred Americans indicated their tax filing status and their income and then learned their marginal tax rate (their tax bracket).<sup>37</sup> Some respondents next completed a series of questions asking them to rate both the satisfaction they derived from paying their income taxes and the extent to which they felt their tax dollars provided benefits and paid for valuable services. Others first saw each of the categories in the federal budget—from military spending to antipoverty programs—and were asked to think about where, if given the option, they would most want to allocate 10 percent of their income tax. By adding an element of choice, this simple exercise increased both people's satisfaction with paying their taxes and their beliefs that their tax money provided value to the country. President Obama took a step in this direction in his 2011 State of the Union speech when he promised that, for the first time ever, American taxpayers could see how their federal tax dollars were spent (you can try it yourself at <http://www.whitehouse.gov/2011-taxreceipt>). The same experiment, though, also showed that merely learning where tax dollars were allocated did not change people's tax attitudes. Only being allowed to allocate money did the trick. You may be familiar from past tax returns with the only allocation U.S. citizens are currently allowed: designating just one of their tax dollars to the Federal Election Commission to finance presidential elections. We would suggest upping the ante from \$1 to a more sizable chunk of income.<sup>IV</sup>

How much do Americans care about investing in others? The United States has lower income taxes than many similar countries. Top earners paid a tax rate of 35 percent in 2011, compared to 50 percent in the United Kingdom and 52 percent in the Netherlands.<sup>38</sup> On the other hand, the United States is consistently in the top ten countries in the world in terms of percentage of citizens donating to charity. An impressive 65 percent of Americans reported donating money to charity in 2011, which in the end, is really just redistribution under another guise.<sup>39</sup> Through the power of

allocation, the same people who loathe redistribution of income in the form of taxes may be perfectly willing to pay those taxes, provided that they have some choice in the matter, allowing them to reap the happiness benefits of investing in others.

The high rate of giving among Americans is due in part to another government decision that changes the frequency with which people invest in others: tax incentives for giving. Countries vary on whether charitable contributions can be deducted from income taxes, estate taxes, or both, and on the ceiling captures our attention<sup>8ga</sup> they set for total deductions. These policies are linked to the frequency with which people give.<sup>40</sup> Stronger incentives for giving have the potential to encourage greater investment in others.

## **Teach a Man to Spend . . .**

We often get asked why people can't just figure out, through trial and error, which purchases make them happy, and which don't. One important reason, we believe, is that people just don't have the data they need. They don't fill out a happiness scale every day, then look back at the results and see what made them happy and unhappy that day. We get some feedback—we feel happy when eating cake, for instance—but this immediate feedback may not provide us with the right kind of data to maximize our happiness. It's not that human beings are incapable of using scales to understand themselves. We're all accustomed to weighing ourselves on scales, and we know that how much we eat and exercise makes our weight on that scale go up and down. Can we do the same with happiness?

This question brings us to a final tool that governments have at their disposal: raising awareness. Our principles show readers of this book the very best ways to spend money to reap the most happiness from every dollar. Governments can provide such "happiness education" on a much broader scale. David Halpern offers this goal as his core job description: "De-shroud for citizens what it is that impacts their well-being, including their consumption choices."

And for libertarian-minded readers horrified at some of the government interventions we outlined in the previous sections, raising awareness offers a middle ground. Governments can provide accurate information on the determinants of well-being and then leave it up to citizens to decide how best to implement that knowledge in their own choices. David noted that the big question is whether making such data public “would affect market choices.” For example, “Would people choose to live in a different area because reams of data show that people are happier there?” In the longer term, we can imagine that people would use their knowledge about the determinants of well-being to pressure governments to enact policies that maximize their own well-being. (This might have another happiness benefit: countries with democratic institutions—like direct election of politicians—tend to have happier citizens.)<sup>41</sup>

Let’s zoom out still further, beyond the United Kingdom. We told you earlier about the first ever United Nations Conference on Happiness in April 2012. The result of this endeavor? The 158-page World Happiness Report, which gathered the most cutting-edge thinking about happiness into one volume (full disclosure: one of the volume’s co-editors, John Helliwell, is a collaborator of ours).<sup>42</sup> The goal? To provide a “how to” guide for policymakers interested in understanding how to measure and increase happiness. At a minimum, the report was successful at raising awareness of happiness in some countries that had not paid much attention previously. When several China-based news outlets reposted the report, the Chinese State Council Information Office—apparently not happy that China was ranked as the world’s 112th happiest country—banned publishing or even referring to the report.<sup>43</sup> The report is just the start of bringing attention to happiness and starting a broader conversation. “We’re really at the beginning,” says David Halpern.

## **Can Happiness Be Bought?**

Changing the way you spend your money is far from the only way to increase your happiness, of course.<sup>V</sup> But our principles show that money can do a much better job of buying you happiness if you spend it right, since some purchases give you a bigger happiness bang for your buck than others. Still, though, is it wise to go around chasing happiness in your daily life? Isn't chasing happiness a bit of a fool's errand, a form of tilting at windmills? As a satirical headline from the Onion put it: "Grown Adult Actually Expects to Be Happy."<sup>44</sup> Some research suggests that chasing happiness can be counterproductive. People who were told to try to make themselves feel as happy as possible while they listened to some pretty good, but not fantastic music reported feeling less happy than those who hadn't been given any instructions.<sup>45</sup> It's hard to will yourself to be happier, as anyone who has been depressed knows. Being told to "just cheer up" is similar to being told to "just win a marathon." It's possible in theory, but a lot of help and practice is required. As we said at the outset, trying to get happier is like trying to conduct a heart transplant on yourself. Most of us could benefit from some expert guidance.

We selected the five principles in this book not only because each one is supported by rigorous research, but also because many of us—including the two of us—don't always follow them. Why? Because we mistakenly believe that we're already spending money in ways that will make us happier—the flat-screen TV and enormous house in the suburbs just feel like they'll provide lasting happiness. So, one likely reason why people's efforts to try to get happy often fail is, well . . . it's just not easy to figure it out. Each of our print>

ciples offers a scientifically validated means of increasing happiness. Like surgical experts performing a heart transplant, we're pretty confident that following these principles might be better than just winging it. And luckily, spending money is a lot easier and much less messy than major surgery.

[VI](#)

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[I](#). See

[http://www.bls.gov/opub/focus/volume2\\_number12/cex\\_2\\_12.htm#table1](http://www.bls.gov/opub/focus/volume2_number12/cex_2_12.htm#table1). You can see how these spending allocations compare to the United Kingdom, Canada, and Japan by visiting [http://www.bls.gov/opub/focus/volume2\\_number16/cex\\_2\\_16.htm](http://www.bls.gov/opub/focus/volume2_number16/cex_2_16.htm).

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[IV](#). Note that people in the study were asked to consider how they would allocate only 10 percent of their total tax dollars. Increasing the level to 100 percent might cause necessary but boring services

to become severely underfunded (who wants to pay for sewer maintenance when you could direct your donations to early childhood education?). Importantly, though, these results suggest that even having a say in just one out of every ten dollars can suffice to increase tax satisfaction.

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