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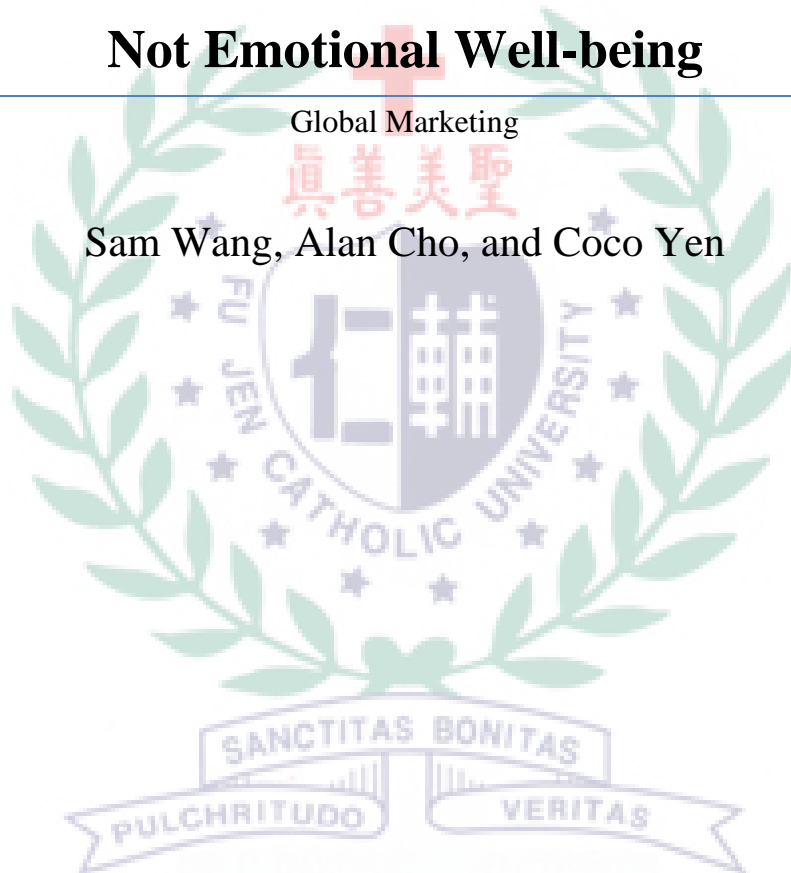
# High Income Improves Evaluation of Life But Not Emotional Well-being

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Global Marketing

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# High income improves evaluation of life but not emotional well-being

Daniel Kahneman and Angus Deaton

## • Abstract

Recent research by Daniel Kahneman and Angus Deaton has begun to distinguish two aspects of subjective well-being. **Emotional well-being** refers to the emotional quality of a person's everyday experience — the frequency and intensity of experiences of joy, stress, sadness, anger, and affection that make one's life pleasant or unpleasant. **Life evaluation** refers to the thoughts that people have about their life when they think about it. The key question is whether money buys happiness, separately for these two aspects of well-being. The researchers reported an analysis of more than 450,000 responses to the Gallup-Healthways Well-Being Index, a daily survey of 1,000 US residents conducted by the Gallup Organization. The researchers find that emotional well-being (measured by questions about emotional experiences yesterday) and life evaluation (measured by Cantril's Self-Anchoring Scale) have different correlates. Income and education may have more effects on life evaluation, but health, care giving, loneliness, and smoking are relatively stronger predictors of daily emotions.

When plotted against log income, life evaluation rises steadily. Emotional well-being also rises with log income, but there is no further progress beyond an annual income of ~\$75,000. Low income exacerbates the emotional pain associated with such misfortunes as divorce, ill health, and being alone. We came to a conclusion that high income may bring life satisfaction but not happiness, and that low income is associated both with low life evaluation and low emotional well-being.

## • Introduction

In both scholarly debates and casual conversation the question of whether "money buys happiness" is frequently discussed by people. The subject has been stressed and remained questionable research literature. So far, there is no one or article can resolve this question thoroughly, yet detailed data as well as measurement of well-being is gathered and provided by Gallup Organization in the Gallup-Healthways Well-Being Index (GHWBI) for the public. However, the responses from more than 450,000 US residents to some questions about subjective well-being are analyzed. And the results advocate that the answer to the question is very complex.

## • Theory

The logarithmic transformation stands for an essential insight known which is called Weber's Law, and it is applied to quantitative size of awareness and judgment in general, for instance, the intensity of sounds and lights. And the rule of it is that the stimulus for the discovery and assessment of changes in this size is the change on percentage instead of absolute amount.

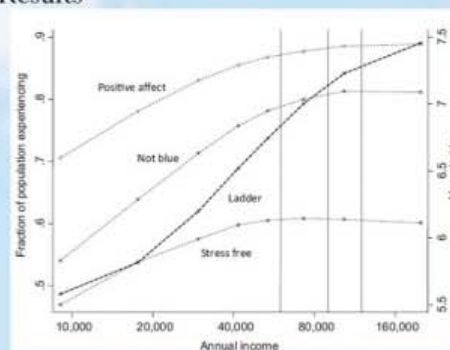
## • Materials and Method

This study also involved a telephone interview using a dual-frame random-digit dial methodology that included cell phone numbers from all 50 US states. The interviews were conducted between 9:00 AM and 10:00 PM (local time), with most done in the evening. In average, five callbacks were made in the case of no answer. Spanish language interviews were conducted when appropriate. Approximately 1,000 interviews were completed daily from January 2 through December 30, 2009.

The questionnaire covered many topics of interest to the Gallup Organization and Healthways Corporation, including basic demographic information, participants' opinions about the current economic climate and their personal financial situation, information about past diseases, and other topics.

Life evaluation was assessed using Cantril's Self-Anchoring Scale (the ladder), the researchers design the question as: "Please imagine a ladder with steps numbered from 0 at the bottom to 10 at the top. The top of the ladder represents the best possible life for you, and the bottom of the ladder represents the worst possible life for you. On which step of the ladder would you say you personally feel you stand at this time?" (15). Questions about emotional well-being had yes/no response options and were worded as follows: "Did you experience the following feelings during a lot of the day yesterday? How about \_\_\_\_\_?" Each of several emotions (e.g., enjoyment, stress) was reported separately. The positive affect score was the average of the reports of enjoyment and happiness and of a dichotomous question about the frequency of smiling: "Did you smile or laugh a lot yesterday?" The blue affect score was the average of worry and sadness.

## • Results



The researchers deleted some observations to eliminate likely errors in the reports of income. The GHWBI asks individuals to report their monthly family income in 11 categories. The three lowest categories—0, <\$60, and \$60–\$499—cannot be treated as serious estimates of household income. We

deleted these three categories (a total of 14,425 observations out of 709,183), as well as those respondents for whom income is missing (172,677 observations).

	Positive affect	Blue affect	Stress	Ladder
Regression coefficient:				
High income	0.03	-0.06	-0.03	0.64
Ratio of coefficient to log income coefficient				
High income	1.00	1.00	1.00	1.00
Insured	0.40	0.92	1.19	0.59
Old	0.79	0.93	6.28	0.50
Graduate	0.03	0.01	-1.93	0.48
Religious	1.16	-0.02	1.21	0.35
Female	0.16	-0.60	-1.89	0.29
Married	0.66	0.45	0.66	0.32
Weekend	1.13	0.72	4.83	0.01
Children	0.08	-0.37	-2.47	-0.11
Caregiver	-0.49	-1.02	-2.99	-0.25
Obese	-0.38	-0.14	-0.42	-0.31
Divorced	-0.38	-0.27	-0.88	-0.32
Health condition	-1.36	-1.22	-3.15	-0.48
Headache	-4.45	-3.41	-9.82	-0.78
Alone	-7.13	-2.10	-3.73	-0.75
Smoker	-1.01	-0.84	-2.85	-0.70

Table 1. Life evaluation, emotional well-being, income, and the income-normalized effects of other correlates

The data for positive and blue affect provide an unexpectedly sharp answer to our original question. More money does not necessarily buy more happiness, but less money is associated with emotional pain. According to the research, \$75,000 is a threshold beyond which further increases in income no longer improve individuals' ability to do what matters most to their emotional well-being, such as spending time with people they like, avoiding pain and disease, and enjoying leisure. According to the ACS, mean (median) US household income was \$71,500 (\$52,000) in 2008, and about a third of households were above the \$75,000 threshold. It also is likely that when income rises beyond this value, the increased ability to purchase positive experiences is balanced, on average, by some negative effects. A recent psychological study using priming methods provided suggestive evidence of a possible association between high income and a reduced ability to enjoy small pleasures.

## • Reference

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