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By Alice Park
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The Beatles sang that money can't buy you love. But what about happiness? Research consistently shows that the more money people have, the more likely they are to report being satisfied with their lives. And that makes sense: money buys you things that make life easier and more satisfying; the easier your life, the happier you tend to be. That relationship isn't entirely linear, since there's a limit to how much wealth can please you; the happiness benefit of an increasing income is especially powerful among people who don't have much money to start with, and diminishes as wealth increases. But studies also reveal that as average income levels have risen over time &#65533; in the U.S. and European nations, for example &#65533; residents of those countries have not reported being any happier than people were 30 or 40 years ago. It's a paradox that while income and happiness may be associated within a population at any given moment, overall economic growth does not appear to correspond to a boost in national satisfaction over time. To understand why, researchers at the University of Warwick and Cardiff University decided to break down how individual people evaluate their income. What does wealth mean to people? Previous work has suggested that people tend to value their own wealth more &#65533; and are happier &#65533; when it compares favorably to everyone else's. The so-called reference-income hypothesis holds that it's not simply how much money you make that contributes to satisfaction, but how much more money you make than, say, the national average. The higher your salary than the norm, the happier you tend to be. That could explain in part why populations as a whole do not experience sunnier dispositions with economic growth, since a majority of individuals may not fall above the national income average. But the reference-income hypothesis is rather abstract. The researchers wondered whether there was a more nuanced way to capture how people valued their income. They reasoned that people tend to make specific comparisons of personal wealth, not only with the average income of the larger population, but with the individual incomes of their neighbors, colleagues at work or friends from college. And the higher their rank, the greater their sense of happiness and self-worth would likely be. "For example, people might care about whether they are the second most highly paid person, or the eighth most highly paid person, in their comparison set," write the authors, Chris Boyce, a psychologist at the University of Warwick, and Simon Moore, a psychologist at Cardiff University.
(Read about the science of happiness.) Working with a data set of 12,000 adults in Britain, Boyce and Moore assigned a rank to each participant based on income, and compared these positions to their answers on life-satisfaction surveys. The status rankings were determined using a statistical formula that incorporated factors such as geography, age, gender and educational status. So, a participant's income could be ranked along with those of neighbors, for instance, or with those of other similarly educated peers.
(Comment on this story.) Boyce and Moore found that an individual's rank, viewed this way, was a stronger predictor of happiness than absolute wealth. The higher a person ranked within his age group or neighborhood, the more status he had and the happier he was regardless of how much he made in dollars (or, in the study's case, pounds). "What we're trying to do is understand and explain why, over 30 to 40 years, the large economic growth we have experienced hasn't made us any happier," says Boyce. "If absolute income matters, as we increased our income, everybody should get happier at a national level, but we don't seem to. So what we are showing is that in terms of life satisfaction, rank is a better predictor than absolute wealth." <p

align="justify">The data did not include an analysis of which ranking scales were more powerfully associated with satisfaction • that is, whether you are happier or not if you make more than your neighbor or if you make more than others in your profession • but that's the next step in the research. Money may not buy you love but it may be enough to purchase status • and a little bit of happiness.
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