

Happiness and Thrift: When (Spending) Less is (Hedonically) More

Joseph Chancellor and Sonja Lyubomirsky

University of California, Riverside

in press, *Journal of Consumer Psychology*

Abstract

The authors respond to Dunn, Gilbert, and Wilson (2011) and offer additional ideas about how to apply the virtue of thrift to obtain greater affective benefit from spending less. Materialism and over-consumption is damaging for the individual, the economy, and the environment. Over consumption is understandable in light of hedonic adaptation, where the happiness arising from a positive change erodes via two key pathways: diminishing positive emotions and rising aspirations. In the U.S., hedonic adaptation encourages overspending and indebtedness. The practice of thrift is the wise and efficient use of resources, and there are many thrifty proponents and adherents throughout history—including Socrates, King Solomon, Confucius, Benjamin Franklin, and today, Warren Buffett. Studies suggest that individuals would spend less and derive more hedonic benefit by eliminating distressing debts, stretching positive experiences through appreciation and savoring, recycling positive experiences via variety and reminiscing, renting instead of buying, and resolutely focusing on intrinsic goals over extrinsic ones. With a strong financial foundation and the skills to make the most of positive changes, more Americans would be able to thrive financially and emotionally in challenging economic times, while contributing less to the perilous circumstances that led to these challenging times in the first place.

Keywords: Hedonic adaptation, well-being, thrift, appreciation, gratitude, savoring, motivation

Happiness and Thrift: When (Spending) Less is (Hedonically) More

In a compelling analysis, Dunn, Gilbert, and Wilson (2011) peer inside the minds of consumers to understand why spending money does not inevitably lead to happiness when it clearly has the capacity to do so. To this end, they present eight empirically supported principles that can guide spending choices toward rosier outcomes. We revisit a number of these persuasive principles in light of recent arguments and findings from our own and others' labs, and offer several additional ideas about how people's spending and consumption experiences can maximize their happiness. However, given the present-day financial disarray of countless American households, our focus in this commentary is on individuals living on limited budgets – in other words, how to apply the virtues of thrift to obtain greater affective benefit from spending less.

The Present Predicament

Warren Buffet wryly observed that “When the tide goes out, you find out who's been swimming naked.” In the midst of a subprime mortgage crisis, a multi-year recession, and record levels of unemployment, the amount of financial “nakedness” on display has shocked the world. During the height of the subprime bubble, companies flouted fundamental financial principles—making deals that they knew were bad or hawking products that they knew were worthless—in the pursuit of greater wealth. At the individual level, every toxic mortgage made by a bank bore the signature of eager borrowers, presuming that over-leveraging would be as profitable for them as it was for their friends.

After having just lost his own fortune in the financial crisis of his day, Sir Isaac Newton confessed that he could “calculate the motions of erratic stars, but not the madness of the multitude.” From both a macro and micro perspective, materialism *is* an irrational pursuit. As a

contrast to smooth, predictable expansion of economic activity, unbridled greed can facilitate unnecessary booms, bubbles, and eventually, busts¹. Furthermore, over-consumption wreaks havoc on the environment, as materialists engage in fewer environmentally friendly activities (Richins & Dawson, 1992) and leave a larger ecological footprint (Brown & Kasser, 2005).

The relentless pursuit of wealth is also damaging on the individual level. Materialistic individuals report less satisfaction (Richins & Dawson, 1992), more unhappiness (Belk, 1985), and lower levels of relatedness, competence, autonomy, gratitude, and meaning in life (Kashdan & Breen, 2007). Materialists rate their own social interactions less positively (Kasser & Ryan, 2001) and have less satisfying relationships as rated by others (Solberg, Diener, & Robinson, 2004). Families who strongly endorse having goals for financial success also report less satisfaction with family life (Nickerson, Schwarz, Diener, & Kahneman, 2003). High financial aspirations are associated with lower social functioning and more antisocial behavior in young adults (Kasser & Ryan, 1993). The desire for wealth and possessions is particularly distressing when one is poor, but even as income rises, the materialist's well-being never catches up to the level of others (Nickerson et al., 2003). Even in environments that foster materialistic pursuits, such as business schools, students with strong, internalized materialistic values are more anxious, more unhappy, and have poorer physical health (Kasser & Ahuvia, 2002). In sum, evidence suggests that a strong focus on acquiring money and possessions is detrimental to an individual's well-being across a number of life domains.

Pleasure and Presumption

If materialism is unfulfilling, why is it so alluring? Lyubomirsky and Sheldon's (Lyubomirsky, 2011; Sheldon, Boehm, & Lyubomirsky, in press) hedonic adaptation prevention

¹ Examining several decades of economic activity, Milani (2010) demonstrates that waves of irrational optimism and pessimism account for half of unexplainable fluctuations using traditional, rational economic models.

(HAP) model demonstrates how the happiness that comes from a positive change (such as owning a new widget or securing a pay raise) erodes via two key pathways: the puddles of pleasure and the peaks of presumption. As time passes, a positive change produces an ever-narrowing stream of positive experiences and positive emotions until it dries up completely, like a spring-time puddle evaporates under a stifling summer sun. One enjoys a newly remodeled bathroom for a season, but over time it becomes less noticeable and brings fewer positive feelings. The bathroom that used to be new has now become ordinary and completely faded into the background of one's conscious experience.

Positive changes also bring about increases in people's expectations and desires, impeding the full effect of the next positive change like a lofty peak they must surmount to reach their destination. After one finishes remodeling one's bathroom, the living room and bedroom now seem drab by comparison. People's rising aspirations render rooms eyesores that were previously normal. When they eventually remodel them, their rising standard virtually ensures they must renovate and spend more to continue to satisfy themselves.

People's aspirations can ultimately become so high that they choke off all of life's pleasures, leaving them miserable even in the midst of favorable circumstances. In an extreme example, after *Thriller* became the best selling album of all time, Michael Jackson declared that he would not be satisfied unless his next album sold twice as many copies. In fact, it sold 70% less. Only by accounting for rising aspirations is it possible to grasp why continuing positive changes lead to diminishing hedonic returns; and when outcomes fall short of one's expectations, disappointment is the price of presumption.

Left unchecked, rising aspirations and decreasing positive emotions erode the benefits of individuals' old consumption experiences, thus continually driving them to consume more and

more—provided that their pocketbooks can keep up. Psychologists call this endless cycle of acquisition and adaptation the hedonic treadmill (Brickman & Campbell, 1971), and its function provides insight into why people continue to purchase and possess—never reaching a point when their life is sufficiently pleasurable and satisfying. The consequence is runaway materialism, in which more and more money is spent and less and less happiness is derived from it.

Pain Is More Potent Than Pleasure

Although the same hedonic adaptation process is involved in both positive and negative experiences, an important asymmetry exists between the two that further complicates efforts to remain happy, especially if a positive change comes at a high financial cost. To sum up almost two decades of research, bad is stronger than good (Baumeister, Bratslavsky, Finkenauer, & Vohs, 2001; see also Taylor, 1991), or as Einstein quipped, “Put your hand on a hot stove for a minute, and it seems like an hour. Sit with a pretty girl for an hour, and it seems like a minute.” Daily diary studies demonstrate that positive changes are weaker than negative changes, and that their effects also evaporate more quickly (e.g., Nezlek & Gable, 2001; Sheldon, Ryan, & Reis, 1996; see also Oishi, Diener, D. Choi, Kim-Prieto, & I. Choi, 2007). For example, Sheldon and his colleagues (1996) showed that after a bad day, students reported lower well-being the next day, but, after a good day, positive well-being did not carry over.

In studies that examine the course of adaptation to positive circumstances and events, participants demonstrate a fairly rapid and seemingly complete return to baseline levels. The most widely-cited study is that of Brickman, Coates, and Janoff-Bulman (1978), who reported that winners of \$50K to \$1M (in 1970s dollars) in the Illinois State Lottery were no happier from less than 1 month to 18 months after the news than those who had experienced no such windfall. In America, over a time period when incomes more than tripled, mean happiness scores shifted

slightly from 7.5 (out of 10) in 1940 to 7.2 in 1990 (Lane, 2000). Furthermore, prospective longitudinal investigations have shown that those who marry receive a boost in their happiness, but revert to their baseline after 2 years on average (Lucas, Clark, Georgellis, & Diener, 2003; see also Lucas & Clark, 2006), and high-level managers who voluntarily change jobs experience a burst of satisfaction immediately after the move, but bounce back within a year (Boswell, Boudreau, & Tichy, 2005). By contrast, studies of individuals who have experienced negative circumstantial changes – for example, disability, unemployment, widowhood, or divorce – indicate that their levels of well-being take a “hit” from the negative occurrence and, on average, never fully bounce back (Lucas, 2005; Lucas et al., 2003; Lucas, Clark, Georgellis, & Diener, 2004). The asymmetry of positive and negative experiences ensures that long after a positive change has faded from one’s consciousness, a negative change still has the power to drag one down.

If a positive change (e.g., a major purchase) carries with it a negative consequence (such as sinking further into debt), then one’s short-sightedness may leave both one’s hedonic and checking accounts distressingly overdrawn. In the U.S., financing plans that were once reserved for goods with years of potential utility (e.g., a business loan, a college education, or a home), have become the norm for all kinds of frivolous and fleeting purchases like cars, furniture, jewelry, vacations, and fancy dinners. A hedonic treadmill and easy credit can facilitate a dizzying degree of consumption than often ends in overspending, borrowing, and indebtedness. For example, 29% of U. S. adults carry a credit card balance over from the previous month (GfK Roper Public Affairs & Media & Associated Press, 2010). Altogether, unsecured consumer debt in the U.S. averages over \$7,800 for every man, woman, and child (U.S. Federal Reserve, 2010).

In the warning words of Proverbs, “The borrower becomes the lender’s slave” (22:7 NASB). In other words, servicing debt is an unpleasant state akin to financial servitude. Borrowers who struggle financially or have no reserves worry constantly about finding money for future payments, as well as about the disastrous implications of losing their jobs. When they miss payments, fees multiply and creditors call. An actual default on a loan can lead to further unpleasant – and unpleasantly variable and unanticipated – experiences, such as having one’s credit ruined, utilities shut off, automobiles repossessed, or homes under foreclosure. Altogether, 48% of U. S. residents confess worrying some of the time or most of the time about the debts they owe (GfK Roper Public Affairs & Media & Associated Press, 2010), and in 2010, almost 13% of all mortgages in the U.S. were behind on payments, seriously delinquent, or in the process of foreclosure (Comptroller of the Currency & Office of Thrift Supervision, 2010).

In sum, unrestrained materialism has numerous costs for the society and the individual – both for the reasons cited earlier and because the delights of consumption are trounced by the woes of indebtedness, materialism’s cousin. Given such heavy pecuniary and affective penalties, what strategies can people practice in managing and spending their money in order to obtain a boost to both their feelings and their finances? Is it possible to slow down the hedonic treadmill while maximizing happiness and avoiding fiscal injury? Many of the recommendations offered by Dunn et al. (2011) address these questions. We build on their ideas by introducing and applying the concept of thrift.

Thrift: The Forgotten Virtue

The hedonic treadmill is not a modern-day phenomenon; humans have wrestled with its effects – often unsuccessfully – for thousands of years. As such, many Americans would benefit from heeding the call of poets and philosophers extolling the virtues of thrift and frugality.

Although many associate *thrift* with being miserly or stingy, the word actually originates from the term *thrive*. At its essence, thrift is about the best, most efficient use of limited resources. Historically, thriftiness has close associations with the virtue of industry (as the harder one labors for benefits, the less likely one is to squander them), as well as with the pursuit of intrinsically satisfying activities (to avoid wasting resources on frivolous pursuits).

Thrift has an ancient history, spanning numerous and diverse cultures. Almost 2,500 years ago, Socrates saw his life mission as persuading people to pay less attention to the pursuit of money, reputation and honors and more attention to seeking truth, wisdom and self-improvement. King Solomon noticed that those who loved money were never satisfied with their incomes, and rich people could never sleep peacefully because they worried about their wealth (Ecc. 5:10, 12). On the management of money and resources, Confucius taught: “extravagance leads to arrogance; prudence, steadfastness. Instead of arrogance, prefer steadfastness” (Analects 7:35). In praise of recycling, Buddhist texts describe how thrifty monks recycled old robes into quilts, old quilts into covers, old covers into rugs, old rugs into dusters, and eventually, old dusters into a mixture of clay and cloth to repair walls (de Silva, 2010).

One of the U.S.’s biggest proponents of thrift was Benjamin Franklin, a scientist, statesman, newspaper publisher, and one of the country’s forefathers. Franklin published *Poor Richard's Almanack*, which contained his collected wisdom about a number of virtues. On the importance of thrift, Franklin advised: “If you would be wealthy, think of saving as much as getting; the Indies have not made Spain rich because her outgoes are greater than her income.” On the trap of debt, Franklin observed: “creditors have better memories than debtors” and “those have a short Lent who owe money to be paid by Easter.” Franklin himself became wealthy from his publishing business, and he embodied the virtues espoused by his publications, such as

industry, generosity, and thrift. He provided the seed money for his employees to launch their own newspapers, refused to personally profit from his numerous scientific inventions, and devoted a large amount of his time to building libraries, paving roads, and other public service.

In his classic critique on U.S. culture and government, Alexis de Tocqueville marveled that 19th century America possessed common civic virtues such as thrift, hard work, and self-reliance, which provided a hospitable environment for free markets and democracy to flourish (Malanga, 2009). This constellation of virtues would come later to be known as the Protestant work ethic by sociologist Max Weber (1930), who wrote that “unlimited greed for gain is not in the least identical with capitalism, as is still less its spirit. Capitalism may even be identical with the restraint, or at least a rational tempering, of this irrational impulse” (p. 17).

Lest one assume that the thrifty have become extinct, one can still find paragons of this virtue alive and thriving today. Notably, Warren Buffet, after having become the world’s third wealthiest person, still lives in the same house that he bought in 1958 for \$31,500, and as late as 2006, only drew a salary of \$100,000. Of his aspirations, Buffett has said, “The way I see it is that my money represents an enormous number of claim checks on society ... I don't use very many of those claim checks. There's nothing material I want very much. And I'm going to give virtually all of those claim checks to charity when my wife and I die” (Lowe, 1997, pp. 165-166). Buffett went on to do just that—donate 99% of his assets to charity—and he now uses his influence to persuade other billionaires to pledge the majority of their estates to philanthropy before they die (Blankinship, 2010).

Frugal Fun

How can people apply thrifty principles to maximize the happiness they can extract from limited funds? Is it possible to actually spend less and enjoy it more? Research from ours and

others' labs reveal a number of strategies and practices that can make this possible. Broadly, studies suggest that individuals would greatly benefit from eliminating distressing debts, stretching positive experiences through appreciation and savoring, recycling positive experiences via variety and reminiscing, renting instead of buying, and resolutely focusing on intrinsic goals over extrinsic ones. We concur with many of the ideas and recommendations offered by Dunn and colleagues (2011), advance a few of our own, and add a twist to others.

Disdain the Chain

Well-being is about more than just frequently feeling good—it's also about infrequently feeling bad (Diener, Suh, Lucas, & Smith, 1999). Hence, a circumstantial change that decreases negative experiences also boosts well-being. All else being equal, the elimination of negative experiences could provide a three to five-fold hedonic return on investment over the creation of positive experiences, due to positive/negative asymmetry (e.g., David, Green, Martin, & Suls, 1997; Fredrickson & Losada, 2005; Gottman, 1994). For the almost half of Americans who worry about their financial obligations, a thrifty and happiness-maximizing strategy would be to reduce or eliminate debt and its associated hassles before spending money on new purchases. Although crawling out of a financial hole is not glamorous, the benefits of living life without the crippling weight of debt cannot be overemphasized. A brief frolic in the sunshine is no substitute for complete, financial emancipation.

Stretching Happiness

How can people enjoy positive changes, like new acquisitions, longer? A compelling recommendation comes from William James, who once made a remarkable proposition: "My experience is what I agree to attend to." When people attend to a thing, attribute, person, or idea, it becomes something they remember, emotionally react to, and factor into their judgments and

decisions (c.f., Wilson & Gilbert, 2008). By contrast, when an object fails to capture attention, one can be said to have adapted to it. From this perspective, attention can be deliberately focused to forestall adaptation to new purchases or other positive changes. For example, owners of luxury sedans have been found to be no happier during car trips than owners of compact 2-door coupes, unless their cars' attributes are on their minds while driving (Schwarz, Kahneman, & Xu, in press), and people who continue to be aware of a positive activity change in their lives have been shown to be less likely to adapt to that change (Sheldon & Lyubomirsky, 2009). Another term for focused, positive attention is appreciation. The act of appreciation aims to extract the maximum possible satisfaction from positive circumstances, thereby helping practitioners to relish the good things in their lives and keep them from being taken for granted. Appreciative attention is related to the concept of "savoring" (Bryant & Veroff, 2007), where one consciously attends to an activity's enjoyment potential.

A number of experiments have demonstrated that the regular practice of gratitude – a practice closely related to and often indistinguishable from appreciation and savoring – brings about significant increases in well-being when performed over the course of 1 to 12 consecutive weeks. For example, relative to performing neutral activities, the intentional and effortful practice of "counting one's blessings" once a week (Emmons & McCullough, 2003; Froh, Sefick, & Emmons, 2008; Lyubomirsky, Sheldon, & Schkade, 2005) or penning appreciation letters to individuals who have been kind and meaningful (Boehm, Lyubomirsky, & Sheldon, 2010; Lyubomirsky, Dickerhoof, Boehm, & Sheldon, 2010; Seligman, Steen, Park, & Peterson, 2005) has been shown to produce increases in happiness for as long as 6 months.

Dunn and colleagues (2011) emphasize that the frequency of positive experiences boost well-being more than their intensity and recommend segregating pleasurable experiences. We

agree that this simple, thrifty strategy can substantially reduce consumption and increase pleasure. When enjoying a positive experience—whether it’s a thrilling movie, a sensuous massage, or a delicious piece of lemon cake—“the banquet is in the first bite” (Pollan, 2009).

Dividing consumption into smaller doses and separating it out over time can multiply such “first bites,” and subsequently, the enjoyment. Savoring a chocolate bar could be as simple as dividing it into squares and eating one piece per day, instead of devouring it all in a single sitting.

Research supports the idea that breaks are beneficial for positive experiences, such as enjoying a television program, but detrimental for negative experiences, such as enduring a dental drill (Nelson, Meyvis, & Galak, 2009).

Another cognitive exercise that directs attention toward existing positive changes or events is counterfactual thinking. This strategy involves mentally subtracting a purchased positive experience from ever having taken place, and enumerating all the subsequent blessings that also would have disappeared (Koo, Algoe, Wilson, & Gilbert, 2008). For example, a happily married man who met his wife the day he splurged on a helicopter ride might contemplate how a minor change (such as being sick that day) would have kept him from ever meeting her. After imagining all the rewarding experiences he would have missed (e.g., romantic dates, memorable vacations, births of children, and other special moments), his return to reality will often be accompanied by newfound appreciation for that fateful excursion and for the present.

In sum, research supports a number of enjoyment-boosting strategies that people can use to take pleasure in what they purchase or own to its fullest potential. Because people’s attention drives their subjective experience, they can reap more benefits from a purchased possession or adventure by attending to it, appreciating it, practicing gratitude, savoring it, and considering the what-ifs and might-have-beens.

Recycling Happiness

Is it possible to enjoy something again to which one has previously adapted? In addition to practicing appreciation and gratitude, another key implication of the HAP model is that variable stimuli resist adaptation more than do unchanging stimuli (see also Wilson & Gilbert, 2008). Variety, in both thoughts and behaviors, appears to be innately stimulating and rewarding (Berlyne, 1971; B. J. Rolls et al., 1981). Hence, it is not surprising that people seek variety in their behavior (e.g., Ratner, Kahn, & Kahneman, 1999) and habituate more slowly to pleasurable stimuli that vary (Leventhal et al., 2007).

Although purchasing something new each week is one way to increase variety, other strategies are far more economical and environment friendly. Using an existing purchase in new ways can create a new stream of pleasurable experiences without spending a dime. Individuals could, for example, take their formerly new car on a new adventure, use their formerly new patio to host a party, or learn to use cutting-edge software on their formerly new laptop. The notion of applying variety to a previous purchase echoes Dunn et al.'s (2011) suggestion to reformulate possessions into activities, thereby benefiting from the advantage of experiences over things (e.g., Carter & Gilovich, 2010; Van Boven & Gilovich, 2003).

Even when positive experiences, such as family trips, memorable vacations, wedding days, or very first homes, have long since passed, people can still extract positive feelings from them rather than perpetually anticipating (and paying for) the next adventure. Although Dunn and colleagues (2011) document that individuals report the most happiness when focused on the here-and-now, "pleasant mind wandering" appears to be the second most enjoyable activity. When people reflect and reminisce, perhaps while flipping through a photo album or watching a home movie, they relive the positive experience and the associated positive feelings (e.g.,

Havighurst & Glasser, 1972; Pasupathi & Carstensen, 2003). As they reminisce, a photo might remind them of a pleasant detail that they had forgotten—such as how much they liked the lobster at the seaside restaurant or a funny story that happened along the way. In this way, even experiences long past, including purchases and consumption episodes, can continue to generate positive feelings for the individual in the present.

What people do with what they buy determines how much enjoyment they experience. A new gadget brings no joy gathering dust on the shelf. Rather than filling their garages with more stuff, people can look for creative and varied ways to use what they already own. Revisiting memorable and pleasant experiences through reminiscing and reflecting can give a happiness boost that was paid for long ago. In sum, recycling happiness means one revisits and re-experiences one's past purchases—thereby, saving money, reducing one's ecological footprint, and feeling good at the same time.

Renting Happiness

One doesn't have to own something to enjoy it. The cost difference between renting a movie and buying it (but watching it once) is over \$10, and yet both are identical in experience. Renting a cabin in the woods for a short time is the same as owning it, but rarely visiting. Renting a luxury car means not worrying about oil changes, tires, or timing belts. In fact, renters often argue that they prefer a single, fixed cost to the reoccurring and unpredictable costs of maintenance and repairs. As an added bonus, freedom from the entanglements of ownership can enable renters to travel to multiple destinations, employing variety to magnify their hedonic boost.

Just as an investor would shun a rapidly depreciating asset, a savvy spender might avoid purchases with diminishing marginal utility and plummeting hedonic value, such as boats,

vacation homes, extra cars, timeshares, and other luxury goods. Although the financial implications of owning versus renting depend on a number of other factors, the key point here is to resist the bias that owning something makes it better (Kahneman & Knetsch, 1991); renting is neither intrinsically disappointing, nor is owning intrinsically satisfying. Those who tout the “joys” of ownership are often in the business of selling. Renting can offer all the hedonic pleasure of the first bite, without a commitment to finish eating (and paying for) the rest of the cake.

Pursuing What Matters

Not all purchases yield the same hedonic benefit; *what* one seeks and buys determines how much (and how long) of a boost is enjoyed. Psychologists make a distinction between two important kinds of goals – intrinsic and extrinsic. Intrinsic goals involve activities and projects that are personally rewarding and meaningful, and that satisfy people’s basic needs for competence, relatedness, and autonomy (Kasser & Ryan, 1993, 1996; see Ryan & Deci, 2000, for a review). By contrast, extrinsic goals involve strivings for fame, money, or favorable outward appearances. Research suggests that positive events generated by the fulfillment of intrinsic goals (e.g., making purchases for others rather than yourself) produce more happiness than those generated by extrinsic goals (Dunn, Aknin, & Norton, 2008; see also Kasser, 2002; cf. Dunn et al., 2011).

Extrinsic goals undermine well-being in several ways. First, by their very nature, extrinsic goals do not satisfy people’s basic needs directly, if at all. Instead, much like an addiction (Koob & Le Moal, 2001), such goals lead to ever-increasing desires for psychologically unfulfilling commodities (Myers, 2000). Second, extrinsic goals appear to be incompatible with close, meaningful relationships. Those who pursue extrinsic goals report

poorer relationships (Kasser & Ryan, 2001). Indeed, even being reminded of money, as Dunn and colleagues (2011) mention, can cause people to be less prosocial and less generous (Vohs, Mead, & Goode, 2006), as well as to be perceived as less friendly and likable by others (Vohs, 2010).

Third, over-reliance on external contingencies such as becoming famous, wealthy, or attractive may lead to fragile self-worth (Sheldon, Ryan, Deci, & Kasser, 2004). For example, a student seeking a law degree from a prestigious and pricey school with the aim of gaining peer respect might become hopelessly depressed if not admitted. Finally, due to limits of attention, time, and energy, extrinsic goals can lead to the neglect of intrinsic pursuits, which are associated with higher well-being (Vohs et al., 2006). An entrepreneur investing in a new company with the aim of striking it rich might neglect his true interests and hobbies to invest all his energy into his business, and thus miss the need-satisfying personal growth, flow, and joy derived from his more authentic pursuits.

In contrast, intrinsic goals, such as building close relationships, making new self-discoveries, and investing in the community, directly activate feelings of satisfaction and contentment, which are more likely to be appreciated and less likely to be taken for granted. Dunn and colleagues (2011) rightfully emphasize the link between generosity and well-being, recommending that, to follow the example of Warren Buffett, people spend their money on others rather than themselves. Intrinsic goals can also trigger “upward spirals”—for example, streams of positive moods and prosocial behavior that gain momentum and reinforce one another as they unfold (Lyubomirsky, King, & Diener, 2005; Norton, Dunn, Aknin, & Sandstrom, 2009; Otake, Shimai, Tanaka-Matsumi, Otsui, & Fredrickson, 2006).

In sum, evidence suggests that when looking to spend money, the most satisfying pursuits should involve learning new skills (e.g., mastering a new instrument or learning a foreign language), spending time with others (e.g., taking out one's family to dinner or having coffee with a friend), or doing something good for someone else (e.g., buying Christmas decorations for an elderly neighbor or sending a care package to a sick friend). Fortunately, many of these kinds of activities are inexpensive and can satisfy several needs simultaneously. Donating time and money to a local nonprofit, for instance, is a service to the community, but will also be an opportunity to make new friends. A trip can be a social activity, but is often educational—especially the further one ventures from home and the more one wanders off the beaten path.

Because high aspirations undermine the benefits of a positive change, are people simply be better off with few goals and lowered aspirations? Not necessarily. Ambitious goals held before beginning a new venture motivate people to work harder on that venture and improve their overall performance (Heath, Larrick, & Wu, 1999). Individuals would, however, be happier if they focused their monies and efforts on meaningful, intrinsic goals and abandoned extrinsic ones. In addition, patently extrinsic goals could be reformulated to become more intrinsic. For example, rather than trying to impress his friends and family, the law student seeking a prestigious (and expensive) degree could focus on channeling his own passions, growing personally from academic challenges, and using his budding law skills for the benefit of others. Rather than adding to his pedigree or expanding his earning potential, his goal to “aim for the top” could be redirected to reflect the careful stewardship of limited opportunities for the maximum benefit of his future clients. A reevaluation of priorities might even redirect him to pursue a less prestigious, but more self-relevant path that could represent a more efficient investment of time and money. For example, he might decide to attend a less costly and less acclaimed law school,

knowing that looming debts would detract him from serving under-privileged clients. In this way, intrinsic goals have the capacity to cut away the unnecessary and unfulfilling “fat” to focus people’s energies and resources on the “meat” that leads to higher satisfaction and superior emotional health.

Fittingly expressing the futility and unhappiness wrapped up in pursuing extrinsic goals, a notorious New York tabloid editor confessed that he was “part of that strange race of people aptly described as spending their lives doing things they detest to make money they don't want to buy things they don't need to impress people they dislike” (Gauvreau, 1941). As Benjamin Franklin well knew, money is best directed to goals that directly satisfy personal needs such as affiliation, autonomy, and competence rather than expensive pursuits that are unfulfilling and distracting in the end.

Concluding Words

Dunn and her colleagues (2011) present a number of strategies that people can use in order to spend their money “right,” and we have expanded on these strategies and extended them to the question of how people can be thrifty and enjoy life without emptying their storehouses. For those who live under the shadow of debt, paying down obligations would quickly bring brighter days. When spending money, individuals can practice savoring and gratitude to stretch their consumption experiences. Even past purchases and memories can continue to produce happiness through the use of variety and reminiscing. Finally, careful choices in setting intrinsic goals about spending one’s limited time and energy can promote more happiness and personal fulfillment in the future. With a strong financial foundation and the skills to make the most of positive changes, more Americans would be able to thrive financially and emotionally in challenging economic times, while contributing less to the perilous circumstances that led to

these challenging times in the first place. By attending to thriftiness in their finances and cultivating the wise management of positive experiences, people can relish the pleasures of an ocean swim, confident that when the tide goes out, they have plenty of cover.

References

- Baumeister, R. F., Bratslavsky, E., Finkenauer, C., & Vohs, K. D. (2001). Bad is stronger than good. *Review of General Psychology, 5*, 323-370.
- Belk, R. W. (1985). Materialism: Trait aspects of living in the material world. *Journal of Consumer Research, 12*, 265-280.
- Berlyne, D. E. (1971). *Aesthetics and psychobiology*. New York: Appleton-Century-Crofts.
- Blankinship, D. G. (2010, August 4). 40 billionaires pledge to donate half their wealth. *Associated Press*. Seattle. Retrieved from http://www.google.com/hostednews/ap/article/ALeqM5h23rkKsJ_qiBk01fiixWfsYsj_rgD9HCT4F00
- Boehm, J. K., Lyubomirsky, S., & Sheldon, K. M. (2010). *A longitudinal experimental study comparing the effectiveness of happiness-enhancing strategies in Anglo Americans and Asian Americans*. Manuscript under review.
- Boswell, W. R., Boudreau, J. W., & Tichy, J. (2005). The relationship between employee job change and job satisfaction: The honeymoon-hangover effect. *Journal of Applied Psychology, 90*, 882-892.
- Brickman, P., & Campbell, D. (1971). Hedonic relativism and planning the good society. In M. Appley (Ed.), *Adaptation-level theory: A symposium*. New York: Academic Press.
- Brickman, P., Coates, D., & Janoff-Bulman, R. (1978). Lottery winners and accident victims: Is happiness relative? *Journal of Personality and Social Psychology, 36*, 917-927.
- Brown, K. W., & Kasser, T. (2005). Are psychological and ecological well-being compatible? The role of values, mindfulness, and lifestyle. *Social Indicators Research, 74*, 349-368.
- Bryant, F. B., & Veroff, J. (2007). *Savoring: A new model of positive experience*. Mahwah, NJ:

Lawrence Erlbaum Associates Publishers.

Carter, T., & Gilovich, T. (2010). The relative relativity of experiential and material purchases.

Journal of Personality and Social Psychology, 98, 146-159.

Comptroller of the Currency, & Office of Thrift Supervision. (2010). *OCC and OTS mortgage metrics report: Disclosure of national bank and federal thrift mortgage loan data*.

Retrieved from

http://www.ots.treas.gov/?p=Mortgage%20Metrics%20Report&ContentRecord_id=65387be2-b388-56c5-c210-84194a4e283c

David, J. P., Green, P. J., Martin, R., & Suls, J. (1997). Differential roles of neuroticism, extraversion, and event desirability for mood in daily life: An integrative model of top-down and bottom-up influences. *Journal of Personality and Social Psychology*, 73, 149-159.

Diener, E., Suh, E. M., Lucas, R. E., & Smith, H. L. (1999). Subjective well-being: Three decades of progress. *Psychological Bulletin*, 125, 276-302.

Dunn, E. W., Aknin, L. B., & Norton, M. I. (2008). Spending money on others promotes happiness. *Science*, 319, 1687-1688.

Dunn, E. W., Gilbert, D. T., & Wilson, T. D. (2011). If money doesn't make you happy then you probably aren't spending it right. *Journal of Consumer Psychology*.

Emmons, R. A., & McCullough, M. E. (2003). Counting blessings versus burdens: An experimental investigation of gratitude and subjective well-being in daily life. *Journal of Personality and Social Psychology*, 84, 377-389.

Fredrickson, B. L., & Losada, M. F. (2005). Positive affect and the complex dynamics of human flourishing. *American Psychologist*, 60, 678-686.

Froh, J. J., Sefick, W. J., & Emmons, R. A. (2008). Counting blessings in early adolescents: An experimental study of gratitude and subjective well-being. *Journal of School Psychology, 46*, 213-233.

Gauvreau, E. H. (1941). *My last million readers* (1st ed.). E.P. Dutton & Co.

GfK Roper Public Affairs & Media, & Associated Press. (2010). *AP-GfK poll finances topline*.

Retrieved from [http://www.ap-gfcpoll.com/pdf/AP-](http://www.ap-gfcpoll.com/pdf/AP-GfK%20Poll%20May%202010%20cc%20ds%20TOPLINE%20revised%20cc%20section%205.27.10.pdf)

[GfK%20Poll%20May%202010%20cc%20ds%20TOPLINE%20revised%20cc%20section%205.27.10.pdf](http://www.ap-gfcpoll.com/pdf/AP-GfK%20Poll%20May%202010%20cc%20ds%20TOPLINE%20revised%20cc%20section%205.27.10.pdf)

Gottman, J. M. (1994). *What predicts divorce? The relationship between marital processes and marital outcomes*. Hillsdale, NJ: Lawrence Erlbaum Associates, Inc.

Havighurst, R. J., & Glasser, R. (1972). An exploratory study of reminiscence. *Journal of Gerontology, 27*, 245-253.

Heath, C., Larrick, R. P., & Wu, G. (1999). Goals as reference points. *Cognitive Psychology, 38*, 79-109.

Kahneman, D., & Knetsch, J. L. (1991). The endowment effect, loss aversion, and status quo bias. *Journal of Economic Perspectives, 5*, 193-206.

Kashdan, T. B., & Breen, W. E. (2007). Materialism and diminished well-being: Experiential avoidance as a mediating mechanism. *Journal of Social and Clinical Psychology, 26*, 521-539.

Kasser, T. (2002). *The high price of materialism*. Cambridge, MA: MIT Press.

Kasser, T., & Ahuvia, A. (2002). Materialistic values and well-being in business students. *European Journal of Social Psychology, 32*, 137-146.

Kasser, T., & Ryan, R. M. (1993). A dark side of the American dream: Correlates of financial

success as a central life aspiration. *Journal of Personality & Social Psychology*, 65, 410-422.

Kasser, T., & Ryan, R. M. (1996). Further examining the American dream: Differential correlates of intrinsic and extrinsic goals. *Personality and Social Psychology Bulletin*, 22, 280-287.

Kasser, T., & Ryan, R. M. (2001). Be careful what you wish for: Optimal functioning and the relative attainment of intrinsic and extrinsic goals. In P. Schmuck & K. M. Sheldon (Eds.), *Life goals and well-being: Towards a positive psychology of human striving*. (pp. 116-131). Ashland, Ohio: Hogrefe & Huber Publishers.

Koo, M., Algoe, S. B., Wilson, T. D., & Gilbert, D. T. (2008). It's a wonderful life: Mentally subtracting positive events improves people's affective states, contrary to their affective forecasts. *Journal of Personality and Social Psychology*, 95, 1217-1224.

Koob, G. F., & Le Moal, M. (2001). Drug addiction, dysregulation of reward, and allostasis. *Neuropsychopharmacology*, 24, 97-129.

Lane, R. E. (2000). *The loss of happiness in market democracies*. New Haven, CT: Yale University Press.

Leventhal, A. M., Martin, R. L., Seals, R. W., Tapia, E., & Rehm, L. P. (2007). Investigating the dynamics of affect: Psychological mechanisms of affective habituation to pleasurable stimuli. *Motivation and Emotion*, 31, 145-157.

Lowe, J. (1997). *Warren Buffett speaks: Wit and wisdom from the world's greatest investor*. Hoboken: Wiley.

Lucas, R. E. (2005). Time does not heal all wounds: A longitudinal study of reaction and adaptation to divorce. *Psychological Science*, 16, 945-50.

- Lucas, R. E., & Clark, A. E. (2006). Do people really adapt to marriage? *Journal of Happiness Studies*, 7, 405-426.
- Lucas, R. E., Clark, A. E., Georgellis, Y., & Diener, E. (2003). Reexamining adaptation and the set point model of happiness: Reactions to changes in marital status. *Journal of Personality and Social Psychology*, 84,527-539.
- Lucas, R. E., Clark, A. E., Georgellis, Y., & Diener, E. (2004). Unemployment alters the set point for life satisfaction. *Psychological Science*, 15, 8-13.
- Lyubomirsky, S. (2011). Hedonic adaptation to positive and negative experiences. In S. Folkman (Ed.), *The Oxford handbook of stress, health, and coping* (pp. 200-224). New York: Oxford University Press.
- Lyubomirsky, S., Dickerhoof, R., Boehm, J. K., & Sheldon, K. M. (2010). *Becoming happier takes both a will and a proper way: An experimental longitudinal intervention to boost well-being*. Manuscript under review.
- Lyubomirsky, S., King, L., & Diener, E. (2005). The benefits of frequent positive affect: Does happiness lead to success? *Psychological Bulletin*, 131, 803-855.
- Lyubomirsky, S., Sheldon, K. M., & Schkade, D. (2005). Pursuing happiness: The architecture of sustainable change. *Review of General Psychology*, 9, 111-131.
- Malanga, S. (2009). Whatever happened to the work ethic? *City Journal*, 19. Retrieved from http://www.city-journal.org/2009/19_3_work-ethic.html
- Milani, F. (2010). *Expectation shocks and learning as drivers of the business cycle* (No. Discussion Paper No. 7743). Centre for Economic Policy Research.
- Myers, D. G. (2000). The funds, friends, and faith of happy people. *American Psychologist*, 55, 56-67.

- Nelson, L. D., Meyvis, T., & Galak, J. (2009). Enhancing the television-viewing experience through commercial interruptions. *Journal of Consumer Research*, *36*, 160-172.
- Nezlek, J. B., & Gable, S. L. (2001). Depression as a moderator of relationships between positive daily events and day-to-day psychological adjustment. *Personality and Social Psychology Bulletin*, *27*, 1692-1704.
- Nickerson, C., Schwarz, N., Diener, E., & Kahneman, D. (2003). Zeroing in on the dark side of the american dream: a closer look at the negative consequences of the goal for financial success. *Psychological Science (Wiley-Blackwell)*, *14*, 531-536.
- Norton, M. I., Dunn, E. W., Aknin, L. B. & Sandstrom, G. M. (2009). *From wealth to well-being: Spending money on others promotes happiness*. Presented at the Annual Meeting of the Society for Personality and Social Psychology, Tampa, FL.
- Oishi, S., Diener, E., Choi, D., Kim-Prieto, C., & Choi, I. (2007). The dynamics of daily events and well-being across cultures: When less is more. *Journal of Personality and Social Psychology*, *93*, 685-698.
- Otake, K., Shimai, S., Tanaka-Matsumi, J., Otsui, K., & Fredrickson, B. L. (2006). Happy people become happier through kindness: A counting kindnesses intervention. *Journal of Happiness Studies*, *7*, 361-375.
- Pasupathi, M., & Carstensen, L. L. (2003). Age and emotional experience during mutual reminiscing. *Psychology and Aging*, *18*, 430-442.
- Pollan, M. (2009). *Food rules: An eater's manual* (1st ed.). Penguin (Non-Classics).
- Ratner, R. K., Kahn, B. E., & Kahneman, D. (1999). Choosing less-preferred experiences for the sake of variety. *Journal of Consumer Research*, *26*, 1-15.
- Richins, M. L., & Dawson, S. (1992). A consumer values orientation for materialism and its

- measurement: Scale development and validation. *Journal of Consumer Research*, *19*, 303-316.
- Rolls, B. J., Rowe, E. A., Rolls, E. T., Kingston, B., Megson, A., & Gunary, R. (1981). Variety in a meal enhances food intake in man. *Physiology and Behavior*, *26*, 215-221.
- Ryan, R. M., & Deci, E. L. (2000). Self-determination theory and the facilitation of intrinsic motivation, social development, and well-being. *American Psychologist*, *55*, 68-78.
- Schwarz, N., Kahneman, D., & Xu, J. (in press). Global and episodic reports of hedonic experience. In R. Belli, F. Stafford, & D. Alwin (Eds.), *Using calendar and diary methods in life events research*. Thousand Oaks, CA: Sage.
- Seligman, M. E. P., Steen, T. A., Park, N., & Peterson, C. (2005). Positive psychology progress: Empirical validation of interventions. *American Psychologist*, *60*, 410-421.
- Sheldon, K. M., Boehm, J. K., & Lyubomirsky, S. (in press). Variety is the spice of happiness: The hedonic adaptation prevention (HAP) model. In J. Boniwell & S. David (Eds.), *Oxford handbook of happiness*. Oxford: Oxford University Press.
- Sheldon, K. M., & Lyubomirsky, S. (2009). Change your actions, not your circumstances: An experimental test of the Sustainable Happiness Model. In A. K. Dutt & B. Radcliff (Eds.), *Happiness, economics, and politics: Toward a multi-disciplinary approach* (pp. 324-342). New York: Edward Elgar.
- Sheldon, K. M., Ryan, R., & Reis, H. T. (1996). What makes for a good day? Competence and autonomy in the day and in the person. *Personality and Social Psychology Bulletin*, *22*, 1270-1279.
- Sheldon, K. M., Ryan, R. M., Deci, E. L., & Kasser, T. (2004). The independent effects of goal contents and motives on well-being: It's both what you pursue and why you pursue it.

Personality and Social Psychology Bulletin, 30, 475-486.

de Silva, L. (2010, August 9). The Buddhist attitude towards nature. Access to Insight. Retrieved from <http://www.accesstoinsight.org/lib/authors/desilva/attitude.html>

Solberg, E. G., Diener, E., & Robinson, M. D. (2004). Why are materialists less satisfied? In T. Kasser & A. D. Kanner (Eds.), *Psychology and consumer culture: The struggle for a good life in a materialistic world*. (pp. 29-48). Washington, DC US: American Psychological Association.

Taylor, S. E. (1991). Asymmetrical effects of positive and negative events: The mobilization-minimization hypothesis. *Psychological Bulletin*, 110, 67-85.

U.S. Federal Reserve. (2010). *Balance sheet of households and nonprofit organizations* (Flow of Funds Accounts of the United States No. B.100). Board of Governors of the Federal Reserve System. Retrieved from <http://www.federalreserve.gov/releases/z1/current/accessible/b100.htm>

Van Boven, L., & Gilovich, T. (2003). To do or to have? That is the question. *Journal of Personality and Social Psychology*, 85,(6), 1193-1202.

Vohs, K. D. (2010). *There is no "you" in money: Reminders of money heighten egocentrism and decrease likability*. Presented at the Annual Meeting of the Society of Personality and Social Psychology, Las Vegas, NE.

Vohs, K. D., Mead, N. L., & Goode, M. R. (2006). The psychological consequences of money. *Science*, 314, 1154-1156.

Weber, M. (1930). *The Protestant ethic and the spirit of capitalism*. New York: Scribner.

Wilson, T. D., & Gilbert, D. T. (2008). Explaining away: A model of affective adaptation. *Perspectives on Psychological Science*, 3, 370-386.