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ScienceDirect
Journal of Consumer Psychology 21 (2011) 131 – 138
Journal of CONSUMER PSYCHOLOGY

Research Dialogue

Happiness and thrift: When (spending) less is (hedonically) more

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Received 4 September 2010; accepted 24 January 2011
Available online 15 March 2011

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

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, busts.[1] 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

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[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.

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doi:10.1016/j.jcps.2011.02.004

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 (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, Choi, Kim-Prieto & 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 $50,000 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 et al., 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