Why we remain keen for green even though it often gives us more social anxiety than satisfaction

By Gregg Easterbrook

January 17, 2005

If you made a graph of American life since the end of World War II, every line concerning money and the things that money can buy would soar upward, a statistical monument to materialism. Inflation-adjusted income per American has almost tripled. The size of the typical new house has more than doubled. A two-car garage was once a goal; now we're nearly a three-car nation. Designer everything, personal electronics and other items that didn't even exist a half-century ago are now affordable. No matter how you chart the trends in earning and spending, everything is up, up, up. But if you made a chart of American happiness since the end of World War II, the lines would be as flat as a marble tabletop. In polls taken by the National Opinion Research Center in the 1950s, about one-third of Americans described themselves as "very happy." The center has conducted essentially the same poll periodically since then, and the percentage remains almost exactly the same today.

(In a December TIME poll on happiness that phrased the question differently, 17% of respondents said they were brimming with happiness "just about all the time," and about 60% said they were frequently happy.)

Yet if you charted the incidence of depression since 1950, the lines suggest a growing epidemic. Depending on what assumptions are used, clinical depression is 3 to 10 times as common today than two generations ago. A recent study by Ronald Kessler of Harvard Medical School estimated that each year, 1 in 15 Americans experience an episode of major depression—meaning not just a bad day but depression so debilitating that it's hard to get out of bed. Money jangles in our wallets and purses as never before, but we are basically no happier for it, and for many, more money leads to depression. How can that be?

Of course, our grandmothers, many of whom lived through the Depression and the war, told us that money can't buy happiness. We don't act as though we listened. Millions of us spend more time and energy pursuing the things money can buy than engaging in activities that create real fulfillment in life, like cultivating friendships, helping others and developing a spiritual sense.

We say we know that money can't buy happiness. In the TIME poll, when people were asked about their major source of happiness, money ranked 14th. Still, we behave as though happiness is one wave of a credit card away. Too many Americans view expensive purchases as "shortcuts to well-being," says Martin Seligman, a psychologist at the University of Pennsylvania. But people are poor predictors of where those shortcuts will take them.
To be sure, there is ample evidence that being poor causes unhappiness. Studies by Ruut Veenhoven, a sociologist at Erasmus University in Rotterdam, show that the poor—those in Europe earning less than about $10,000 a year—are rendered unhappy by the relentless frustration and stress of poverty. But you knew that.

The surprise is that after a person's annual income exceeds $10,000 or so, Veenhoven found, money and happiness decouple and cease to have much to do with each other. The study, which has been replicated in the U.S., shows that Grandma had a point. Over the past two decades, in fact, an increasing body of social-science and psychological research has shown that there is no significant relationship between how much money a person earns and whether he or she feels good about life. TIME's poll found that happiness tended to increase as income rose to $50,000 a year. (The median annual U.S. household income is around $43,000.) After that, more income did not have a dramatic effect. Edward Diener, a psychologist at the University of Illinois, interviewed members of the Forbes 400, the richest Americans. He found the Forbes 400 were only a tiny bit happier than the public as a whole. Because those with wealth often continue to feel jealousy about the possessions or prestige of other wealthy people, even large sums of money may fail to confer well-being.

That seems true because of a phenomenon that sociologists call reference anxiety—or, more popularly, keeping up with the Joneses. According to that thinking, most people judge their possessions in comparison with others'. People tend not to ask themselves, Does my house meet my needs? Instead they ask, Is my house nicer than my neighbor's? If you own a two-bedroom house and everyone around you owns a two-bedroom house, your reference anxiety will be low, and your two-bedroom house may seem fine. But if your two-bedroom house is surrounded by three- and four-bedroom houses, with someone around the corner doing a tear-down to build a McMansion, your reference anxiety may rise. Suddenly that two-bedroom house—one that your grandparents might have considered quite nice, even luxurious—doesn't seem enough. And so the money you spent on it stops providing you with a sense of well-being.

Our soaring reference anxiety is a product of the widening gap in income distribution. In other words, the rich are getting richer faster, and the rest of us are none too happy about it. During much of U.S. history, the majority lived in small towns or urban areas where conditions for most people were approximately the same—hence low reference anxiety. Also, most people knew relatively little about those who were living higher on the hog.

But in the past few decades, new economic forces have changed all that. Rapid growth in income for the top 5% of households has brought about a substantial cohort of people who live notably better than the middle class does, amplifying our reference anxiety. That wealthier minority is occupying ever larger homes and spending more on each change of clothes than others spend on a month's rent. It all feeds middle-class anxiety, even when the middle is doing O.K. In nations with high levels of income equality like the Scandinavian countries, well-being tends to be higher than in nations with unequal wealth distribution such as the U.S. Meanwhile, television and the Web make it easier to know how the very well off live. (Never mind whether they're happy.) Want a peek inside Donald Trump's gold-plated world? Just click on the TV, and he'll show you. Wonder what Bill Gates' 66,000-sq.ft. megamansion is like? Just download the floor plan from the Internet!

Paradoxically, it is the very increase in money—which creates the wealth so visible in today's society—that triggers dissatisfaction. As material expectations keep rising, more money may engender only more desires. "What people want in terms of material things and life experiences has increased almost exactly in lockstep with the postwar
earnings curve," Diener notes. As men and women move up the economic ladder, most almost immediately stop feeling grateful for their elevated circumstances and focus on what they still don't have. Suppose you lived in a two-bedroom house for years and dreamed of three bedrooms. You finally get that three-bedroom house. Will it bring you happiness? Not necessarily. Three bedrooms will become your new norm, and you'll begin to long for a four-bedroom abode.

That money never satisfies is suggested by this telling fact: polls show that Americans believe that, whatever their income level, they need more to live well. Even those making large sums said still larger sums were required. We seem conditioned to think we do not have enough, even if objectively our lives are comfortable.

Then again, if we think our lot is improving, happiness follows. Carol Graham, an economist at the Brookings Institution in Washington, found that people's expectations about the future may have more influence on their sense of well-being than their current state does. People living modestly but anticipating better days to come, Graham thinks, are likely to be happier than people living well but not looking forward to improvements in their living standards.

Consider two people: one earns $50,000 a year and foresees a 10% raise, and the other makes $150,000 but does not expect any salary increase. The second person is much better off in financial terms, but the first is more likely to feel good about life.

And guess what? The U.S. hasn't had a decent raise in two decades. Income growth has almost come to a halt for the middle class. In real terms, although median household income is higher than ever, median household income has increased only around 15% since 1984. That means most people have never had it better but do not expect any improvement in the near future. People tend to focus on the negative part and ignore the positive.

Living standards, education levels and other basic measures of U.S. social well-being have improved so much so quickly in the postwar era that another big leap seems improbable. If the typical new house is more than 2,300 sq. ft., if more than half of high school graduates advance to college, if there are more cars and trucks in the U.S. than there are licensed drivers—all current statistics—then the country may need stability and equality more than it needs more money. But because we are all conditioned to think there's something wrong if we don't make more money each year, high standards of living in the U.S. may, paradoxically, have become an impediment to happiness. Fixated on always getting more, we fail to appreciate how much we have. Of course, in the grand scheme it's better that there are large numbers of Americans who are materially comfortable, if a bit whiny about it, than who are destitute. And never forget: 1 in 8 Americans are poor. Poverty remains a stark reality amid American affluence.

Psychology and sociology aside, there is a final reason money can't buy happiness: the things that really matter in life are not sold in stores. Love, friendship, family, respect, a place in the community, the belief that your life has purpose—those are the essentials of human fulfillment, and they cannot be purchased with cash. Everyone needs a certain amount of money, but chasing money rather than meaning is a formula for discontent. Too many Americans have made materialism and the cycle of work and spend their principal goals. Then they wonder why they don't feel happy.