## Happiness

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## What is the secret to happiness?

- What does behavioral decision research say about this question?
- When does more stuff make you happier?
- Why don't people do what makes them happy?

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DECEMBER 10, 2018

### Choiceology: Season 2 Episode 4

Choiceology with Katy Milkman | S2:EP4

Happiness: With Guests Scott Harrison & Mike …

00:00    29:49
1X
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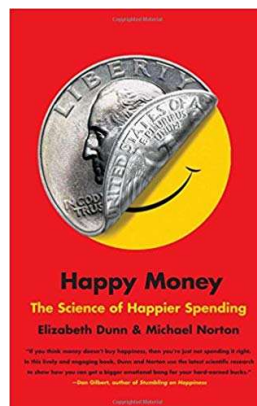Giving: It's one simple behavior that's been shown to increase happiness.

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## Happiness is not (just) a function of objective outcome

- Scott Harrison
- Hedonistic life didn't lead to happiness
- But giving did

charity: water
SUPPORTER

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**Happy Money**
The Science of Happier Spending
Elizabeth Dunn & Michael Norton

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### Spending Money on Others Promotes Happiness

Elizabeth W. Dunn,[1*] Lara B. Aknin,[1] Michael I. Norton[2]

Although much research has examined the effect of income on happiness, we suggest that how people spend their money may be at least as important as how much money they earn. Specifically, we hypothesized that spending money on other people may have a more positive impact on happiness than spending money on oneself. Providing converging evidence for this hypothesis, we found that spending more of one's income on others predicted greater happiness both cross-sectionally (in a nationally representative survey study) and longitudinally (in a field study of windfall spending). Finally, participants who were randomly assigned to spend money on others experienced greater happiness than those assigned to spend money on themselves.

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**Slide 7**

- N=42
- Ss given $5 or $20
- Instructed to spend money by 5 pm on
  – Self
  – Someone else
- Rated happiness that evening
  – Self condition: Mean = -0.19 (±0.66)
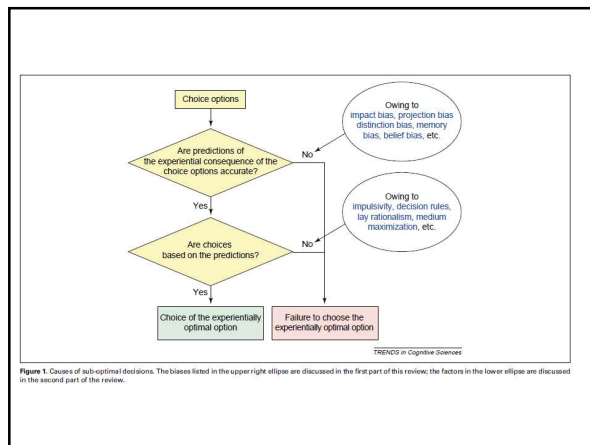  – Other condition: Mean = +0.18 (±0.62), p<.04

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**Slide 8**

# Decision and experience: why don't we choose what makes us happy?

Christopher K. Hsee and Reid Hastie

Center for Decision Research, Graduate School of Business, University of Chicago, 5807 S. Woodlawn Avenue, Chicago IL 60637, USA

1. Don't predict happiness experience accurately
2. Don't choose the thing that we predict will make us happiest

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**Slide 9**



Figure 1. Causes of sub-optimal decisions. The biases listed in the upper right ellipse are discussed in the first part of this review; the factors in the lower ellipse are discussed in the second part of the review.

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**Slide 10**

### Why we don't predict experience accurately

- **Impact bias** = predict that the emotional response will be more intense or last longer than it actually does
- **Focalism** = overestimate how much we think about the focal event in the future, relative to other events.
- **Immune neglect =** ignorance of sense-making
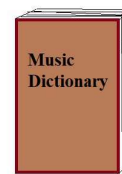
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**Slide 11**

### Why we don't predict experience accurately

- **Projection bias**– project current visceral state onto future experience (hot-cold empathy gaps)
- **Distinction bias** – choose in JE, experience in SE
- **Memory bias** – base prediction on memories of past experience, so influenced by peak and end.
- **Belief bias** – applying beliefs where they do not hold (e.g., that more options are better)
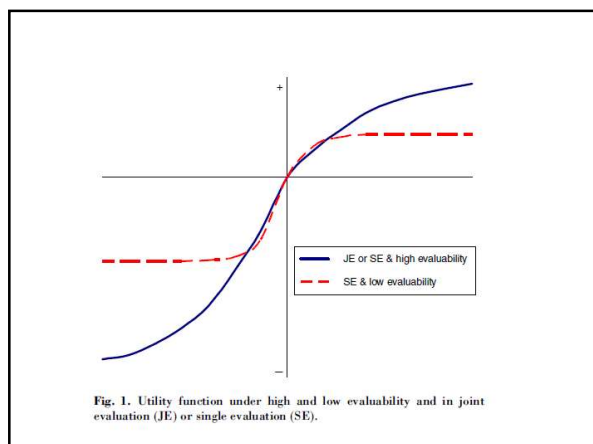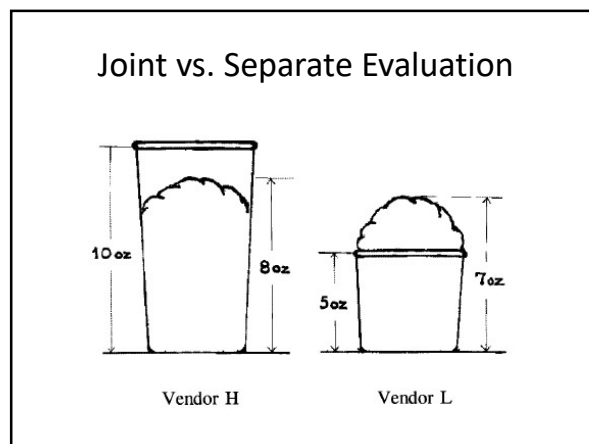  – Lay theories of adaptation, contrast, etc.

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**Slide 12**
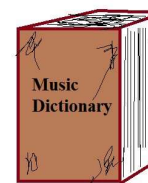


| | 20,000 Entries Torn Cover | 10,000 Entries New Cover |
|---|---|---|
| Separate Evaluation | 19 $ | 27 $ |
| Joint Evaluation | 24 $ | 20 $ |

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Fig. 1. Utility function under high and low evaluability and in joint evaluation (JE) or single evaluation (SE).

Legend: JE or SE & high evaluability; SE & low evaluability

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## Joint vs. Separate Evaluation



Vendor H — 10 oz, 8 oz
Vendor L — 5 oz, 7 oz

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## JE = prediction, SE = experience

- Tell a happy story and eat a small chocolate
- Tell a sad story and eat a large chocolate

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**Failure to follow predictions about happiness**

- Impulsivity
  - Choose what makes you happy *now*
  - Even though you know the prudent option will make you happier in the long term
- Rule-based decisions
  - Seek variety, don't waste

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**Failure to follow predictions about happiness**

- Lay rationalism
  - E.g. lay economism (choose the larger cockroach chocolate)
  - Lay scientism (choose based on hard attributes)
  - Lay functionalism (focus on primary goals)
- Medium maximization
  - Low effort – 60 points – vanilla ice cream
  - High effort – 100 points – pistachio ice cream

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## Behavioral Principles

- Happiness not tied directly to objective outcome (e.g,. money)
- Comparison to a reference point or counterfactual
- Affective forecasting errors
- Joint vs. separate evaluation
- Lay rationalism

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