

RAFFLES INSTITUTION
2012 YEAR 6 PRELIMINARY EXAMINATION

GENERAL PAPER

PAPER 2

8806/02

Monday

27 August 2012

1 hour 30 minutes

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INSERT

INSTRUCTIONS TO CANDIDATES

This insert contains the passages for Paper 2.

This question paper consists of 3 printed pages, including this page.

MONEY AND HAPPINESS

Passage 1. *Drake Bennett thinks money can buy happiness when used correctly.*

- 1 Can money buy happiness? Since the invention of money, or nearly enough, people have been telling one another that it cannot. Philosophers and gurus, holy books and self-help manuals have all warned of the futility of equating material gain with true well-being. But starting to emerge now is a different answer to that age-old question. A few researchers are looking again at whether happiness can be bought, and they are discovering that it quite possibly can. 5
- 2 “Just because money *does not* buy happiness does not mean money *cannot* buy happiness,” says Elizabeth Dunn, a social psychologist and assistant professor at the University of British Columbia. “People just might be using it wrong.” The intriguing explanation for the poor wealth-to-happiness exchange rate is that the problem is not money, it is us. For deep-seated psychological reasons, when it comes to spending money, we tend to value goods over experiences, ourselves over others, things over people. When it comes to happiness, none of these decisions are right: the spending that makes us happy, it turns out, is often spending where the money vanishes and leaves something ineffable in its place. Figuring out what to do would hopefully give us a chance to use our spending money, however much it may be, as a vehicle to a more fulfilling life rather than just a better accessorised one. 10 15
- 3 To demonstrate this, Dunn teamed up with Michael Norton, a psychologist and assistant professor at Harvard Business School, to survey 632 Americans on their general happiness, along with what they spent their money on. They found that higher “prosocial spending” – gifts for others and donations to charity – was indeed correlated with higher self-reported happiness. 20
- 4 Another theme that has emerged in similar research is that money spent on experiences – vacations or theatre tickets or meals out – makes you happier than money spent on material goods. Leaf Van Boven, an associate psychology professor at the University of Colorado, and Thomas Gilovich, chair of the psychology department at Cornell University, have run surveys asking people about past purchases and how happy they made them. They generally found very consistent evidence that experiences made people happier than material possessions they had invested in. 25
- 5 As experiences are inherently more social – when we vacation or eat out or go to the movies it is usually with other people – we are liable also to relive the experience when we see those people again. And past experiences can work as a sort of social adhesive even with people who did not participate with us, providing stories and conversational fodder in a way that a new watch or speedboat rarely can. In addition, experiences do not usually trigger the same sort of pernicious comparisons that material possessions do. We like our car less whenever we catch a glimpse of our neighbour’s newer, nicer car, but we do not like our honeymoon any less because our neighbour went on a fancier one. While we quickly grow accustomed to a new suit or a bigger house, no matter how much we originally loved it, experiences instead tend to get burnished in our memory – a year after a vacation, we look back not on the stress of dealing with lost luggage or the fights over which way the hotel was, but the beauty of the scenery. 30 35
- 6 Why, then, do we not spend more of our money this way? Part of the problem is that happiness is not necessarily what is motivating us when we reach for our wallets. Much of the impetus for discretionary spending – even for seeming essentials like cars, houses, and clothes – comes from a desire to send certain signals about our buying power and our tastes. We might mistake that motivation for happiness, or for having a better life, but it is driven by something else, a human need to compete or to fit in. And \$5,000 worth of new stuff, or even \$500,000 worth, is unlikely to permanently quell that need. 40 45
- 7 Whether or not that turns out to be true, an important change is afoot in work like Dunn and Norton’s and Van Boven and Gilovich’s. Talking about money and happiness in the same breath, it turns out, is not necessarily a surrender to crass materialism – it can also be a route to a new and more humane way to think about vitally important things like consumption,

satisfaction, investment, and value. It can also turn the familiar logic of money, prudence, and charity almost on its head. Seen this way, blowing money on a bar crawl with friends is not necessarily a waste of your hard-earned paycheck – it is something of an investment. And a generous philanthropic donation is also an act of hedonism even more gratifying than a new Lexus or a handmade watch. Making money vanish can have a payoff every bit as real, and possibly more beneficial, than putting it somewhere to make it grow. You just have to do it the right way.

Passage 2. *Matthew Herper thinks money cannot buy happiness.*

- 1 It is now official: Money cannot buy happiness. Surveys have found virtually the same level of happiness between the very rich individuals on the Forbes 400 and the Maasai herdsman of East Africa. Lottery winners return to their previous level of happiness after five years. Increases in income just do not seem to make people happier – and most negative life experiences likewise have only a small impact on long-term satisfaction. 5
- 2 So, why does wealth not bring a constant sense of joy? "Part of the reason is that people are not very good at figuring out what to do with the money," says George Loewenstein, an economist at Carnegie Mellon University. People generally overestimate the amount of long-term pleasure they will get from a given object. Sometimes, Loewenstein notes, the way people spend their money can actually make them less happy. For example, people derive a great deal of pleasure from interacting with others. If the first thing lottery winners do is quit their job and move to a palatial but secluded estate where they do not see any neighbours, they could find themselves isolated and depressed. 10
- 3 Other trophies simply do not bring the payoff one expects. Says Loewenstein, "If you are a single male driving around in the Ferrari with nobody next to you, it is a glaring omission." The central problem is that the human brain becomes conditioned to positive experiences. Getting a chunk of unexpected money registers as a good thing, but as time passes, the response wears off. An expected paycheck does not bring any buzz at all – and does not contribute to overall happiness. You can get used to anything, be it hanging by your toenails or making millions of dollars a day. Mood may be set more by heredity than by anything else: studies of twins have shown that at least half a person's level of happiness may be determined by some of the genes that play a role in determining personality. 15
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- 4 But this raises another question. How important is happiness anyway? People with chronic illnesses describe themselves as happy, but they would still pay large sums for better health. And although healthy individuals are not much happier than quadriplegics, they would pay large sums of money to keep the use of their limbs. Some of life's most satisfying experiences do not bring happiness. For instance, having children actually makes people less happy over the short term – but that does not necessarily mean we should stop procreating. 25
- 5 "I think it is possible to greatly overestimate the importance of happiness," says Loewenstein. "Part of the meaning of life is to have highs and lows. A life that was constantly happy was not a good life." However, there may be at least one important relationship between money and happiness, according to Ed Diener, the University of Illinois researcher who surveyed the Forbes 400 and the Maasai. Diener has also written that happy people tend to have higher incomes later on in their lives. So, while money may not help make people happy, being happy may help them make money. 30
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