



## Article

## Poor and distressed, but happy: situational and cultural moderators of the relationship between wealth and happiness

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## ABSTRACT

Evidence on the relationship between wealth and happiness is mixed, hinting that there are situational or individual factors that account for the variability in results. This paper contends that wealth is in fact related to happiness. More specifically, it is proposed that poverty –as well as other adverse situations– has an undermining effect on happiness, and that this effect is attenuated by a collectivist orientation. Analyses of variance (ANOVAs) using data on happiness, wealth and culture from 197 countries, supplemented by a meta-analysis of empirical studies that explore the relationship between wealth and perceptions of happiness, support the hypothesized relationship between adversity and happiness, and the moderating effect that collectivism has on such relationship.

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### Pobres y afligidos pero felices: efectos moderadores de índole cultural y situacional en la relación entre riqueza y felicidad

## RESUMEN

La evidencia sobre la relación entre riqueza y felicidad es confusa, sugiriendo que existen factores situacionales o individuales que explicarían la variabilidad de resultados. Este trabajo propone que la riqueza sí está relacionada con la felicidad. Más específicamente, se propone que la pobreza –al igual que otras situaciones adversas– tiene un efecto negativo sobre la felicidad, y que este efecto se ve atenuado por una orientación colectivista. Análisis de varianza, usando datos de felicidad, riqueza y cultura de 197 países, complementados por un metanálisis de estudios empíricos que exploran la relación entre riqueza y felicidad, soportan la relación hipotetizadas entre adversidad y felicidad, y el efecto moderador que el colectivismo tiene sobre tal relación.

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### Pobres e angustiados, mas felizes: moderadores situacionais e culturais da relação entre riqueza e felicidade

## RESUMO

A evidência sobre a relação entre riqueza e felicidade é confusa, sugerindo que existem fatores situacionais ou individuais que explicam a variabilidade de resultados. Este trabalho propõe que a riqueza está relacionada com a felicidade. Mais especificamente, propõe-se que a pobreza – tal como outras situações adversas – tem um efeito negativo sobre a felicidade, e que este efeito é atenuado por uma orientação colectivista. Análise de variância (ANOVAs) utilizando dados de felicidade, riqueza e cultura de 197 países, complementados por uma meta-análise de estudos empíricos que exploram a relação entre riqueza e felicidade, suportam a relação hipotética entre adversidade e felicidade e o efeito moderador que o colectivismo tem sobre tal relação.

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"I don't care too much for money, money can't buy me love"  
Paul McCartney, 1964.

## 1. Introduction

Lay people's beliefs, philosophies, religions, and folklore tend to dismiss wealth or material well-being as valid sources of such central human affects as love or happiness. And yet, there is significant evidence supporting the notion that happiness does relate to economic well-being, such that increasing wealth is positively associated with enhanced perceptions of happiness (Csikszentmihalyi, 1999; Diener, Diener & Diener, 1995; Mentzakis & Moro, 2009; Michaelson, Abdallah, Steuer, Thompson, Marks, Aked, et al., 2009). Such evidence, however, is often mixed or openly contradictory. Many studies suggest that there is no direct relationship between wealth and happiness, that returns in happiness diminish as people accumulate more and more possessions (Csikszentmihalyi, 2000a; Van Boven, 2005), and that happiness could actually decrease after a certain threshold in the level of material well-being. Overall, increasing income and correspondingly intensive consumerism have proven quite ineffective—or at least inefficient—in improving people's happiness over time (Myers, 2000). This intriguing paradox has called for alternative, and often opposing, economical (Easterlin, 1974, 2001; Frey & Stutzer, 2002; Tella & MacCulloch, 2008; Tideman, 2001; Veenhoven & Hagerty, 2006), psychological (Buchanan, 1991; Day & Maltby, 2003; Deci & Ryan, 2000; Diener & Seligman, 2006; Steel & Ones, 2002), or sociological (Ahuvia, 2002; Csikszentmihalyi, 2000b; Diener & Diener, 1996; Lynn & Steel, 2006; Van Boven, 2005) explanations that attempt to identify situational or individual factors that moderate the basic relationship between richness and happiness.

Based on a literature review, this paper contends that wealth is in fact related with happiness, albeit not linearly. That is, increasing wealth is indeed related to increasing perceptions of happiness, especially if you are *not* very wealthy. More specifically, it is proposed that poverty—as well as other adverse situations, such as violence or social turmoil—has an undermining effect on happiness. This negative relationship between adversity and happiness, however, is attenuated by a collectivist orientation, such that collectivist people achieve higher levels of happiness than more individualist people under adverse environmental conditions. To test these assertions, analyses of variance (ANOVAs) were conducted using data on happiness, wealth and culture from 197 countries. Results from these analyses were further extended by means of a meta-analysis of empirical studies that explore the relationship between wealth and perceptions of happiness at a national level. Taken together, results from both studies support the hypothesized (negative) relationship between adversity and happiness, and the moderating effect that collectivism has on such relationship. This paper discusses potential implications of these results, proposes generalizations and extrapolations to other areas, and suggests future venues to further develop this research.

## 2. Theoretical and empirical antecedents

Much more than a simple feeling or emotion, happiness is a state of mind that should be sought actively by means of reason and conscious actions, making it the consequent reward for a balanced and harmonious life and the natural goal for a lifespan of virtuous discipline (McMahon, 2006). An elusive goal, indeed; the quest for happiness is as old as mankind, and philosophers and scholars have been (unsuccessfully?) trying to grasp its meaning for millennia. Despite thousands of pages on the subject, happiness remains a diffuse construct, and it could have as many definitions as there are authors devoted to its study. Previous research has alternatively—and interchangeably—used "satisfaction", "subjective well-being" (SWB), and "happiness" as analogous concepts (Borrero, 2010).

Furthermore, happiness is associated with both an objective self-assessment of the personal situation and the environmental conditions, and with a subsequent subjective feeling of well-being (Veenhoven, Linley & Joseph, 2004). Consistent with these views, and adhering to recent studies that assume that SWB or reported satisfaction with life are proxies for happiness (Steel & Ones, 2002), this paper deems happiness as synonymous to life satisfaction or SWB.

### 2.1. Wealth versus happiness

Happiness is a cognitive and affective self-evaluation of a person's life (Diener et al., 1995). For this evaluation to be positive (i.e., for someone to be happy), a person has to exert free will and feel that she is in control (Reich & Diener, 1994). Inevitably, in a world influenced by material well-being, control relates directly to wealth: being in control implies having the means to do it. Studies on happiness, therefore, tend to approach happiness in a utilitarian fashion that attributes a causal effect of wealth on happiness (Csikszentmihalyi, 1999, 2000b). Results are mixed, however: whereas in many cultures there is a positive relationship between improvements in life conditions and higher SWB, there is also plenty of evidence showing that happiness is not proportional to the number of possessions, and there is a threshold past which no further improvement in happiness perceptions is gained, regardless of higher income or material standards (Easterlin, 1974, 2001), a phenomenon that is usually referred to as the "Easterlin Paradox".

Still, many people persist in acquiring more and more things in an often futile attempt to be happier, especially in materialist, western-world countries. Even if some of these people do feel happier when they increase their material standards, the cost/benefit relationship becomes progressively unfavorable. That is, exacerbated materialism and consumerism have proven to be ineffective—or at least, inefficient—as a means to produce happiness (Borrero, 2010; Sujan, 2008), as shown by the Easterlin Paradox. A possible explanation for this failure comes from needs theories that assert that people are inherently dissatisfied (Csikszentmihalyi, 1999, 2000a). Rather than feeling satisfied, as soon as a person attains a material goal she will naturally look for a higher (more costly) goal. This will cause dissatisfaction, not only because there will always be something more to look for, but also because of social comparison, given that there will always be someone else with a higher income or more possessions than her. So, even if material well-being contributes to increased happiness, it is clearly insufficient and something else is missing (Van Boven, 2005). If behavior is mainly driven by existentialist needs (Maslow, 1962), any increase in material well-being will contribute to satisfy survival and subsistence needs and will therefore make people happier.

Once these basic needs are satisfied, however, fulfillment of higher-order needs will become more important, which could account for the diminishing returns of increasing wealth. Also, there could be a point where security, a classic lower-order need, might suffer as a consequence of accumulating goods. Ironically, rising aspirations, relative income differences and security gains might cause wealthy people to feel insecure (i.e., unhappy) because they are worried about protecting all their possessions, which would explain why some people actually feel unhappier when they become richer (Graham, 2009). As income increases, aspirations also increase, such that relative—rather than absolute—levels of income matter determine well being, once basic needs are met.

### 2.2. Adversity versus happiness

On the other hand, purchasing things can sometimes substitute for more meaningful activities that help people cope with adverse situations. After the 9/11 attacks, for instance, US citizens bought

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