The Happiness Equation

Why The Things We Think Will Make Us Happy Usually Don’t?

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*I would like to acknowledge that much of the work described here come from Dan Ariely, Daniel Kahneman, and Andrew Oswald
Motivation

Why do we so often fail to know what will make us happy in the future?
All of us believe we know what makes *us* happy better than any other person on the street...

After all, happiness is subjective, and who would know ourselves better than, well, ourselves.
The happy incident with a dentist
Lesson from the unhappy dentist:

Most of us are not very good at predicting our emotional reaction from a future experience.

The question is why?
One simple reason.

When it comes to making decisions, most of us occasionally – if not often – suffer from serious cognitive biases...
Let me give you a simple example...
Many of us tend to prefer *status quo* unless the alternative seems significantly more appealing ...

One explanation is because we tend to believe that we’d regret making *foolish actions* more than *foolish inactions*.
The Economist Anecdote

• The following are subscription options for the Economist magazine

  – £55 online version
  – £125 print version
  – £125 online + print version
The Economist Anecdote

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  – £55 online version
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Most people now prefer £55 online option than £125 online + print option
But how do these biases relate to the way we pursue our happiness?
All of us want to be happy and we make choices accordingly for that very reason.

But how do we normally come up with a decision?

Well, for one, we sometimes make decisions based on conventional wisdom and past experiences...
Imagine two similar restaurants placed opposite each other on the same street. One is empty, whilst the other has a lot of people in it. If you’ve never been to either before and could choose where to eat, which one would you prefer?
Sometimes anchoring or attaching too much weight on the most salient feature of an experience is completely arbitrary.

Psychologists call this ‘focusing effects’.
California versus Midwest

Who do you think are more satisfied with their life between those living in California and those living in the Midwest of America?
If you can’t picture between the two places...

California

Midwest
Focusing illusion

• Both people in California and Midwest said people in California are much happier with their lives.

• However, when they are asked to say how happy each individual in the group is with his/her life, the average level of happiness is the same between people living in California and in the Midwest.
By asking leading questions about what makes us happy, we tend to obtain very predictable answers, i.e. do your children make you happy? Yes, of course!
What if we can systematically measure people’s happiness?

But isn’t it subjective?...
<table>
<thead>
<tr>
<th>Happy</th>
<th>![Happy Image]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sad</td>
<td>![Sad Image]</td>
</tr>
</tbody>
</table>
The Brain Responses to Two Pictures (MRI Scan)

Source: Richard Davidson, University of Wisconsin
# Happiness in Different Activities

<table>
<thead>
<tr>
<th>Activity</th>
<th>Happiness (index)</th>
<th>Average hours per day</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sex</td>
<td>4.7</td>
<td>0.2</td>
</tr>
<tr>
<td>Socialising after work</td>
<td>4.1</td>
<td>1.1</td>
</tr>
<tr>
<td>Dinner</td>
<td>4.0</td>
<td>0.8</td>
</tr>
<tr>
<td>Relaxing</td>
<td>3.9</td>
<td>2.2</td>
</tr>
<tr>
<td>Lunch</td>
<td>3.9</td>
<td>0.6</td>
</tr>
<tr>
<td>Exercising</td>
<td>3.8</td>
<td>0.2</td>
</tr>
<tr>
<td>Praying</td>
<td>3.8</td>
<td>0.5</td>
</tr>
<tr>
<td>Socialising at work</td>
<td>3.8</td>
<td>1.1</td>
</tr>
<tr>
<td>Watching TV</td>
<td>3.6</td>
<td>2.2</td>
</tr>
<tr>
<td>Phone at home</td>
<td>3.5</td>
<td>0.9</td>
</tr>
<tr>
<td>Napping</td>
<td>3.3</td>
<td>0.9</td>
</tr>
<tr>
<td>Cooking</td>
<td>3.2</td>
<td>1.1</td>
</tr>
<tr>
<td>Shopping</td>
<td>3.2</td>
<td>0.4</td>
</tr>
<tr>
<td>Computer at home</td>
<td>3.1</td>
<td>0.5</td>
</tr>
<tr>
<td>Housework</td>
<td>3.0</td>
<td>1.1</td>
</tr>
<tr>
<td>Childcare</td>
<td>3.0</td>
<td>1.1</td>
</tr>
<tr>
<td>Evening commute</td>
<td>2.8</td>
<td>0.6</td>
</tr>
<tr>
<td>Working</td>
<td>2.7</td>
<td>6.9</td>
</tr>
<tr>
<td>Morning commute</td>
<td>2.0</td>
<td>0.4</td>
</tr>
</tbody>
</table>

Note: Based on Day Reconstruction Study. Average happiness is net affect.
The average reported feelings across 1,000 people correspond well with activities predicted to be good for us, as well as activities predicted to be bad for us.
So happiness can really be measured and quantified.

And what have we found?
Big effects

Unemployment
Divorce
Marriage
Bereavement
Friendship networks
Health
[No effects from children]
[Small effects from income]
Much of the new research follows the same people through time.
The unhappiness from bereavement
So people adapt to bad stuff in our lives.

But that has a downside....
The happiness from marriage
And should you invest in a baby?
Happiness and children
An important question in a modern society is the impact of divorce.
Divorce eventually makes people happier
In summary

• Nothing in life is quite as important as you think it is while you are thinking about it.

• The new science of happiness can help us clarify what really make us happy! Whether we’d accept the findings or not is another story...
Thank you!

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The Surprising Economics of Our Most Valuable Asset

Icon Books, UK

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