

Session 6 Reading

The Perfect Salary for Happiness: \$75,000

By Robert Frank on the Wall Street Journal Blog

In July, I blogged about a study that revealed subtle links between money and happiness.

The study, which analyzed Gallup surveys of 450,000 Americans in

2008 and 2009, suggested that there were two forms of happiness: day-to-day contentment (emotional well-being) and overall “life assessment,” which means broader satisfaction with one’s place in the world. While a higher income didn’t have much impact on day-to-day contentment, it did boost people’s “life assessment.”

Now we have more details from the study, conducted by the Princeton economist Angus Deaton and famed psychologist Daniel Kahneman. It turns out there is a specific dollar number, or income plateau, after which more money has no measurable effect on day-to-day contentment.

The magic income: \$75,000 a year. As people earn more money, their day-to-day happiness rises. Until you hit \$75,000. After that, it is just more stuff, with no gain in happiness.



That doesn’t mean wealthy and ultrawealthy are equally happy. More money does boost people’s life assessment, all the way up the income ladder. People who earned \$160,000 a year, for instance, reported more overall satisfaction than people earning \$120,000, and so on.

“Giving people more income beyond 75K is not going to do much for their daily mood ... but it is going to make them feel they have a better life,” Mr. Deaton told the Associated Press.

He added that, “As an economist I tend to think money is good for you, and am pleased to find some evidence for that.”

The results are fascinating, especially in this conflicted age of materialism. But I wonder how they would differ by region or city. Would \$75,000 mark the ultimate day-to-day contentment in such high-cost cities as New York City, Los Angeles or San Francisco? I doubt it. Perhaps the salary number would be lower in South Dakota or Mississippi.

What do you think the income threshold would be in your town for maximum day-to-day happiness?

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