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Prosocial Spending and Happiness: Using Money to Benefit Others Pays Off

Elizabeth W. Dunn[1]

University of British Columbia

Lara B. Aknin

Simon Fraser University

Michael I. Norton

Harvard Business School

Abstract

While a great deal of research has shown that people with more money are somewhat happier than people with less money, our research demonstrates that how people *spend* their money also matters for their happiness. In particular, both correlational and experimental studies show that people who spend money on others report greater happiness. The benefits of such *prosocial spending* emerge among adults around the world, and the warm glow of giving can be detected even in toddlers. These benefits are most likely to emerge when giving satisfies one or more core human needs (relatedness, competence, and autonomy). The rewards of prosocial spending are observable in both the brain and the body and can potentially be harnessed by organizations and governments.

Keywords: MONEY, PROSOCIAL SPENDING, HAPPINESS, WELL-BEING

Imagine digging out your jacket for the first time since winter and discovering a crumpled $20 bill in the pocket. How would you spend this windfall? Would you buy your partner a bouquet of yellow tulips? Give the cash to the homeless man you pass everyday on your way to work? Or buy yourself a vegetable panini for lunch? These questions reflect a broader human dilemma: What is the best way to use our money to maximize our happiness?

A large body of research examining the overall relationship between money and happiness has shown that individuals with more money are happier (e.g., Diener, Ng, Harter & Arora, 2010; Diener, Tay & Oishi, 2013), although this relationship is weaker than many people assume (Aknin, Norton, & Dunn, 2009; Kahneman, Krueger, Schkade, Schwarz, & Stone, 2006; but see Cone & Gilovich, 2010). But, how people *spend* their money may be at least as important as how much they have (Dunn & Norton, 2013).

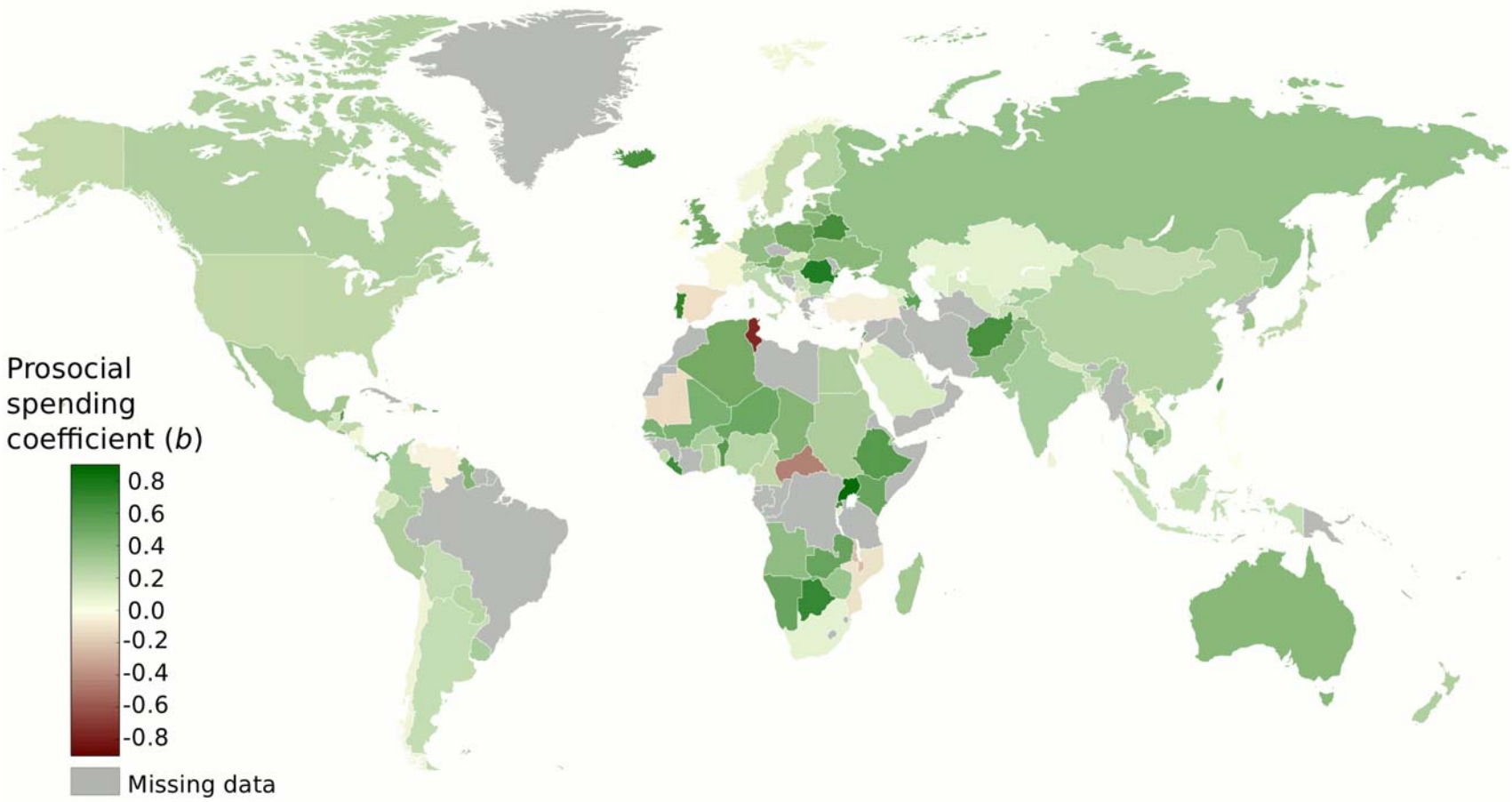
In an initial experiment, we approached people on a university campus and gave them a $5 or $20 bill to spend by the end of the day (Dunn, Aknin, & Norton, 2008). We instructed half the participants to spend the money on themselves ("personal spending"), and half to spend the money on someone else ("prosocial spending"). That evening, people who had been assigned to spend the money on someone else reported feeling happier mood over the course of the day than those assigned to spend the money on themselves. Interestingly, the amount of money they got had no bearing on their happiness.

When we described the experiment to other participants, however, their predictions were doubly wrong: They believed that they would be happier spending more money ($20 vs. $5), and that they would be happier spending it on themselves. Thus, people's daily spending choices may be guided by flawed intuitions about the relationship between money and happiness. Indeed, research suggests that just being reminded of money may make people less attuned to the needs

of others (Vohs, Mead, & Goode, 2006). Thinking about money may propel us toward using our financial resources to benefit ourselves, but spending money on others can provide a more effective route to increasing our own happiness.

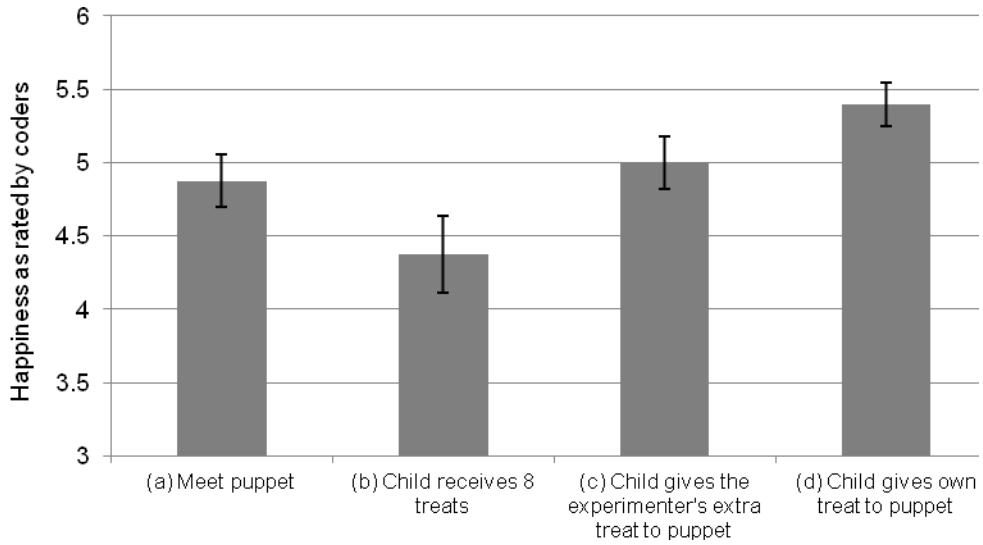
IS THE WARM GLOW OF GIVING UNIVERSAL?

Our initial research on prosocial spending and happiness was conducted in North America, where people enjoy a level of wealth that is highly atypical compared to living conditions experienced throughout human history and much of the world today. As a result, the emotional benefits of giving might be dampened or eliminated in countries where many people are still struggling to meet their own basic needs. If, however, people derive emotional benefits from prosocial spending even in poorer countries, then this would provide evidence that the warm glow of giving may be a fundamental component of human nature. Aknin et al. (2013) examined the correlation between charitable giving and happiness in 136 countries. In 120 out of 136 countries, there was a positive relationship between giving and happiness (controlling for income and other demographic variables), and this relationship was significant in a majority of countries (Figure 1). Although the strength of the relationship varied between countries, individuals in poor and rich countries alike reported greater happiness if they engaged in prosocial spending.


Prosocial
spending
coefficient (b)
0.8
0.6
0.4
0.2
0.0
-0.2
-0.4
-0.6
-0.8
Missing data

Aknin et al. (2013) also provided causal evidence for the emotional rewards of prosocial spending in an economically diverse group of countries including Canada, India, South Africa and Uganda. In one experiment conducted in both Canada and South Africa, participants were given the opportunity to spend money on a "goody bag" filled with treats (like chocolate). Half were told that they would receive the goody bag they purchased (personal spending), and half were told that a sick child in a local hospital would receive the goody bag (prosocial spending). Participants who bought a gift bag for a sick child reported significantly happier mood than participants who purchased the same goody bag for themselves. This finding is particularly notable given that over 20% of the South African sample reported not having enough money to buy food for themselves or their families in the preceding year.

These results suggest that the capacity to derive joy from giving might be a universal feature of human psychology. If this is the case, then even young children might experience happiness from giving to others. Aknin, Hamlin, and Dunn (2012) gave toddlers just under age two a pile of appealing treats (e.g., goldfish crackers). The children were asked to give one of their treats away to a puppet who enthusiastically ate the treat (Figure 2). In addition, the experimenter "found" an extra treat, which she asked the child to give to the puppet. Research assistants coded children's facial expressions for happiness. Children exhibited greater happiness when they gave treats away to the puppet than when they received treats themselves (Figure 3). Moreover, children showed the highest levels of happiness when they gave a treat away from their *own* stash (vs. the experimenter's extra treat). Taken together, this research shows that adults around the world and even young children experience emotional benefits from using their resources to help others, suggesting that humans may have a deep-seated proclivity to find giving rewarding.



WHEN DOES PROSOCIAL SPENDING PROMOTE HAPPINESS?

The argument that human beings have a universal tendency to experience joy from giving does not mean that every form of prosocial spending *always* produces emotional benefits. Most people can probably think of a time when they did something generous and did not experience a boost in happiness, and the existing literature confirms that giving does not always produce joy (e.g., Berman & Small, 2012). Self-determination theory provides a framework for understanding when and why giving leads to happiness (Weinstein & Ryan, 2010). According to this theory, human well-being depends on the satisfaction of three basic needs: relatedness, competence, and autonomy. Although prosocial spending is certainly not the only way to fulfill these needs—and it may also be possible to meet these needs through personal spending—we

suggest that prosocial spending should be most likely to produce happiness under conditions that satisfy these needs.

Relatedness

Helping others may be most emotionally rewarding when it satisfies the fundamental need for social connection. Consistent with this idea, individuals garner more happiness from prosocial spending when giving provides the opportunity to connect with other people (Aknin, Dunn, Sandstrom, & Norton, 2013). In one experiment, participants who received a $10 Starbucks gift card were happier if they spent it on a friend rather than on themselves—but only if they took the time to go to Starbucks with their friend. Other research suggests that we may get the biggest happiness bang for our buck when we spend money on close others rather than acquaintances (Aknin, Sandstrom, Dunn, & Norton, 2011), perhaps because close relationships are especially critical for satisfying the need to belong (Baumeister & Leary, 1995).

Competence

Prosocial spending is most likely to satisfy the need for competence when people can see how their generous actions have made a difference. Thus, individuals may experience a bigger happiness boost from giving to charities that make it easy to see the positive impact of donations. For example, both UNICEF and Spread the Net are deserving charities dedicated to improving children's health in impoverished areas of the world, but Spread the Net offers a clear, concrete promise: For every $10 donated, the charity will provide a bed net to protect a child at risk of malaria. When participants were given the opportunity to donate money to Spread the Net, those who donated more money felt happier, controlling for their happiness before the donation (Aknin, Dunn, Whillans, Grant, & Norton, 2013). In contrast, giving money to UNICEF

provided no such benefit. People derive greater happiness from prosocial spending when they feel like effective, competent helpers whose actions have made a real difference.

Autonomy

Because the need for autonomy is satisfied when people feel that their actions are freely chosen, the emotional benefits of prosocial spending should be greater when people have a choice about whether to give. From inside a scanner, people exhibited greater activation in reward areas of the brain when they donated to a local charity, rather than when a donation was required (Harbaugh, Mayr, & Burghart, 2007). Weinstein and Ryan (2010) showed that people experienced happier moods when they gave more money away—but only if they had a choice about how much to give. When participants were given choice, donating more money led them to feel more autonomous, as well as more related and competent. The effect of giving on happiness was mediated by *overall* satisfaction of the three basic needs, demonstrating that these needs are deeply intertwined.

Taken together, this research suggests that the emotional benefits of prosocial spending are likely to be greatest when giving satisfies the needs for relatedness, competence, and autonomy. When prosocial spending *fails* to increase happiness – in everyday life or in a psychology experiment – consider whether the giving opportunity could be re-designed to increase the likelihood that one or more of these needs is satisfied. By doing so, charities can maximize the emotional benefits of giving for their donors, potentially increasing the likelihood of repeat donations; the happier people feel when reflecting on previous prosocial spending, the more likely they are to spend on others in the future (Aknin, Dunn, & Norton, 2012).

While happiness is most frequently assessed though simple self-report measures, the benefits of prosocial spending can be detected in the brain and body. As noted above, prosocial spending produces activation in reward areas of the brain (Harbaugh et al., 2007; Moll et al, 2006; Zaki & Mitchell, 2011). And the emotional consequences of prosocial spending produce a cascade of physical consequences. In the context of a large classroom, students received $10 and learned that they could donate as much as they wished to another student in the class who had not received any money (Dunn, Ashton-James, Hanson, & Aknin, 2010). The more money students gave away, the happier their moods afterward, controlling for their happiness beforehand. Conversely, the more money students kept for themselves, the more shame they experienced. And the more ashamed they felt, the higher their levels of cortisol, a stress hormone that has been linked to a variety of health problems. These results suggest that everyday spending decisions can get under the skin to influence health.

Although any one spending decision likely has short-lived effects on biological processes, these decisions may compound over time to shape important health outcomes. Older adults who report giving more money and other resources to others exhibit better overall health—from fewer sleep disorders to better hearing—even after controlling for a wide range of variables (e.g., gender, income, physical mobility; Brown, Consedine, & Magai, 2005). Experimental research shows that prosocial spending can increase physical strength; after donating to charity, participants were able to squeeze a handgrip for over twenty seconds longer compared to controls (Gray, 2010). Participants also reported happier moods after donating, but interestingly, their enhanced strength did not stem from their elevated happiness. Thus, prosocial spending may have independent positive effects on both emotional and physical vitality.

FUTURE DIRECTIONS

Future research should further examine the pathways that explain how good deeds are transformed into good feelings. For example, prosocial spending might promote happiness by endowing givers with a feeling of power or by enabling them to witness others' gratitude. Given that forms of generosity other than prosocial spending also predict happiness (e.g., volunteering; Thoits & Hewitt, 2001), research could explore whether the emotional benefits of giving money might be explained by different pathways—with different antecedents and consequences—than giving other resources.

Most of our research has focused on common forms of spending such as treating a friend to coffee or making a charitable donation. But do the happiness benefits of prosocial spending extend to "impact investments," in which people invest money with the goal of aiding social or environmental causes – while also reaping a financial return? Future research should examine more diverse forms of prosocial spending, including its most dreaded form: taxation. Although taxes are rarely associated with happiness, it may be possible to harness research on the emotional benefits of prosocial spending to improve people's feelings about paying their taxes. Indeed, paralleling research suggesting that the benefits of prosocial spending are most likely to emerge when donors are given a choice (Weinstein & Ryan, 2010), new research suggests that injecting an element of choice into tax payment increases taxpayer satisfaction (Lamberton, 2012).

Moving beyond individual happiness, future research should examine the broader benefits of prosocial spending initiatives within teams and organizations. For example, Google provides employees with an open invitation to apply for a bonus—not for themselves, but for a deserving co-worker (Dunn & Norton, 2013). Our most recent research provides initial evidence

that giving employees the opportunity to engage in prosocial spending can potentially enhance job satisfaction and performance (Anik, Aknin, Norton, Dunn, & Quiodbach, in press). The time is ripe for exploring how "prosocial bonuses" can improve organizational success.

Finally, many fascinating questions remain unanswered regarding individual differences in the proclivity to engage in prosocial spending and to derive joy from doing so. For example, could genetic differences in sensitivity to oxytocin (a hormone involved in bonding) explain why some people get a bigger boost than others from prosocial spending? Do enjoyable early childhood experiences with giving lead people to seek out prosocial spending opportunities, perhaps due to changes in the self-concept? Understanding the individual-level factors that alter the emotional impact of giving will offer further insight into the psychology of prosocial spending.

CONCLUSION

Much research on money and happiness has explored the overall relationship between these variables; our research has shifted the focus toward considering how people can use their money to increase happiness—whether they have a little or a lot of it. The benefits of prosocial spending are evident in givers old and young in countries around the world, and extend not only to subjective well-being but objective health. Despite people's intuitions and inclinations to the contrary, one of the best ways to get the biggest payoff personally from a windfall of $20 is to spend it prosocially.

ACKNOWLEDGEMENTS AND ENDNOTE

[1]Address correspondence to Elizabeth W. Dunn. Douglas Kenny Building, 2136 West Mall, Vancouver, BC V6T 1Z4. The research described in this article was supported by grants to the first author from the Social Sciences and Humanities Research Council (#410-2008-2509) and the Canadian Institutes of Health Research (#MOP-110968).

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RECOMMENDED READING

Aknin et al. (2013). See reference list. Provides a broad review of the relevant literature, detailed data from around the world, and discussion of alternative explanations.

Diener, E., Ng, W., Harter, J., & Arora , R. (2010). Provides a full discussion of research on the relationship between money and happiness around the world.

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Dunn, E. & Norton, M. (2013). *Happy money: The science of smarter spending*. New York: Simon & Schuster. Written for a broad audience, this book provides an approachable review of research examining how people can get more happiness from their money.

Helliwell, J., Layard, R., & Sachs, J. (2012). *World happiness report*. New York: The Earth Institute, Columbia University. This report commissioned by the United Nations offers a thorough overview of predictors of happiness around the world.

Figure Captions

Figure 1. World map displaying the relationship between prosocial spending and happiness around the globe. Reprinted with permission from Aknin et al, (2013). Prosocial spending and well-being: Cross-cultural evidence for a psychological universal. *Journal of Personality and Social Psychology, 104(4),* 635-652. APA publisher July 2013.

Figure 2. Four phases from Aknin, Hamlin, and Dunn's (2012) toddler sharing study. Toddlers were (a) introduced to a puppet and (b) given eight treats. Then, in counterbalanced order, each toddler (c) was asked to give the experimenter's extra treat to the puppet, and (d) was asked to give one of their own treats to the puppet. Sample video available at: http://cic.psych.ubc.ca/Example_Stimuli.html

Figure 3. Children's happiness, as rated by coders, for four phases of the toddler sharing study (Aknin et al, 2012). Error bars represent 95 percent confidence intervals around the mean.