

WHAT IS REAL WEALTH?¹

John Robbins[©]

When I was 21, I told my father that I didn't want to work with him any longer at the ice cream company he co-founded, Baskin-Robbins, and I didn't want to depend on his financial achievements. I did not want to have a trust fund or any other access to or dependence on his money. I wanted to discover and live my own values, and I knew that I wasn't strong enough to do that if I remained tethered, even a little, to my father's fortune. I left Baskin-Robbins and the money my father had made selling ice cream because I didn't want to live a life of affluence based on a product that could harm people's health. I also recoiled at the idea of inheriting a life of privilege while so many others had to struggle for their basic livelihood. I didn't take the steps I did because I thought money is bad. On the contrary, I believe money is good and important. Without it, it's impossible to thrive in the modern world and difficult even to survive. But money isn't a god. It's something to use. Not something to crave or to worship, and certainly not something that should rule our lives. There seem to be two schools of thought about the relationship between money and happiness: On the one hand, there are those who say money isn't that important. "You can only become truly accomplished at something you love," writes Maya Angelou. "Don't make money your goal. Instead, pursue the things you love doing, and then do them so well that people can't take their eyes off you." In her camp is the environmental advocate John Muir, who once said that he was better off than the billionaire E. H. Harriman. "I have all the money I want," Muir explained, "and he hasn't."

On the other hand, there are those who say that money is essential, and that there is something spiritually pretentious and elitist about pretending otherwise. It's not the love of money that is the root of all evil, they would say, but the lack of money. Maybe money can't directly buy happiness, but it certainly can buy lots of things that contribute tremendously to happiness. While it is possible to be happy with less, it is far easier to be happy with more. They would argue that those who believe money is not important have probably never watched their children go hungry.

I believe there is truth in both camps. Up to a certain point, money is vital to happiness for almost everyone. It can buy food, clothing, and housing and provide for other basic needs. Once a person's basic needs are met, though, money takes on a different meaning. For a family barely scraping by, \$500 could be the difference between paying the rent or being evicted — between having a place to sleep and being homeless. To someone more affluent, \$500 might simply mean a few hours spent shopping for clothes, or that much more financial security and increased savings.

But what does science tell us about the relationship between money and happiness? A vast amount of research about the question has been conducted globally in the last few decades. As more and more scientists have become involved, the studies, experiments, and forms of research have become increasingly sophisticated. No longer must scientists simply rely on what people tell them. What people say can be verified. Well-being can be assessed by various empirical measures with high consistency, reliability, and validity. This research has consistently pointed to a conclusion that might surprise some: Money brings happiness only insofar as it lifts people out of poverty. Once that point is clearly passed, the link between monetary wealth and happiness is actually very small.

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Why Money Is Like Beer

Take, for example, the people of Denmark and Sweden, who have consistently been found to be among the happiest in the world. These prosperous societies score at or near the top of most measures of quality of life, happiness, and social well-being. What makes things interesting, though, is that the people of Costa Rica, according to these same studies, are actually happier, even though the per capita gross domestic product (GDP) of Costa Rica is only one-fourth that of Denmark and Sweden. Surveys of the richest Americans show happiness scores identical to those of the Amish. Similarly, Guatemalans are happier than people in the United States, despite income levels only a tenth as high. And the people of Honduras are as happy as those of the United Kingdom, even with a per capita GDP that is only 12 percent as great.

In fact, the more you look at the data comparing people's monetary wealth with their levels of happiness, the harder it is to see any correlation at all once you get past the poverty line. Surveys of the richest Americans, for example, show happiness scores identical to those of the Amish, a people who intentionally live almost entirely without cars or telephones. Of course, the lowest life-satisfaction scores come from the world's most destitute people. The happiness numbers for homeless people in Calcutta, India, for example, are among the lowest ever recorded. But, according to research by psychologists Robert Biswas-Diener and Ed Diener, when these people have enough money to move off the street and into a slum, their levels of happiness and satisfaction rise and become nearly equivalent to those of a sample of college students from 47 nations.

What the healthiest and happiest societies have in common is not that they have more, but that what they have is more equitably shared. Psychologist David Lykken, summarizing his extensive studies on the subject, says that "people who go to work in their overalls and on the bus are just as happy, on the average, as those in suits who drive to work in their own Mercedes." How about the ultra-rich? According to a study by Ed Diener and his colleagues, the Forbes 100 wealthiest Americans are barely happier than the average person. The happiness scores of the richest Americans, in fact, are only slightly higher than those of Masai tribesmen, a semi-nomadic African people who live without electricity or running water.

After analyzing more than 150 studies on wealth and happiness, Diener and his colleague Martin Seligman, two of the world's top experts on the science of happiness, wrote: "Although economic output has risen steeply over the past decades, there has been no rise in life satisfaction... and there has been a substantial increase in depression and distrust." Money, it seems, is a little like beer. Most people like it, but more is not necessarily better. A beer might improve your mood, but drinking 10 beers not only won't increase your happiness tenfold, it might not increase it at all. Yet we keep thinking that having more of the things money can buy will make us happier. Despite our current economic problems, we still have bigger homes, more cars, more appliances, and more possessions than any people have ever had at any time in history.

But has acquiring all this stuff been worth the costs? While we've been on this multi-decade shopping binge, our rates of depression, obesity, heart attacks, divorces, and suicides have skyrocketed. Antidepressants are now the most commonly prescribed drugs in the United States. As a nation, we consume two-thirds of the global market for drugs prescribed to combat chronic sadness and hopelessness. One study found that today, the average American child experiences higher levels of anxiety than did the average child under psychiatric care in the 1950s. And yet, when Americans were asked in a survey what single factor they believed would most improve the quality of their lives, the most common answer was "more money."

Maybe we're caught in ancient fears of not having enough to make it, primal fears of not having what we need to survive. Maybe we're stuck believing that nothing is ever enough, that true satisfaction is impossible because danger lurks around every corner. Maybe we've been bombarded from an early and vulnerable age with the message that money and the things it can buy are our only ticket to happiness. And maybe we've been hampered, as a people, by the fact that the primary index we have created to measure our economic well-being is absolutely guaranteed to get everything wrong.

Pointing Us In The Wrong Direction

The primary index we have created to measure our economic well-being is absolutely guaranteed to get everything wrong. For the past 75 years, the Gross Domestic Product (GDP) has been the fundamental measure of a nation's economic progress. The reason the United States is considered the world's most prosperous nation is because it has the largest GDP. Economists, politicians, and other leaders take for granted that the higher a nation's GDP is, the better off are its people. Unfortunately, using the GDP (and its nearly identical twin, the GNP) to measure well-being and genuine progress makes about as much sense as using a fork to eat soup: It's the wrong tool for the job. Two months before he was assassinated, Robert F. Kennedy explained why:

“Our gross national product counts air pollution and cigarette advertising, and ambulances to clear our highways of carnage. It counts special locks for our doors, and the jails for the people who break them. It counts the destruction of the redwoods, and the loss of our natural wonder in chaotic sprawl. It counts napalm, nuclear warheads, and armored cars for the police to fight the riots in our cities. Yet the gross national product does not allow for the health of our children, the quality of their education, or the joy of their play. It does not include the beauty of our poetry or the strength of our marriages, the intelligence of our public debate or the integrity of our public officials. It measures neither our wit nor our courage, neither our wisdom nor our learning, neither our compassion nor our devotion to our country. It measures everything, in short, except that which makes life worthwhile.”

How can we develop a healthy relationship to wealth and to genuine economic progress when our most fundamental gauge to assess societal well-being is so askew? The GDP, like the GNP, simply adds together all monetary expenditures. The GDP does not care one whit what it is we're consuming, about how equitably distributed a country's wealth might be, nor whether the money we spend is ours or is borrowed from future generations. It is entirely possible for the nation with the world's highest GDP to also have the world's highest poverty rate and the world's highest level of national debt.

The GDP rises whenever money changes hands. When families break down and children require foster care, the GDP grows, but not so when parents successfully care for their children. People who max out their credit cards buying things they don't need make the GDP look good. People who save their money and live sensibly don't. Seen through such a lens, the most economically productive people are cancer patients in the midst of getting a divorce. Healthy people in happy marriages, in contrast, are economically invisible, and all the more so if they cook at home, walk to work, grow food in a home garden, and don't smoke. By counting the depletion of natural resources as current income rather than as the liquidation of assets, the GDP violates both basic accounting principles and common sense.

In recent years, the GDP has gotten substantial boosts from toxic spills such as the Exxon Valdez disaster and the boom in prison construction. Meanwhile, natural resources such as rivers and oceans, topsoil and forests, the ozone layer and the atmosphere, are seen as essentially valueless—unless, of course, they are exploited and converted into revenue. But even then, the GDP measures the resulting economic activity in a manner that is fundamentally misleading. As economist Mark Anielski points out, by counting the depletion of natural resources as current income rather than as the liquidation of assets, the GDP “violates both basic accounting principles and common sense.”

Alternatives To The GDP

One of the reasons the current financial crisis took so many economic experts by surprise is that the systems we use to measure our economic well-being failed us. They did not register that the euphoric growth performance of the world economy prior to the 2008 downturn was, in fact, utterly unsustainable. It is clear now that much of the then-heralded economic growth was a statistical mirage, based on real estate and stock prices that had been grossly inflated by bubbles. If we had had a better measurement system, would we have seen the problems earlier? Would governments have been able to take precautionary measures to avoid or at least minimize the present turmoil?

As long as we continue to rely on the GDP, our leaders will lack a timely and reliable set of wealth accounts—the “balance sheets” of the economy. Fortunately, many efforts are underway to develop economic indexes that are far more reliable measures of genuine wealth and progress than the GDP. Amartya Sen is a Nobel laureate in economics from Harvard who has received more than 80 honorary doctorates for his work in understanding the underlying mechanisms of poverty, famine, and gender inequality. He is also one of many leading economists who recognize that, as he put it in 2008, “the gross domestic product is very misleading and something must be done to get better measures of well-being.” Professor Sen and another Nobel laureate in economics, Joseph Stiglitz, are co-chairmen of the Commission on the Measurement of Economic Performance and Social Progress, established in 2008 by French president Nicolas Sarkozy to develop an alternative to the GDP. The government of China, similarly, is increasingly recognizing that the nation’s torrid economic growth has come at a growing ecological and social cost. Anielski, author of a groundbreaking book on alternatives to the GDP, *The Economics of Happiness: Building Genuine Wealth*, is working with the Chinese government on how to adopt “green GDP accounting.” The goal is to take quality of life and the environment into account when measuring the country’s economic health.

There are many other alternatives under development, including one being created by the Organisation for Economic Cooperation and Development, an international consortium of 30 countries that are committed to democracy and the market economy. I’m heartened to see the many efforts under way to develop alternatives to the GDP that take into account the health of our lives, the strength of our communities, and the sustainability of the environment. And yet it is no simple task to develop a monetized system that can measure the real determinants of happiness and well-being and do justice to the vast complexities of modern economic life. It may be that no single alternative index will emerge to entirely replace the GDP, and we will come to rely on a variety of indexes, each with its own perspectives, to provide us with as complete a picture as possible of the real state of our economic affairs and our societal well-being. And then perhaps we will be able to develop policies that lead to our ultimate goal—a sustainable prosperity shared by all.