

# 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:**

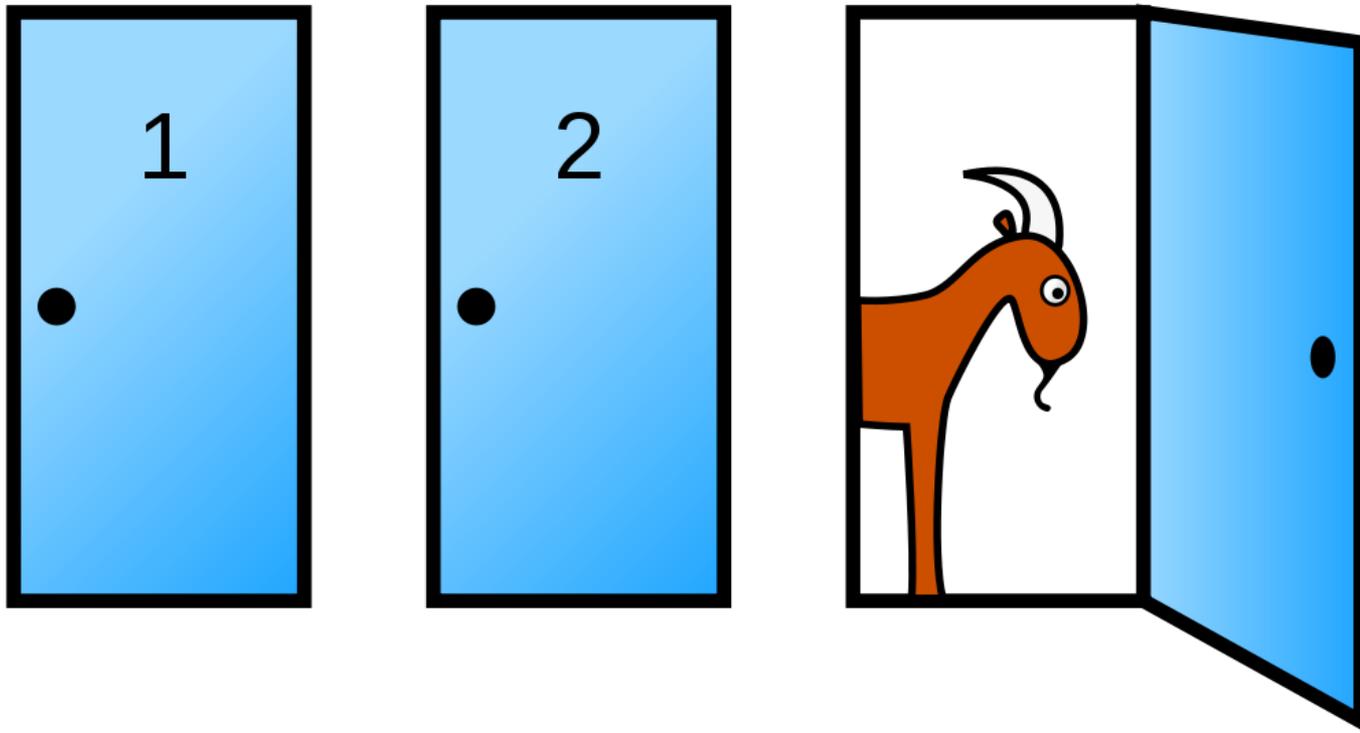
**Most of us are not very good at predicting our emotional reaction from a future experience.**

**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



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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?...



# Happy and Sad Pictures

Happy

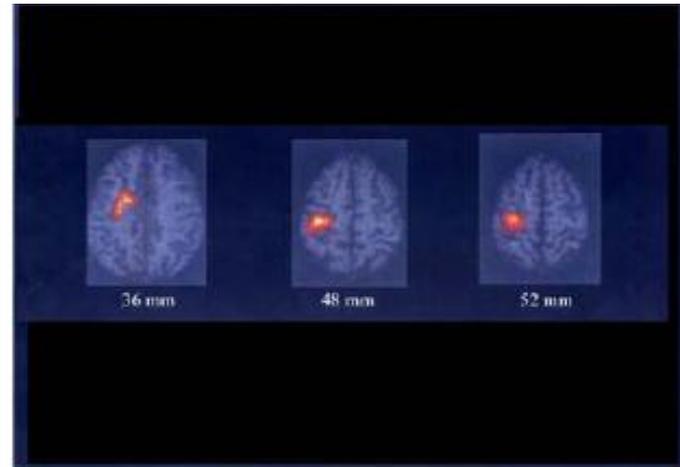


Sad

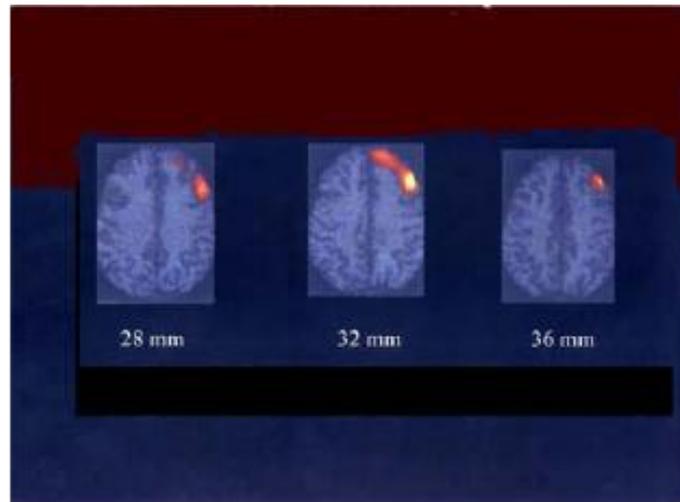


# The Brain Responses to Two Pictures (MRI Scan)

Happy



Sad



Source: Richard Davidson, University of Wisconsin

## Happiness in Different Activities

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

Note: Based on Day Reconstruction Study. Average happiness is net affect.

## Happiness while Spending Time with Different People

<b>Interacting with:</b>	<b>Average happiness</b>
Friends	3.3
Parents/relatives	3.0
Spouse	2.8
My children	2.7
Co-workers	2.6
Clients/customers etc	2.4
Alone	2.2
Boss	2.0

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**

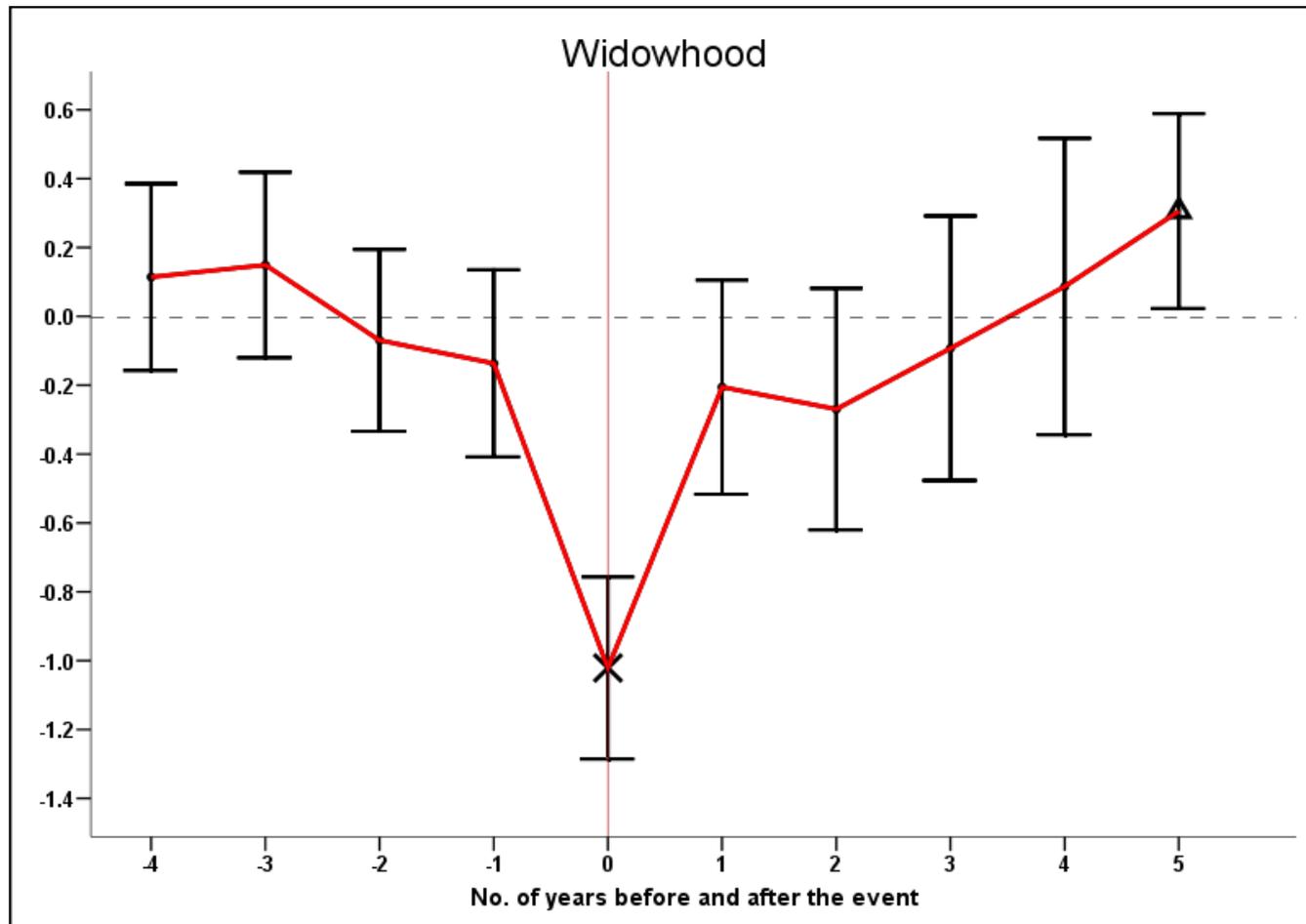
**[No effects from children]**

**[Small effects from income]**

**Much of the new research follows the same people through time.**



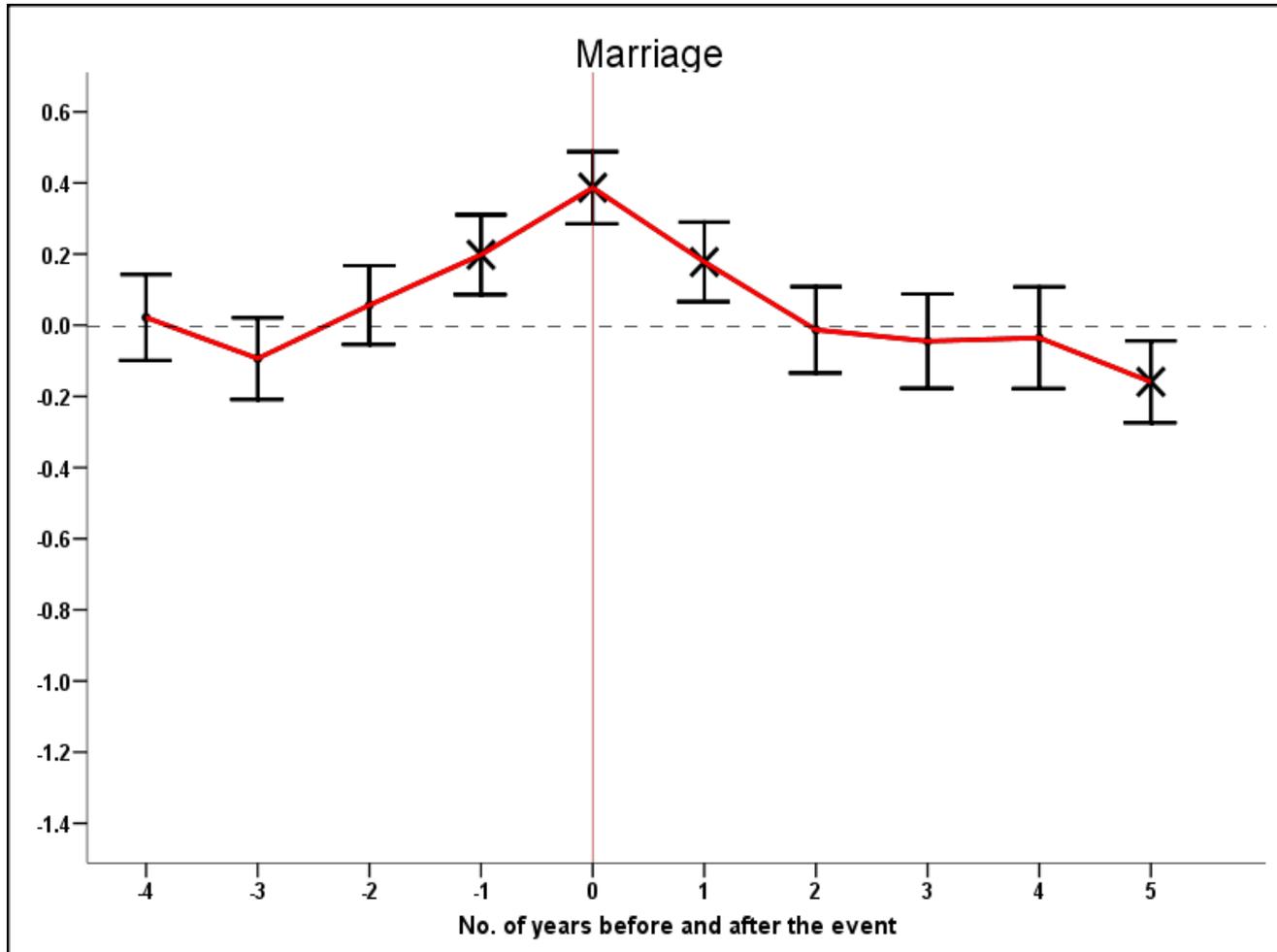
# The unhappiness from bereavement



**So people adapt to bad stuff in our lives.**

**But that has a downside....**

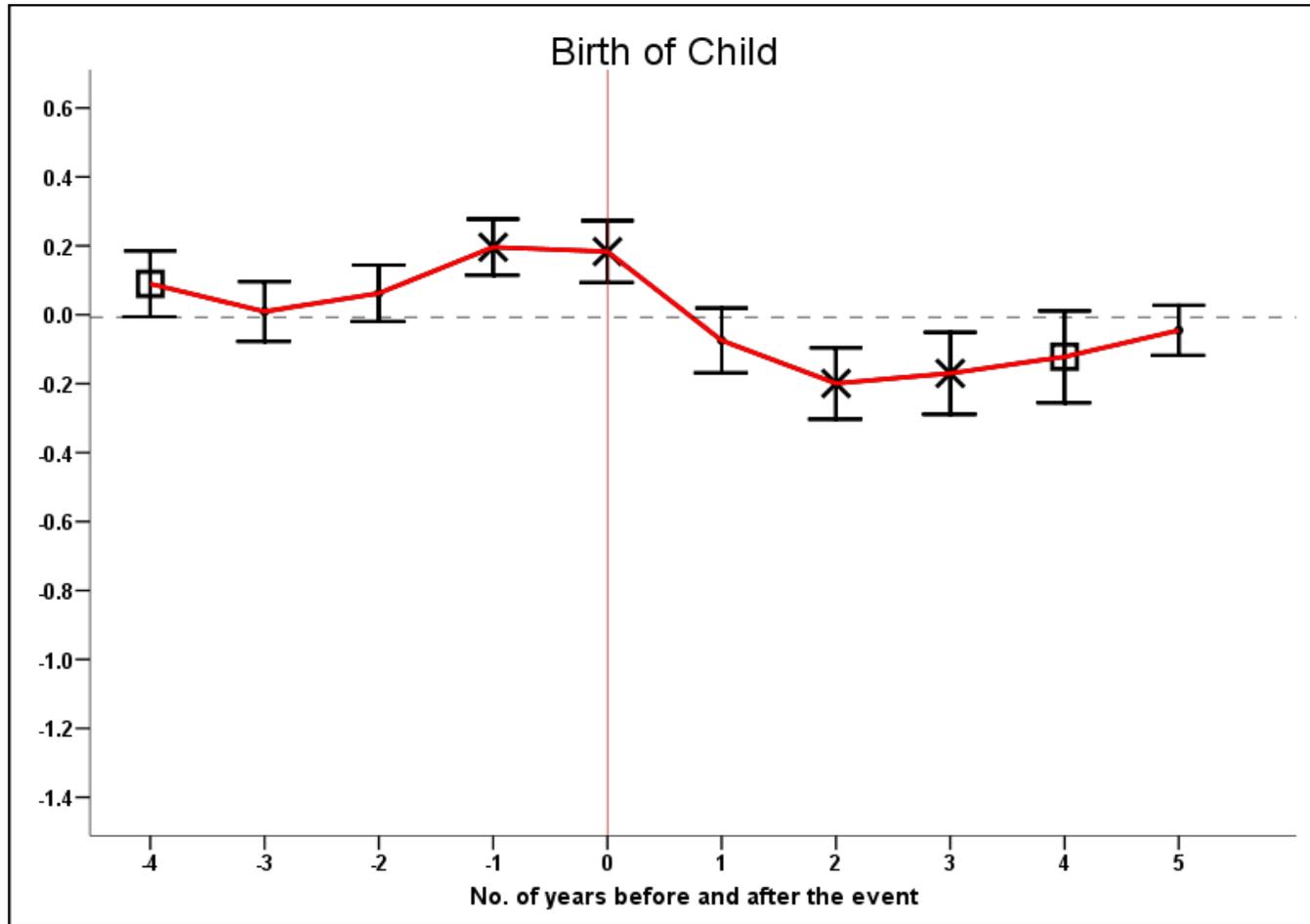
# The happiness from marriage



**And should you invest in a  
baby?**

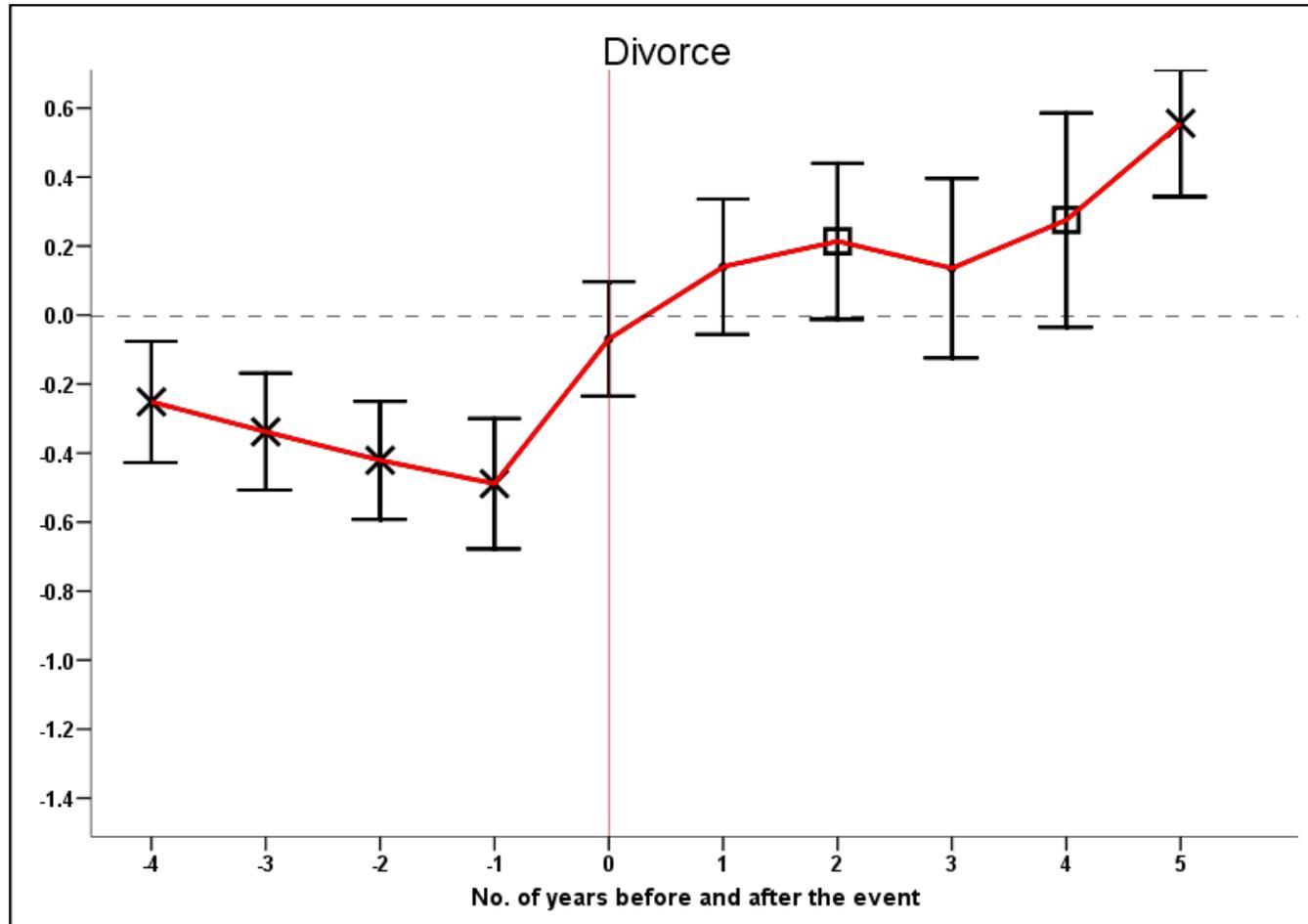


# Happiness and children



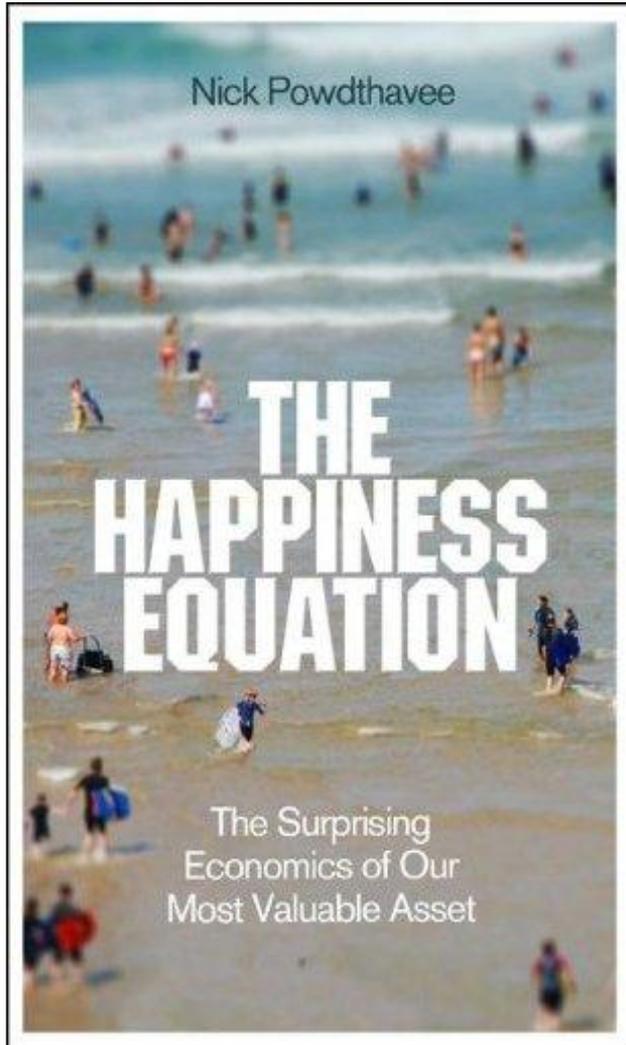
***An important question in a modern society is the impact of divorce.***

# 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!**

# The Happiness Equation

The Surprising Economics of Our  
Most Valuable Asset

**Icon Books, UK**

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