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

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Abstract

Although a great deal of research has shown that people with more money are somewhat happier than are 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 have shown that people who spend money on others report more 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? Would you give the cash to the homeless man you pass everyday on your way to work? Or would you 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 on 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 the amount of money they have (Dunn & Norton, 2013).

In an initial experiment, we approached people on a university campus and gave them either \$5 or \$20 to spend by the end of the day (Dunn, Aknin, & Norton, 2008). We instructed half of 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 happier moods over the course of the day than did those people assigned to spend the money on themselves. It is interesting that the amount of money the participants received 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 has suggested 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 individuals toward using their financial resources to benefit themselves, but spending money

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on others can provide a more effective route to increasing one's 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 with 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 in which many people are still struggling to meet their own basic needs. Discovering that people derive emotional benefits from prosocial spending even in poorer countries, however, would provide evidence that the warm glow of giving may be a fundamental component of human nature. We examined the correlation between charitable giving and happiness in 136 countries (Aknin, Barrington-Leigh, et al., 2013). In 120 of the countries, there was a positive relationship between giving and happiness (when we controlled for income and other demographic variables), and this relationship was significant in a majority of the countries (see Fig. 1 for world map). Although the strength of the relationship varied among countries, individuals in poor and rich

countries alike reported more happiness if they engaged in prosocial spending.

We 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 (Aknin, Barrington-Leigh, et al., 2013). 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 (such as chocolate). Half of the participants 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 did participants who purchased the same goody bag for themselves. This finding is particularly notable, given that more than 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. We gave toddlers just under the age of 2 a pile of appealing

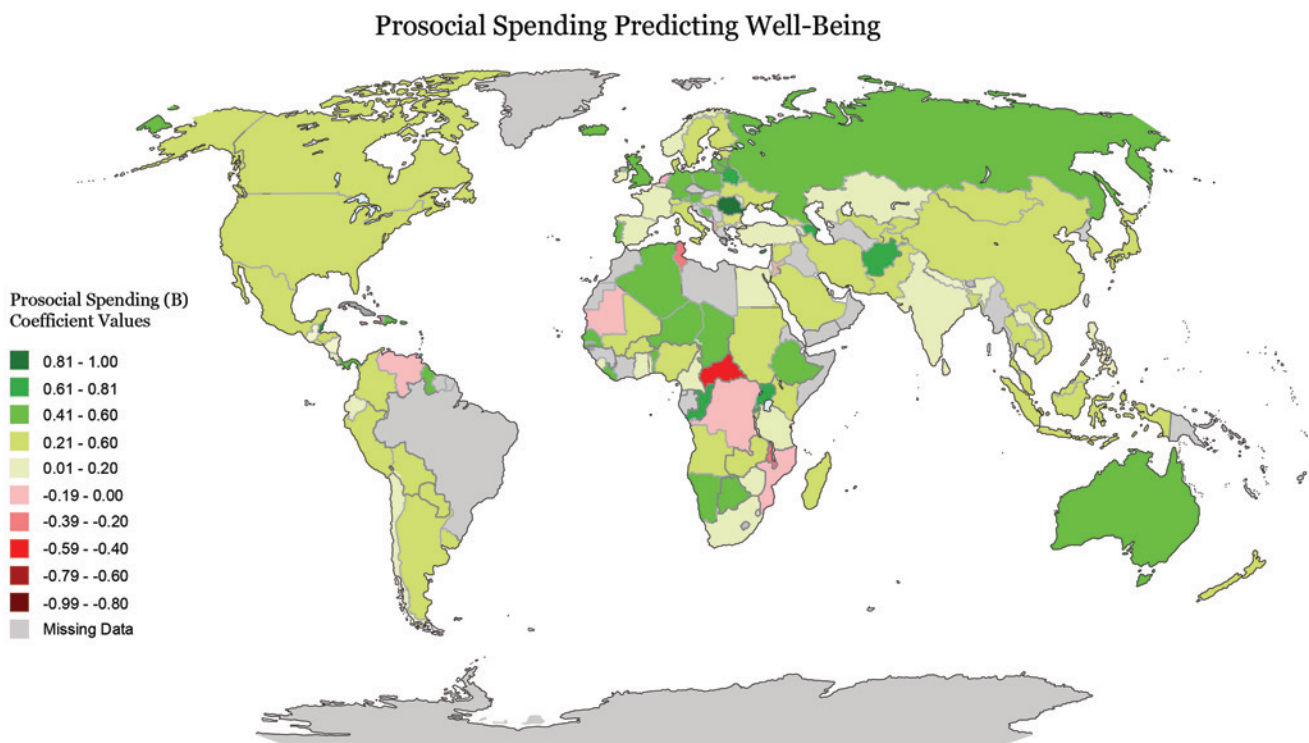


Fig. 1. World map displaying the relationship between prosocial spending and happiness around the globe. From “Prosocial Spending and Well-Being: Cross-Cultural Evidence for a Psychological Universal,” by L. B. Aknin, C. P. Barrington-Leigh, E. W. Dunn, J. F. Helliwell, J. Burns, R. Biswas-Diener, . . . M. I. Norton, 2013, *Journal of Personality and Social Psychology*, 104, p. 639. Copyright by the American Psychological Association. Reprinted with permission.

treats (e.g., goldfish crackers; Aknin, Hamlin, & Dunn, 2012). The children were asked to give one of their treats away to a puppet who enthusiastically ate the treat (see Fig. 2 for images from each phase of the study). 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 more happiness when they gave treats away to the puppet than when they received treats themselves (see Fig. 3 for coded happiness ratings). 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 showed that adults around the world and even young children experience emotional benefits from using their resources to help others, which suggests that humans may have a deep-seated proclivity to find giving rewarding.

When Does Prosocial Spending Promote Happiness?

The argument that humans 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 has confirmed 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, we found that individuals garner more happiness from prosocial spending when giving provides the opportunity to connect with other people (Aknin, Dunn, Sandstrom, & Norton, 2013). In

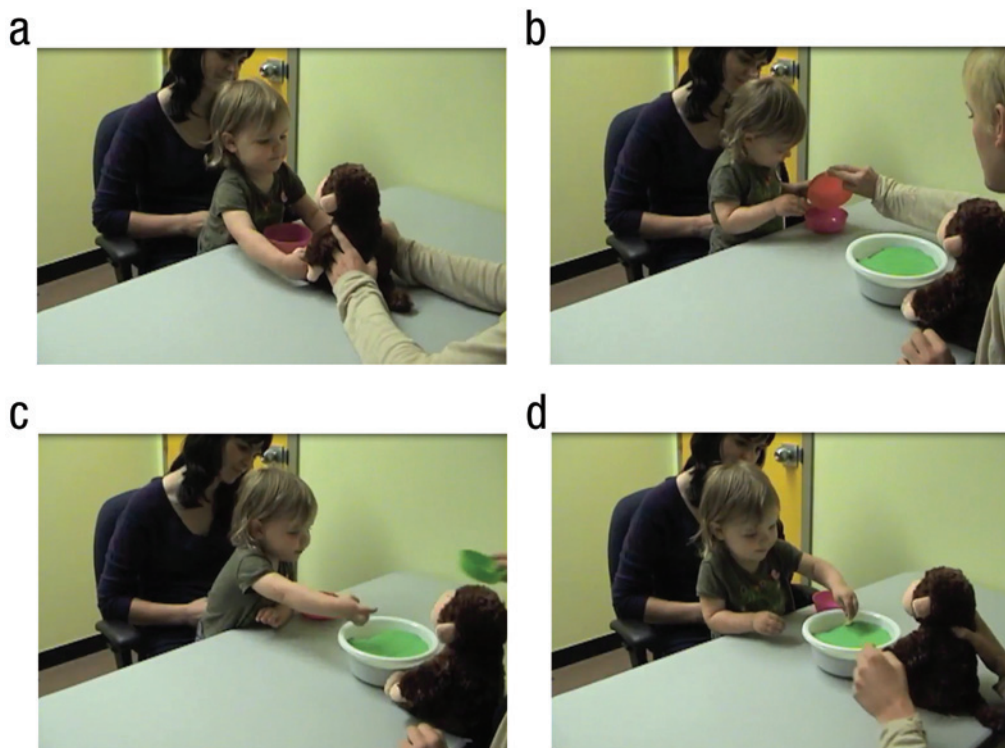


Fig. 2. Example images of four phases from Aknin, Hamlin, and Dunn’s (2012) toddler sharing study. Toddlers were introduced to a puppet (a) and given eight treats (b). Then, in counterbalanced order, each toddler was asked to give the experimenter’s extra treat to the puppet (c) and to give one of their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

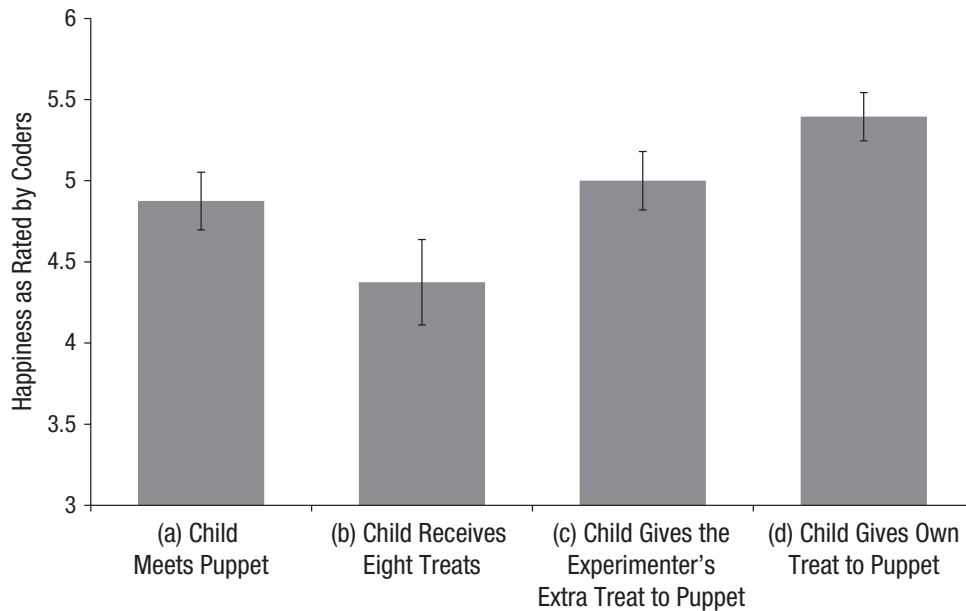


Fig. 3. Children's happiness, as rated by coders, for four phases of the toddler sharing study (Aknin, Hamlin, & Dunn, 2012). Error bars represent 95% confidence intervals around the mean.

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. In another study, we found that individuals get the biggest happiness bang for their buck when they spend money on close others rather than on 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 if 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 we gave participants the opportunity to donate money to Spread the Net, individuals who donated more money felt happier, controlling for happiness before the donation (Aknin, Dunn, Whillans, Grant, & Norton, 2013). In contrast, giving money to UNICEF provided no such benefit. People derive more happiness from prosocial spending if 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 stronger when people have a choice about whether to give. In one study, participants inside a scanner exhibited stronger activation in reward areas of the brain when they freely donated to a local charity compared with when they were required to make a donation (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 a choice, the donation of 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, which demonstrated 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 redesigned 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, thereby 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).

Beyond Happiness

Although happiness is most frequently assessed through simple self-report measures, the benefits of prosocial spending can be detected in the brain and the body. As noted earlier, 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 a previous study, in the context of a large classroom, we gave students \$10 and informed them 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, when we controlled 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 suggested 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 a wide range of variables are controlled for (e.g., gender, income, physical mobility; Brown, Consedine, & Magai, 2005). Experimental research has shown that prosocial spending can increase physical strength; participants who had donated to a charity were able to squeeze a handgrip for more than 20 seconds longer than were control participants (Gray, 2010). Participants also reported happier moods after donating, but 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

Researchers 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), researchers could explore whether different pathways—with different antecedents and consequences—might explain the emotional benefits of giving money compared with the giving of 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. It also would be interesting to investigate whether 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. In addition, future researchers 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, parallel research has suggested that the benefits of prosocial spending are most likely to emerge if donors are given a choice (Weinstein & Ryan, 2010), and new research has suggested that injecting an element of choice into tax payments increases taxpayer satisfaction (Lamberton, 2013).

In addition to research on individual happiness, researchers 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 coworker (Dunn & Norton, 2013). Our most recent research has provided initial evidence that giving employees the opportunity to engage in prosocial spending can potentially enhance job satisfaction and performance (Anik, Aknin, Norton, Dunn, & Quoidbach, 2013). 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 from prosocial spending than do others? Do enjoyable early childhood experiences with giving lead people to seek out prosocial spending opportunities, perhaps as a result of 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

In much of the research on money and happiness, researchers have explored the overall relationship between these variables; in our research, we have shifted the focus toward the consideration of how people can use their money to increase happiness—whether they have a little or a lot of money. The benefits of prosocial spending are evident in givers old and young in countries around the world and extend to not only subjective well-being but also 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.

Recommended Reading

- Aknin, L. B., Barrington-Leigh, C. P., Dunn, E. W., Helliwell, J. F., Burns, J., Biswas-Diener, R., . . . Norton, M. I. (2013). (See References). 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). (See References). Provides a full discussion of research on the relationship between money and happiness around the world.
- Dunn, E. W., Aknin, L. B., & Norton, M. I. (2008). (See References). Presents our first studies on the correlational and causal relationship between prosocial spending and happiness.
- Dunn, E., & Norton, M. (2013). (See References). Written for a broad audience, provides an approachable review of research on how people can get more happiness from their money.
- Helliwell, J., Layard, R., & Sachs, J. (2012). *World happiness report*. New York, NY: The Earth Institute, Columbia University. Commissioned by the United Nations, offers a thorough overview of predictors of happiness around the world.

Author Contributions

Elizabeth W. Dunn and Lara B. Aknin wrote the manuscript. Michael I. Norton edited the manuscript.

Declaration of Conflicting Interests

The authors declared that they had no conflicts of interest with respect to their authorship or the publication of this article.

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