

TED Talk Script

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So I want to talk today about money and happiness, which are two things a lot of us spend a lot of our time thinking about, either trying to earn them or trying to increase them. And a lot of us resonate with this phrase, we see it in religions and self-help books: money can't buy happiness. And I want to suggest today that, in fact, that's wrong.

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(Laughter)

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I'm at a business school, so that's what we do. So that's wrong, and in fact, if you think that, you're just not spending it right. So instead of spending it the way you usually spend it, maybe if you spent it differently, that might work a little bit better. Before I tell you the ways you can spend it that will make you happier, let's think about the ways we usually spend it that don't, in fact, make us happier. We had a little natural experiment. So CNN, a little while ago, wrote this interesting article on what happens to people when they win the lottery. It turns out people think when they win the lottery their lives will be amazing. This article's about how their lives get ruined. What happens when people win the lottery is, one, they spend all the money and go into debt; and two, all of their friends and everyone they've ever met find them and bug them for money. It ruins their social relationships, in fact. So they have more debt and worse friendships than they had before they won the lottery.

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What was interesting about the article was, people started commenting on the article, readers of the thing. And instead of talking about how it made them realize that money doesn't lead to happiness, everyone started saying, "You know what I'd do if I won the lottery ...?" and fantasizing about what they'd do. Here's just two of the ones we saw that are interesting to think about. One person wrote, "When I win, I'm going to buy my own little mountain and have a little house on top."

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(Laughter)

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And another person wrote, "I would fill a big bathtub with money and get in the tub while smoking a big fat cigar and sipping a glass of champagne." This is even worse: "... then I'd have a picture taken and dozens of glossies made. Anyone begging for money or trying to extort from me would receive a copy of the picture and nothing else."

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(Laughter)

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And so many of the comments were exactly of this type, where people got money and, in fact, it made them antisocial. So I told you it ruins people's lives and their friends bug them. Also, money often makes us feel very selfish and we do things only for ourselves. We thought maybe the reason money doesn't make us happy is that we're spending it on the wrong things; in particular, we're always spending it on ourselves. And we wondered what would happen if we made people spend more of their money on others. So instead of being antisocial with your money, what if you were more pro-social with it?

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We thought, let's make people do it and see what happens. Let's have some people do what they usually do, spend money on themselves, and let's make some people give money away, and measure their happiness and see if, in fact, they get happier. The first way we did this was, one Vancouver morning, we went out on the campus at University of British Columbia, approached people and said, "Do you want to be in an experiment?" They said, "Yes." We asked them how happy they were, and then gave them an envelope. One of the envelopes had things in it that said, "By 5pm today, spend this money on yourself." We gave some examples of what you could spend it on. Other people got a slip of paper that said, "By 5pm today, spend this money on somebody else." Also inside the envelope was money.

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And we manipulated how much money we gave them; some people got this slip of paper and five dollars, some got this slip of paper and 20 dollars. We let them go about their day and do whatever they wanted. We found out they did spend it in the way we asked them to. We called them up and asked them, "What did you spend it on? How happy do you feel now?" What did they spend it on? These are college undergrads; a lot of what they spent it on for themselves were things like earrings and makeup. One woman said she bought a stuffed animal for her niece. People gave money to homeless people. Huge effect here of Starbucks.

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(Laughter)

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So if you give undergraduates five dollars, it looks like coffee to them, and they run over to Starbucks and spend it as fast as they can. Some people bought coffee for themselves, the way they usually would, but others bought coffee for somebody else. So the very same purchase, just targeted toward yourself or targeted toward somebody else. What did we find when we called at the end of the day? People who spent money on others got happier; people who spent it on themselves, nothing happened. It didn't make them less happy, it just didn't do much for them.

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The other thing we saw is the amount of money doesn't matter much. People thought 20 dollars would be way better than five. In fact, it doesn't matter how much money you spent. What really matters is that you spent it on somebody else rather than on yourself. We see this again and again when we give people money to spend on others instead of on themselves. Of course, these are undergraduates in Canada -- not the world's most representative population. They're also fairly wealthy and affluent and other sorts of things.

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We wanted to see if this holds true everywhere in the world or just among wealthy countries. So we went to Uganda and ran a very similar experiment. Imagine, instead of just people in Canada, we say, "Name the last time you spent money on yourself or others. Describe it. How happy did it make you?" Or in Uganda, "Name the last time you spent money on yourself or others and describe that." Then we asked them how happy they are, again. And what we see is sort of amazing, because there's human universals on what you do with your money, and real cultural differences on what you do as well. So for example, one guy from Uganda says this: "I called a girl I wished to love." They basically went out on a date, and he says at the end that he didn't "achieve" her up till now.

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(Laughter)

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Here's a guy from Canada. Very similar thing. "I took my girlfriend out for dinner. We went to a movie, we left early, and then went back to her room for ... cake," just cake.

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(Laughter)

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Human universal: you spend money on others, you're being nice. Maybe you have something in mind, maybe not. But then we see extraordinary differences. So look at these two. This is a woman from Canada. We say, "Name a time you spent money on somebody else." She says, "I bought a present for my mom. I drove to the mall, bought a present, gave it to my mom." Perfectly nice thing to do. It's good to get gifts for people you know. Compare that to this woman from Uganda: "I was walking and met a longtime friend whose son was sick with malaria. They had no money, they went to a clinic and I gave her this money." This isn't \$10,000, it's the local currency. So it's a very small amount of money, in fact. But enormously different motivations here. This is a real medical need, literally a lifesaving donation. Above, it's just kind of, I bought a gift for my mother.

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What we see again, though, is that the specific way you spend on other people isn't nearly as important as the fact that you spend on other people in order to make yourself happy, which is really quite important. So you don't have to do amazing things with your money to make yourself happy. You can do small, trivial things and

still get the benefits from doing this. These are only two countries. We wanted to look at every country in the world if we could, to see what the relationship is between money and happiness.

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We got data from the Gallup Organization, which you know from all the political polls happening lately. They asked people, "Did you donate money to charity recently?" and, "How happy are you with life in general?" We can see what the relationship is between those two things. Are they positively correlated, giving money makes you happy? Or are they negatively correlated? On this map, green will mean they're positively correlated, red means they're negatively correlated. And you can see, the world is crazily green. So in almost every country in the world where we have this data, people who give money to charity are happier people than people who don't give money to charity. I know you're looking at the red country in the middle. I would be a jerk and not tell you what it is, but it's Central African Republic. You can make up stories. Maybe it's different there for some reason. Just below that to the right is Rwanda, though, which is amazingly green.

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So almost everywhere we look, we see that giving money away makes you happier than keeping it for yourself. What about work, which is where we spend the rest of our time, when we're not with the people we know. We decided to infiltrate some companies and do a very similar thing. These are sales teams in Belgium. They work in teams, go out and sell to doctors and try to get them to buy drugs. We can look and see how well they sell things as a function of being a member of a team. We give people on some teams some money "Spend it however you want on yourself," just like we did with the undergrads in Canada. To other teams we say, "Here's 15 euro. Spend it on one of your teammates. Buy them something as a gift and give it to them. Then we can see, we've got teams that spend on themselves and these pro-social teams who we give money to make the team better. The reason I have a ridiculous pinata there is one team pooled their money and bought a pinata, they smashed the pinata, the candy fell out and things like that. A silly, trivial thing to do, but think of the difference on a team that didn't do that at all, that got 15 euro, put it in their pocket, maybe bought themselves a coffee, or teams that had this pro-social experience where they bonded together to buy something and do a group activity. What we see is that the teams that are pro-social sell more stuff than the teams that only got money for themselves.

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One way to think of it is: for every 15 euro you give people for themselves, they put it in their pocket and don't do anything different than before. You don't get money from that; you lose money, since it doesn't motivate them to perform better. But when you give them 15 euro to spend on their teammates, they do so much better on their teams that you actually get a huge win on investing this kind of money.

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You're probably thinking to yourselves, this is all fine, but there's a context that's incredibly important for public policy, and I can't imagine it would work there. And if he doesn't show me that it works here, I don't believe anything he said. I know what you're all thinking about are dodgeball teams.

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(Laughter)

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This was a huge criticism that we got, that if you can't show it with dodgeball teams, this is all stupid. So we went and found these dodgeball teams and infiltrated them, and did the exact same thing as before. So we give people on some teams money to spend on themselves. Other teams, we give them money to spend on their dodgeball teammates. The teams that spend money on themselves have the same winning percentages as before. The teams we give the money to spend on each other become different teams; they dominate the league by the time they're done.

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Across all of these different contexts -- your personal life, your work life, even things like intramural sports -- we see spending on other people has a bigger return for you than spending on yourself. So if you think money can't buy happiness, you're not spending it right. The implication isn't you should buy this product instead of that product, and that's the way to make yourself happier. It's that you should stop thinking about which product to buy for yourself, and try giving some of it to other people instead.

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And we luckily have an opportunity for you. DonorsChoose.org is a nonprofit for mainly public school teachers in low-income schools. They post projects like, "I want to teach Huckleberry Finn and we don't have the books," or, "I want a microscope to teach my students science and we don't have a microscope." You and I can go on and buy it for them. The teacher and the kids write you thank-you notes, sometimes they send pictures of them using the microscope. It's an extraordinary thing.

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Go to the website and start yourself on the process of thinking less about "How can I spend money on myself?" and more about "If I've got five dollars or 15 dollars, what can I do to benefit other people?" Ultimately, when you do that, you'll find you benefit yourself much more.