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Harvard Researchers Prove Feeling Sad Makes Us Stupid With Money

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Whether it's a king-sized candy bar bought on impulse at the Walgreens checkout during a harried lunch break or an expensive night on the town after a break-up, there is now research to prove that the financial decisions we make when we're sad are far from savvy. And just in time for the holiday season, too!

Photo credit: HowardLake

Previous research has demonstrated a link between sadness and an increased willingness to spend, but Jennifer Lerner and her colleagues at Harvard extend the investigating to evaluate the *quality* of the financial decisions we make when down in the dumps. Through a series of three experiments, they uncovered a phenomenon they called *myopic misery* – a condition where sad participants prioritized obtaining a smaller amount of money in the present over a larger sum later. In fact, median unhappy participants accepted 13 - 34% less money in the present than participants in a neutral mood in order to avoid waiting three months to cash in. Being blue makes us bad with budgeting and unhappiness augurs instant gratification.

Lerner's team's findings are particularly relevant in these tough economic times. The Great Recession saw a sharp rise in depression rates and the reality of being underemployed or unemployed has been shown to have both short-term and long-term health consequences. Put simply, there are more sad people out there to make poor financial decisions these days.

While the lipstick index – the idea that people spend more on little luxuries, such as lipstick, in tough economic times – hasn't held true during the Great Recession, there is still plenty of statistical evidence and anecdata to support the notion of myopic misery. For example, payday lending has become a booming business in recent years, albeit one with potentially serious side effects for cash-strapped borrowers. Debt management company, MoneyPlus Group, reporting a 10-fold increase in clients with payday loans between 2008 and 2012. Ticket sales in 28 out of 41 lottery-holding states increased in 2011, with 17 of those states reporting record sales numbers. And fast food chains – McDonald's in particular – weathered the economic downturn rather well. When we're sad, we seek out quick fixes - fast cash and cheap meals, for example - and emphasize alleviating our current discomfort over augmenting our longer-term well-being. It's difficult to focus on the future when you're battling to get through the day-to-day, as Lerner's research illustrates.

But take heart sorrowful shoppers, not all purchases we make when despondent are bad ones. As TIME reported last year, spending on condoms (safe sex), yoga (self-care) and pet products (companionship) has also increased as our collective financial fortunes have flat-lined.

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