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The Economics of Emotions

By Debbi Gardiner, July 2004 Issue

Bad moods are bad for business. So say researchers at Carnegie Mellon University's department of social and decision sciences, who have determined that sadness and disgust drive down the prices sellers are willing to accept for their goods and services. This is the first time a firm link has been established between incidental emotions and economic behavior.

Researchers asked subjects to watch either a sad snippet of *The Champ* (in which a boy's mentor dies) or a revolting clip from *Trainspotting* featuring a filthy toilet. Participants were divided into buyers and sellers, and then asked to name a price for a set of highlighter pens. Sadness made subjects so desperate to change their circumstances that they undervalued the pens, while buyers would overspend to get them. Disgust made sellers do anything to get rid of the pens and buyers far less likely to purchase a set for themselves.

This has real-world implications, says study coauthor **Jennifer Lerner**. If a broker squabbles with his spouse in the morning, for example, it may impact the trades he makes later that day. Understanding the relationship between emotional states and perceptions of value could influence negotiating strategies, marketing efforts, and the tools economists use to anticipate the behavior of financial markets. Money may not buy happiness, but we now know that happiness may well bring more money. ✦