

# Consumption and Happiness: How do they relate?

Written by Karen Farías Proschle

## Introduction

We live in a society based on a Western capitalist model. According to Adallah *et al.* (2009) to keep economies growing, the capitalist model has a structural need to maintain consumption's demand.

Regarding the current patterns of consumption, based on the World Bank database Assadourian (2010) describes that in 1960 the total consumption spent was US\$4.9 trillion; nowadays we spent six times more than that. Skeptics could argue that the population growth explains this increase, but the population grew just 2.2 times since 1960. Hence, there is a clear per capita-consumption rise.

The decisions we make for purchasing one product over another one, are based on several personal factors. One factor that influences us all is advertising. Every day, we are overwhelmed by marketing strategies on television, internet, radio, etc., which try to reach our more personal wishes and needs, in order to make us buy some good or service. As Adallah *et al.* (2009) explain "we are constantly bombarded with messages from advertisers and marketers, all pushing the idea that buying this or that new product will make us happier". But have this consumption made our lives in fact better or happier? Within this paper I will try to answer this and give a short overview about the relationship between consumption and happiness.

## How do consumption and happiness relate?

First of all, it is necessary to describe these concepts. The Oxford Dictionary of Economics defines consumption as the "spending for survival or enjoyment, as opposed to providing for future production". According to Dutt (2006), consumption is the "driving force of the economy, providing people with the incentive to expend their time and energy to obtain more and better things." Furthermore, Paul Ekinos (*fide* Assadourian, 2010) describes the slightly different concept of consumerism as a cultural orientation, in which the final aspiration of human beings is to possess and use an increased number of goods and services, in order to be happy and successful. On the other hand, the concept of happiness is extremely subjective and there have been attempts to define it since the beginning of times. Thus, I will not quote definitions of its philosophical meaning, instead of that, I will refer to Easterlin (1974), who said that "happiness is not confined to economic well-being, [...] it correspond to the broader concept of social welfare".

I chose Easterlin<sup>1</sup> among other scholars, because he was one of the first economists, who asked himself about the factors that contribute to happiness. In 1974, he described the Paradox of

---

<sup>1</sup> Even though this paper is focused on 'consumption' and not specifically on 'income', to analyze happiness, Easterlin is an obligated starting point of reference.

Happiness. This concept explains that on a national level, if we compare people's happiness within the country, and as the standard economists' view would expect, people with higher incomes are happier than those with lower incomes. However, if we make this comparison on an international level the results vary; between rich and poor countries there is no relevant difference on their average happiness levels. Additionally, positive variations on income within years do not always lead to more happiness.

On the contrary, Hagerty and Veenhoven (2003) and Stevensons and Wolfers (2008) got to the opposite conclusion regarding the aforesaid relationship. They affirmed there is not such a paradox and people's happiness increases as income rise.

Nevertheless, people with higher incomes not always tend to consume more, but in countries where consumerism is embedded in the culture, people with higher incomes have the tendency to consume more, even those with an environmental awareness (Pacala, 2008 *fide* Assadourian, 2010).

There was a shift with Guven (2009), who reversed the question, asking whether happiness affects consumption. Within his findings, he describes that happy people's consuming behavior differ from unhappy people. The former save more and spend less than the latter, because they are concerned about the future. Moreover they do not like to have debts, and for that they take more time to make their decisions.

Recent studies show that material goods and money explain just a low percent of people's happiness. For instance, Figure 1 shows that 'Money and financial situation' influences on a 7% the subjective well-being (or happiness), overwhelmingly contrasting with the 47% of 'Partner and family relationships'. Similarly to these findings, Lyubomirsky *et al.* (2005) describe that only around 10% of subjective happiness in western societies is explained by income or possessions.

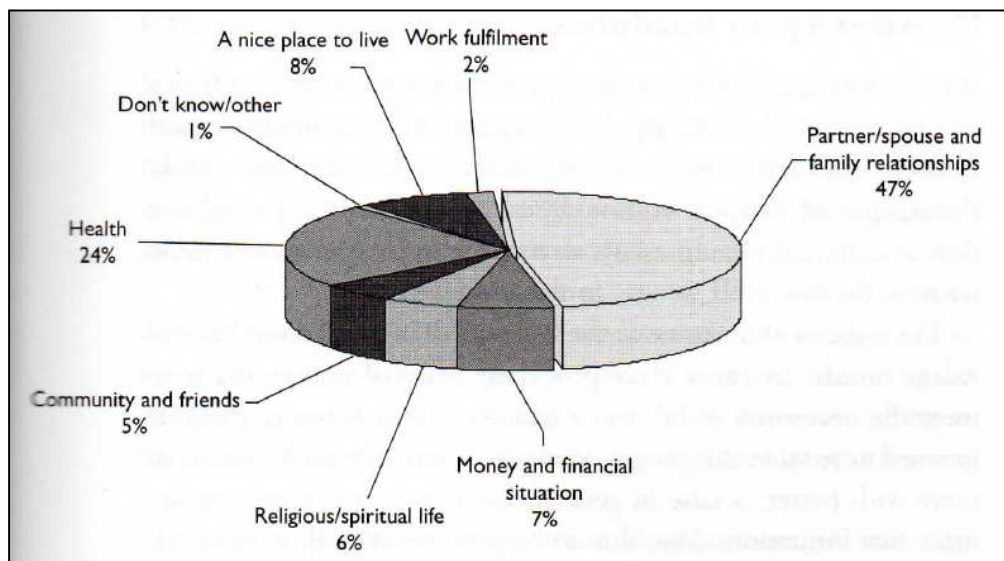
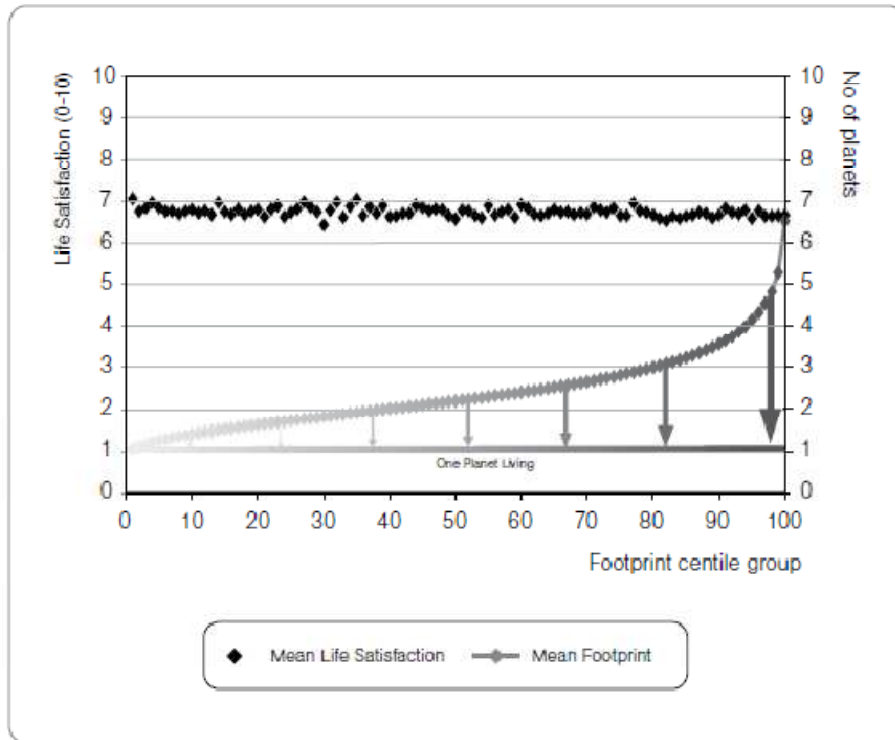


Figure 1. Factors influencing subjective well-being (happiness). Source: Jackson, 2009

Furthermore, the new economics foundation (nef) made an online survey within Europe, to compare life satisfaction with levels of material consumption. One of its results is Figure 2, where we can see that high-consuming and low-consuming lifestyles have around 70% of life satisfaction, from which can be inferred that happiness has no correlation with material consumption.



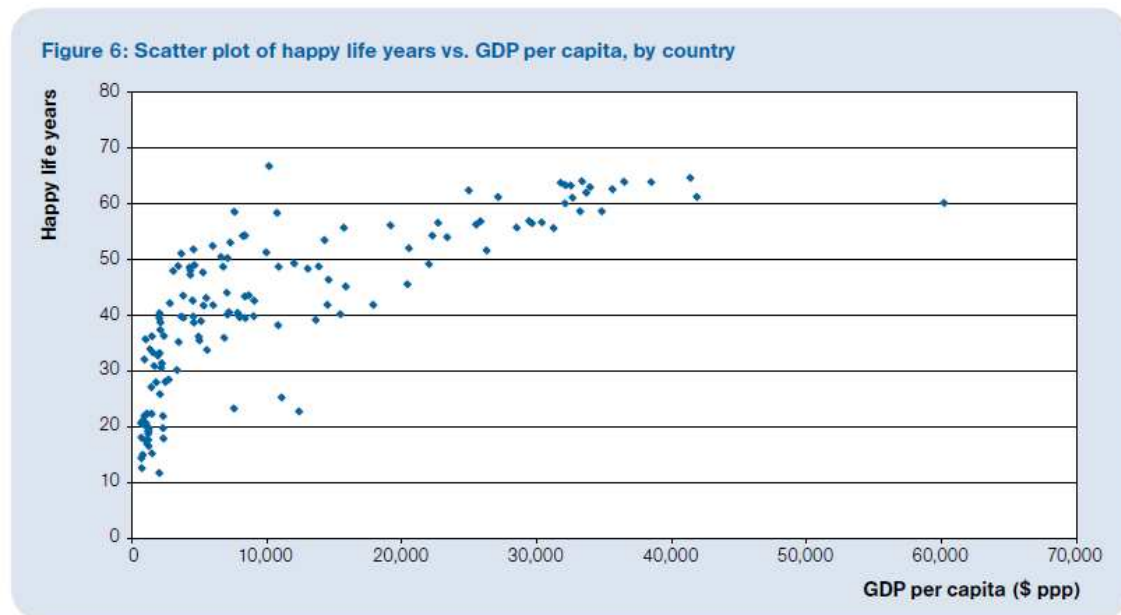
**Figure 2. Life Satisfaction compared to levels of material consumption in Europe. Source: Simms et al., 2009**

Along with the above-mentioned statistics, it is also important to refer to The Happy Planet Index (HPI). This is a country-by-country index which based on environmental impact and human well-being data<sup>2</sup>, calculates the efficiency of resources consumption and how it transform into long and happy lives for their citizens (nef, 2009). It should not be confused with a simple ranking of countries' current happiness level. Within their results, it is worth to mention that Costa Rica has the highest HPI, followed by in general Latin American countries (Abdallah et al., 2009), which shows that on-top-of-the-ranking countries are not the ones with higher incomes or GDP, reaffirming the theory that happiness is not based on economic prosperity.

As it can be seen in Figure 3, even though there is a trend to more happy life years (HLY)<sup>3</sup> in higher-GDP countries, this trend is not so evident at two points of the graphic. First, countries with a GDP per capita under US\$5,000 have extremely diverse results, from 10 to 50 happy life years. And second, in countries with GDP per capita higher than US\$25,000, HLY stagnates around an average of 60 years. Again, Costa Rica stands out with the highest score on HLY (66.7), but just a quarter of the GDP per capita from the richest countries.

<sup>2</sup> HPI combines three elements: Life Expectancy, Life Satisfaction and Footprint (Abdallah et al., 2009).

<sup>3</sup> Happy Life Years (HLY) combines Life Satisfaction with Life Expectancy (Abdallah et al., 2009).



**Figure 3. Happy life years vs. GDP per capita, by country. Source: Abdallah et al. 2009**

One explanation to the before-mentioned statistics is that once our basic needs are satisfied, our level of consumption does not necessarily transform into higher levels of happiness (Simms *et al.*, 2009), or as Jackson (2009) explains it, “having more of something usually provides less additional satisfaction”. Already in 1993 Latouche<sup>4</sup> mentioned “happiness relates less to having than to being”. Moreover, in 1987 Argyle (*fide* Michaelis, 2000) was discussing the idea that people tend to compare themselves with others who are richer, which leads to a continuous dissatisfaction. Abdallah *et al.* (2009) mentioned that people adapt easily to a better material life standard, and therefore they quickly return to their previous satisfaction point.

These findings made me think about Maslow’s Hierarchy of Needs. Figure 4 illustrates how human needs can be organized as a pyramid, where each step represents a group of needs. There are five types: physiological, safety, love/belonging, esteem and self-actualization. Maslow (1943) described that a new (higher) need emerges once the previous is completely or partially satisfied. In 1962, he deepened his theory and recognized the first four needs as deficiency needs (D-Needs) and the last one as being needs (B-Needs). As he explained “D-Need gratifications come from the world outside the person, not from within”. Opposed to them, the B-Needs or self-actualization needs are related to the purpose of life, to fulfill our potential, or in Maslow’s words “what a man *can* be, he *must* be” to be ultimately happy.

<sup>4</sup> Latouche is one of the defenders of the Degrowth Movement.

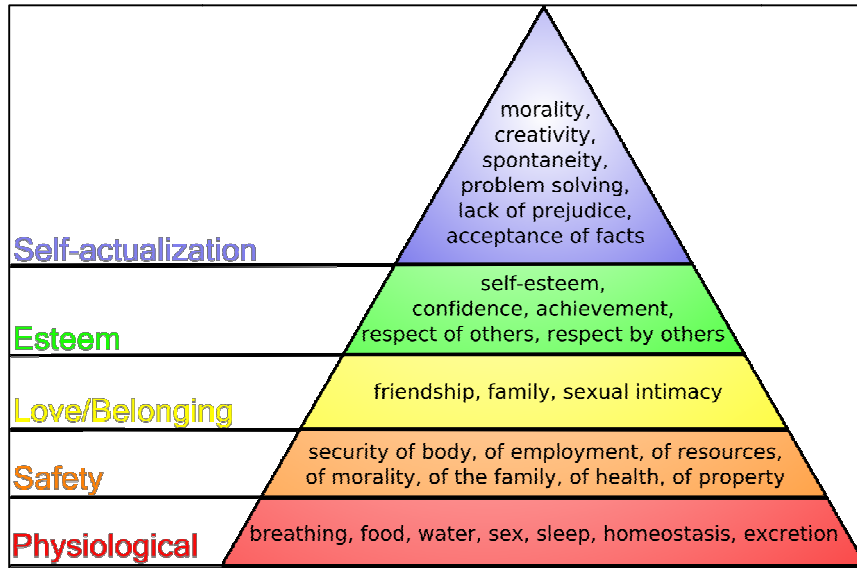


Figure 4. Maslow's Pyramid of Human Needs  
Source: *psychology.wikia.com*

According to Maslow's theory, people 'climb' upwards the pyramid, in order to satisfy their needs towards self-actualization. Maslow proposed his theory in 1943, when consumption patterns were really different than the ones we have nowadays. Therefore, we could re-interpret his theory of hierarchical needs from a high-consumption perspective. For instance, a person instead of buying/eating only what is necessary, will buy/eat also exotic/exclusive products; instead of having a normal house for living, will have a bigger/safer one; instead of cultivating his/her relationships with time or love, will buy the latest smart-phone to be 24/7 connected to his/her friends; instead of obtaining respect by his/her achievements, will search acceptance by purchasing more material goods, which give him/her a better status. What I mean with this is that the consumption bubble we are immersed in, can create a fog that does not allow us to see the final goal, which is self-actualization.

## Conclusions

After analyzing the bibliography related to this subject, I would say first that it is not a new topic as I thought before starting this paper. Second, there are serious studies to back up the idea of consumption not increasing happiness. Based on Maslow's theory linked to Latouche, I would say that the high-consumption model does not make people happier, because they enter in an endless loop of over-consumption, where nothing is enough and what the others have is always better. I conclude that people living in a consumerism culture get stuck within the D-Needs, forgetting the B-Needs, which are the ones that will make us in fact happy. To finalize, I would like to quote Aristotle, who already in the 4th century B.C. had clear that *"true happiness flows from the possession of wisdom and virtue and not from the possession of external goods"*<sup>5</sup>.

<sup>5</sup> Taken from "Quotations on Consumerism/Overconsumption". Available online at: <http://www.stthomas.edu/recycle/consume.htm>

## References

- Abdallah, S., Thompson, S., Michaelson, J., Marks, N. and Steuer, N., 2009. *The Happy Planet Index 2.0. Why good lives don't have to cost the Earth*. New Economics Foundation, UK. Available online at: <http://www.happyplanetindex.org/learn/download-report.html>
- Assadourian, E., 2010. *The rise and fall of consumer cultures*, in: Worldwatch Institute. *State of the World 2010. Transforming cultures from consumerism to sustainability*. W. W. Norton & Company, New York & London, pp. 3-20.
- Dutt, A.K., 2006. *Consumption and Happiness: Alternative Approaches*. Draft: Conference on New Directions in the Study of Happiness. University of Notre Dame. October 22-24, 2006.
- Easterlin, R., 1974. *Does Economic Growth Improve the Human Lot? Some Empirical Evidence*, in: David, P. & Reder, M. (Editors). *Nations and Households in Economic Growth: Essays in Honour of Moses Abramovitz*. Academic Press Inc. New York, pp. 89-125.
- Guyen, C., 2009. *Reversing the Question: Does Happiness Affect Consumption and Savings Behavior?* SOEPpapers 219/2009. DIW Berlin. Available online at: <http://www.diw.de/soeppapers>
- Hagerty, M. and Veenhoven, R., 2003. *Wealth and Happiness Revisited. Growing wealth of nations does go with greater happiness*. Social Indicators Research, 64: 1-27
- Jackson, T., 2009. *Prosperity without growth. Economics for a finite planet*. Earthscan, UK & USA.
- Latouche, S., 1993. *In the wake of the affluent society. An exploration of post-development*. Zed Books Ltd, UK & USA.
- Lyubomirsky, S., Sheldon, K. and Schkade, D., 2005. *Pursuing Happiness: The Architecture of Sustainable Change*. Review of General Psychology, 9 (2): 111-131
- Maslow, A., 1943. *A Theory of Human Motivation*. Psychological Review, 50: 370-396
- Maslow, A., 1962. *Some basic propositions of a growth and self-actualization psychology*, in: Combs, A. (Ed.). *Perceiving, Behaving, Becoming: A New Focus for Education*. Association for Supervision and Curriculum Development, Washington, D.C., pp. 34-49.
- Michaelis, L., 2000. *Ethics of Consumption*. Oxford Centre for the Environment, Ethics & Society.
- nef, 2009. *The Happy Planet Index 2.0*. Available online at: <http://www.happyplanetindex.org/>
- Simms, A., Johnson, V. and Chowla, P., 2010. *Growth isn't possible. Why rich countries need a new economic direction*. Schumacher College & nef. Available online at: <http://www.neweconomics.org/publications/growth-isnt-possible>
- Stevenson, B. and Wolfers, J., 2008. *Economic Growth and Subjective Well-Being: Reassessing the Easterlin Paradox*. IZA Discussion Paper N° 3654.

The Oxford Dictionary of Economics, 2011. Available online at: <http://www.enotes.com/econ-encyclopedia>