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Pursuit of Happiness in Consumer Society: A Study on OECD Countries and Türkiye

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Abstract

Understanding the relationship between societal consumption desires and happiness levels contributes to the development of economic policies aimed at enhancing welfare. Therefore, this study, which investigates the relationship between consumption and happiness, consists of two stages. In the first stage, the happiness of economic units is measured by the Happiness Index, and consumption data is represented by the ratio of household disposable income to expenditures as provided by the OECD. Granger Causality Analysis was applied to data from 30 OECD countries, including Turkey, with continuous data availability for the period 2018-2021. The findings indicate no significant causality relationship. In the second stage, the relationship between consumption desires and happiness of economic units in Turkey was investigated using simple regression analysis. The results suggest that a 1% increase in consumption leads to an approximate 0,00287 unit decrease in happiness, indicating that an increase in the propensity to consume is associated with a decline in happiness levels. Consequently, this study finds no causality between happiness and consumption in OECD countries, while in Turkey, societal consumption desires negatively impact happiness. The findings are expected to contribute depth to the existing literature.

Keywords: Happiness, Consumption, Granger Causality Analysis, Regression Analysis.

JEL Classification: I31, D12, G20.

Öz - Tüketim Toplumunda Mutluluğun Peşinde: OECD Ülkeleri ve Türkiye Üzerine Bir Araştırma

Toplumun tüketim isteği ile mutluluk düzeyi arasındaki ilişkinin anlaşılması, refah seviyesini yükseltmeye yönelik ekonomi politikalarının geliştirilmesine katkı sağlayacaktır. Bu nedenle tüketim ve mutluluk arasındaki ilişkinin araştırıldığı bu çalışma iki aşamadan oluşmaktadır. Birinci aşamada ekonomik birimlerin mutlululuğu Mutluluk Endeksi, tüketim verileri ise OECD tarafından açıklanan hanehalkının harcanabilir gelirinin harcamalarına olan oranı kullanılarak Granger Nedensellik Analizi uygulanmıştır. Kesintisiz verilerine ulaşılabilen Türkiye dahil olmak üzere 30 adet OECD ülkesinin, 2018-2021 dönemi esas alınmış ve anlamlı bir nedensellik ilişkisi olmadığı görülmüştür. İkinci aşamada Türkiye'deki ekonomik birimlerin tüketim isteği ile mutlulukları arasındaki ilişki basit regresyon yöntemiyle araştırılmış ve tüketimdeki %1'lik bir artış için mutluluğun yaklaşık 0,00287 birim azalışa neden olurken, tüketim eğiliminin artması durumunda mutluluk düzeyinin azaldığı görülmüştür. Sonuç olarak bu çalışmada OECD ülkelerinin mutluluğu ve tüketimi arasında nedensellik ilişkisine rastlanmazken ve Türkiye'de toplumun tüketim isteğinin mutluluğunu negatif yönde etkilediği tespit edilmiştir. Elde edilen bulguların literatüre derinlik katması beklenmektedir.

Anahtar Kelimeler: Mutluluk, Tüketim, Granger Nedensellik Analizi, Regresyon Analizi.

JEL Sınıflandırması: I31, D12, G20.

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1. Introduction

Happiness is defined as an individual's emotional and mental evaluation of his/her life (Hornung, 2006). From a psychological perspective, happiness is seen as the process of subjectively evaluating one's own life in a positive way (Veenhoven, 2021). Today, the concept of happiness has become the focus of many academic studies in various disciplines such as economics, sociology and psychology.

The economics of happiness is an approach that combines the methods used by economists to measure well-being with the methods of psychologists (Graham, 2005). In addition to the old studies on the factors affecting the level of welfare in the literature, in recent years, the variables affecting the welfare level as well as the happiness of the society have started to be analysed. In this context, it is seen that the concepts of happiness and welfare level are often used with similar meanings.

Shaping economic and personal finance strategies by taking into account the psychological and emotional states of individuals can create a more sustainable and happiness-enhancing consumption culture (Diamond, 2008). For this reason, it is important to investigate the factors affecting the happiness of the society. According to mainstream economics, individuals rationally aim to maximise utility and meeting basic needs may bring more happiness for consumers at lower income levels. However, improvement in income levels may limit the increase in happiness if basic needs are replaced by other priorities in line with Maslow's hierarchy of needs (Rojas et al., 2023). In other words, economic welfare has a direct relationship with happiness. Many studies in the literature have revealed which income and consumption levels affect the happiness of economic units and how.

From an economic perspective, the economics of happiness examines the relationship between individuals' well-being and happiness levels and economic factors (Blanchflower, 2008). Analysing how economic variables such as income, consumption and employment affect people's subjective well-being enables the development of effective policies to increase the happiness and well-being of individuals (Stanca & Veenhoven, 2015). In this context, the effects of personal consumption habits, income distribution and social factors on happiness levels are analysed.

The pursuit of happiness in a consumer society is often associated with material possessions and consumption. However, scientific research shows that the link between consumption and happiness is complex and often not strong. Therefore, it is of great importance to understand the elements that contribute to happiness and how consumption fits into this framework. Investigating the relationship between consumption and happiness can lead to a better understanding of the effects of consumer behaviour on individual well-being and life satisfaction.

The findings of this study are intended to help economic agents in OECD countries and Turkey understand the link between happiness and consumption patterns, and to guide policymakers in improving social welfare. The first part of the study analyses the causality relationship between consumption and happiness in OECD countries including Turkey, and the second part examines the relationship between the happiness level of households and consumption rates in Turkey.

2. Literature Review

In the literature, research has generally associated happiness with income, revealing that higher-income individuals are typically happier than lower-income individuals, and people living in wealthy countries tend to be happier than those in poorer countries (Diener & Biswas-Diener, 2002). However, higher income does not always enhance life satisfaction (Gökdemir, 2015). Specifically, while happiness increases more significantly in poor and developing countries as GDP per capita rises, it tends to increase less in developed countries (Kamilçelebi, 2023).

Although many studies have examined the impact of income on happiness, only a limited number have addressed the relationship between consumption and happiness. Veenhoven et al. (2021) noted that current studies have not provided a definitive answer on which consumption patterns contribute most to individual happiness. Additionally, the literature has suggested that material wealth does not proportionally increase happiness (Van Boven, 2005; Seligman & Csikszentmihalyi, 2000; Myers, 2000). While individuals may seek happiness through accumulating wealth, literature indicates

that wealth and consumption do not necessarily lead to happiness (Van Boven, 2005; Seligman & Csikszentmihalyi, 2000). Research has shown that excessive consumption is ineffective in enhancing subjective well-being despite rising income levels (Myers, 2000).

The relationship between consumption and happiness continues to be empirically investigated in the 21st century (Schor, 1999; Scitovsky, 1992; Ahuvia & Friedman, 1998). Consumption and wealth can be viewed as futile pursuits of happiness. Gökdemir (2015) examined the relationship between life satisfaction, consumption, and savings in Turkey, using regression analysis of World Bank data from 2010. The study found that while consumption contributes to happiness, individuals also desire to save, and a meaningful relationship between savings and life satisfaction was observed. Güven (2012) investigated the relationship between welfare levels, consumption, and savings in the Netherlands, finding that happier individuals tend to save more, spend less, and have a lower marginal propensity to consume. O'Connor (2017) explored the impact of welfare state policies and found that policies aimed at increasing welfare levels contribute to greater societal happiness.

To better understand the impact of consumption habits on happiness, further research is needed. Veenhoven et al. (2021) synthesized research on the relationship between consumption and happiness, focusing on daily expenditures, homeownership, and car ownership, and highlighted the negative effects of spending on healthcare services on happiness. Studies emphasize the need for research focusing on specific products and consumers to understand how different types of consumption contribute to or detract from happiness. For instance, Dehejia et al. (2007) explored the effects of participation in religious ceremonies and contributions to religious organizations on happiness. De Leire and Kalil (2010) emphasized the importance of social welfare, such as quality use of leisure time, for the happiness of the elderly population. Dumludağ (2015) assessed the effects of consumption habits on life satisfaction across countries with varying levels of development, analyzing expenditures on food, education, and durable goods, and found that consumption items did not have a significant effect on life satisfaction.

In scenarios where consumer credit is easily accessible and spending increases, this can lead to higher demand for goods and services, potentially causing inflationary pressures. Conversely, high levels of debt may lead to reduced spending and potentially lower inflation or deflation (Aknin et al., 2018). Macroeconomic factors and policies play a significant role in influencing the happiness of economic units. Therefore, the interaction between consumer credit, employment, and inflation is complex and may vary depending on the economic context.

These studies assist in understanding the relationships between happiness levels and consumption patterns on an international scale, contribute to societies' comprehension of these relationships, and provide guidance to policymakers aiming to enhance happiness levels. The econometric explanation of the relationship between happiness and consumption levels in Turkey could enhance our understanding of this dynamic. For instance, it is crucial to understand this relationship to evaluate the effects of consumption-focused policies on social welfare and to make more effective policy decisions. Bulut (2020) observed that income has a limited effect on overall happiness and only provides slight pleasure during leisure activities. This suggests that higher income may not directly lead to increased happiness for individuals in Turkey. Additionally, research has shown that savings is an important factor in increasing overall happiness, suggesting that individuals in Turkey may place greater emphasis on savings rather than consumption to enhance their overall happiness. However, due to the limited number of studies involving Turkish data, this study examines the relationship between happiness and consumption data in Turkey.

3. Implementation

3.1. Purpose of the Implementation

The study investigates the relationship between the consumption preferences of individuals and their levels of happiness. Upon general scrutiny, it is evident that in recent years, consumption trends have increased, yet there has not been a parallel increase in incomes. The disparity between the rise

in income levels and consumption tendencies has sparked curiosity regarding the reasons behind individuals' orientation towards consumption, despite the incongruity in the proportional growth of income levels and consumption trends. In this study, an examination is conducted to ascertain whether the consumption tendencies of individuals residing in different countries serve as determinants of happiness. The investigation delves into the factors contributing to individuals' inclination towards consumption, despite the observed discrepancy between the rates of increase in income levels and consumption tendencies. The study aims to shed light on whether the consumption trends of individuals residing in various countries play a significant role in determining overall happiness.

3.2. Data, Hypothesis and Method of the Implementation

In this study, annual consumption expenditure ratios and happiness index values of 30 OECD (Australia, Austria, Belgium, Canada, Czechia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Japan, Latvia, Lithuania, Luxembourg, Mexico, Netherlands, Norway, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, United Kingdom, United States of America) countries were utilized as data. The study consists of two parts: firstly, the annual data for the years 2018-2021 of the 30 OECD (Organisation for Economic Co-operation and Development) countries were employed, and the Granger causality test was utilized as the analytical method. In the second section, data specific to Turkey were separately considered, and the relationship between variables was examined using simple regression analysis. For the determination of the time interval in the study, continuous data accessible for all countries during the same period were considered. The OECD website was utilized for obtaining consumption expenditure data, while data specific to Turkey were acquired from reports of the Turkish Statistical Institute (TURKSTAT) and the Banks Association of Türkiye (BAT). The consumption data employed the ratio of household disposable income allocated to expenditures.

Happiness, being something individuals are aware of and can express, can be measured using personal statements. The happiness index, calculated since 2012 to measure happiness, calculates how citizens perceive their own happiness in a given country. Accordingly, on a scale ranging from 0 to 10, Turkey's happiness level hovers around 5. The index presented in this report is the result of a study that ranks countries based on how their citizens perceive their own happiness (World Happiness Report, 2023). The model equation for stationary time series can be written as follows:

$$X_t = \sum_{j=1}^{m} a_j X_{t-j} + \sum_{j=1}^{m} b_j Y_{t-j} + \varepsilon_t \quad (1)$$

$$Y_t = \sum_{j=1}^{m} c_j X_{t-j} + \sum_{j=1}^{m} d_j Y_{t-j} + \eta_t \quad (2)$$

The hypotheses of the study are presented below.

H_{1a}: Consumption is the cause of happiness in OECD countries,

H_{1b}: Happiness is the cause of consumption in OECD countries,

H_{1c}: There is a significant relationship between the happiness level of households and consumption rates in Turkey.

Descriptive statistics of the data used in the study are presented in Table 1.

Table 1. Descriptive Values of Data

Descriptive Statistics	Happiness Index Value	Consumption Rate
Average	6.595833	17.52500
Standard Deviation	0.690317	2.678909
Maximum	7.800000	25.62000
Minimum	5.100000	9.880000
Number of Observations	120	120

When examining the descriptive statistics of the data used in the study, it is observed that the standard deviations of the variables are low, and the observed values are close to the mean values. The average value of the happiness index variable for the years 2018-2021 is observed to be 6.60, while the average value of the consumption ratio variable is 17.53.

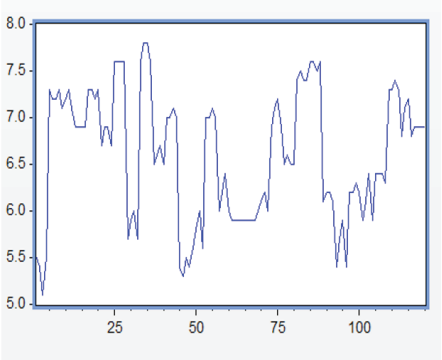

Figure 1. Happiness Index Value Variable

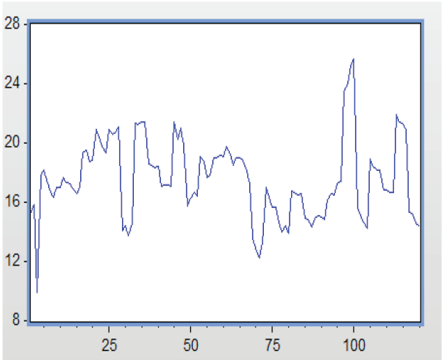

Figure 2. Consumption Ratio Variable

3.3. Findings of Study

As previously mentioned, the study comprises two stages. Initially, the relationship between happiness index values and consumption ratios of 30 OECD countries for the years 2018-2021 was examined through Granger causality analysis. Subsequently, the association between the consumption tendencies and happiness indices of individuals residing in Turkey was evaluated using simple regression analysis. It is imperative for the variables to be stationary at the level for the application of Granger causality analysis. To fulfill this requirement, unit root tests were conducted for the variables, and the results of the conducted unit root tests are presented in Table 2.

Table 2. Unit Root Test Results of Variables

Variables	**ADF (Augmented Dickey Fuller)**		**PP (Phllips-Perron)**		**KPSS (Kwiatkowski, Phillips, Schmidt ve Shin)**	
	Constant	Constant +Trend	Constant	Constant +Trend	Constant	Constant +Trend
Happiness Index	-4.277305 (0.0008*)	-4.298271 (0.0045*)	-4.189721 (0.0063*)	-4.204901 (0.0010*)	(0.115872)	(0.092740)
Consumption Rate	-3.129434 (0.0271*)	-3.178117 (0.0440*)	-4.316005 (0.0007*)	-4.195884 (0.0062*)	(0.144741)	(0.106371)

**Significance level at 5%*

Unit root tests were applied to the variables to determine the analysis method. ADF, PP, and KPSS unit root tests were conducted for both variables, considering constant, constant, and trend in their applications. In both constant and constant with trend analyses of ADF and PP tests, the null hypothesis (H0) was rejected, indicating that the variables are stationary at the level. However, in the KPSS test, the null hypothesis defends that the variable is stationary, and according to the results of the KPSS test, H0 was accepted in both constant and constant with trend analyses, indicating that the variables are stationary at the level. Based on the unit root test results, Granger causality analysis was applied.

Before conducting the Granger causality analysis, the appropriate lag length was determined, and the obtained results are specified in Table 3.

Table 3. Appropriate Lag Data Results

Lag	LogL	LR	FPE	AIC	SC	HQ
0	-379.7245	NA	3.129132	6.816509	6.865053	6.836205
1	-288.1246	178.2927	0.654748	5.252224	5.397858*	5.311312
2	-286.0874	3.892474	0.678168	5.287274	5.529998	5.385755
3	-283.4076	5.024537	0.694490	5.310850	5.650663	5.448723
4	-276.6081	12.50634	0.660868	5.260858	5.697760	5.438123
5	-256.4152	36.41924*	0.495205*	4.971700*	5.505691	5.188357*
6	-255.3137	1.947393	0.521944	5.023458	5.654538	5.279507
7	-254.71	1.045666	0.555210	5.084107	5.812276	5.379548
8	-253.7762	1.583984	0.587332	5.138862	5.964120	5.473695

** Shows the optimum lag length, results obtained with Sequential Modified LR Test Statistic (LR), Final Estimator Error (FPE), Akaike Information Criterion (AIC), Hannan-Quinn Information Criterion (HQ)*

Upon examination of Table 3, it is observed that the appropriate lag length is determined to be 5 according to LR, FPE, AIC, and HQ criteria. After determining the suitable lag length, the assumptions of the model were tested. Firstly, the stationarity of the process was tested, and it was observed that the process is stationary according to Figure 1 and Table 4 values.

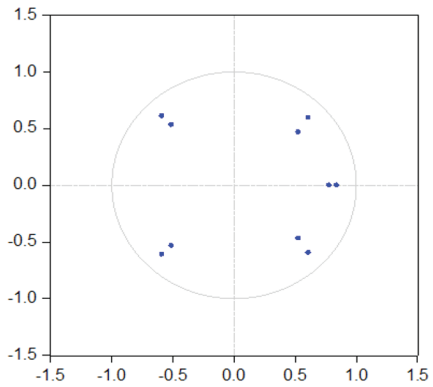

Figure 3. VAR Model AR Polynomial Inverse Roots

Table 4. VAR Model Process Stationarity Test Results

Root	Module
0.607939 - 0.595894i	0.851281
0.607939 + 0.595894i	0.851281
-0.589735 - 0.610777i	0.849021
-0.589735 + 0.610777i	0.849021
0.840004	0.840004
0.776788	0.776788
-0.513138 - 0.533589i	0.740289
-0.513138 + 0.533589i	0.740289
0.526071 - 0.469200i	0.704911
0.526071 + 0.469200i	0.704911

Upon examination of Figure 1, it is observed that there are no roots outside the unit circle. Furthermore, when Table 4 is scrutinized, it is noted that no value in the Modulus part exceeds 1. Therefore, the VAR model satisfies the stationarity condition. Another crucial assumption that needs to be tested in the VAR model is the presence of autocorrelation in the process. The issue of autocorrelation in the process was examined through the LM test, and the findings are presented in Table 5.

Table 5. Autocorrelation Test Results

Lag	LRE* statistics	df	Probability	Rao F- statistics	Df	Probability
1	0.383857	4	0.9838	0.095582	(4, 202.0)	0.9838
2	2.987075	4	0.5600	0.748584	(4, 202.0)	0.5600
3	5.416677	4	0.2472	1.365637	(4, 202.0)	0.2472
4	12.04797	4	0.0170	3.087881	(4, 202.0)	0.0170
5	**1.292692**	**4**	**0.8626**	**0.322607**	**(4, 202.0)**	**0.8626**
6	1.884684	4	0.7570	0.471033	(4, 202.0)	0.7570

Upon examination of Table 5, since the lag length in the process is 5, the probability value for lag 5 was examined. At a significance level of 5%, the null hypothesis (H0) that there is no autocorrelation in the process for the lag value of 5 was accepted. Furthermore, a test for equal variances was conducted for the model. The probability value was calculated as 0.9196, leading to the conclusion that there is no issue of changing variance at a 5% significance level. Cross-sectional dependence analysis was conducted, and since no cross-sectional dependence was observed, first-generation unit root tests were applied.

Table 6. Granger Causality Analysis Test Results

Hypotheses	Number of Observations	X^2 Statistic Value	Probability	Decision
H_{1a}: Consumption is the cause of happiness in OECD countries	120	1.815058	0.8741	H_{0a} hypothesis rejected
H_{1b}: Happiness is the cause of consumption in OECD countries	120	5.714484	0.3350	H_{0b} hypothesis rejected

**Significance level at 5%*

According to the analysis results, at a 5% significance level, consumption in OECD countries does not lead to happiness, and similarly, happiness does not cause an increase in consumption. Based on the data used for 30 OECD countries between 2018 and 2021, the study reveals that the increase in individuals' consumption tendencies in these countries is not a factor contributing to their happiness. While the first part of the study considered data from 30 OECD countries, the second part focused on data specific to Turkey due to limited availability. As the dataset is relatively small, a simple regression analysis was applied. Before implementing regression analysis, it is crucial to test the assumptions of the model. Separate normality tests were conducted for the dependent variable, happiness, and the independent variable, consumption rate, and the obtained findings and hypotheses are presented below. Additionally, errors were subjected to a normality test to ensure more accurate results.

H_0: Data show normal distribution characteristics

H_1: Data don't show normal distribution characteristics

Table 7. Normality Test Results

	Kolmogorov-Simirnov			Shapiro-Wilk		
Variables	**Statistic**	**df**	**Sig.**	**Statistic**	**df**	**Sig.**
Happiness Index Value	0.198	8	0.2	0.892	8	0.246
Consumption Rate	0.185	8	0.2	0.895	8	0.26
Errors	0.164	8	0.2	0.913	8	0.374

**Significance level at 5%*

Upon examining Table 7, it is observed that the variables and errors exhibit a normal distribution. At a 5% significance level, the null hypothesis (H0) was accepted for each variable in the test. Another assumption to be examined is whether there is an issue of autocorrelation, and this was investigated using the Durbin-Watson test statistic. The result indicated the absence of autocorrelation (d=2.612, du=1.003; 1.003 < 2.612 < 4 - 1.003). Another assumption to be considered in regression analysis is homoscedasticity. The Spearman's Rho test was conducted to analyze homogeneity (homoscedasticity), and the obtained results and hypotheses of the test are presented below.

H_0: Errors have equal variance

H_1: Errors have different variances

Table 8. Equivalence Test Results

			Consumption rate	Absolute error
Spearman's Rho	**Consumption rate**	**Correlation coefficient**	1	0.476
		Sig.	-	0.233
		Number of observations	8	8

At a 5% significance level, the null hypothesis (H0) was accepted, indicating that the assumption of homoscedasticity was met. The assumptions were tested, and no deviation from the assumptions was observed. The findings of the regression analysis are presented below. An F-test was conducted to examine the overall significance of the model, revealing that the model is statistically significant as a whole at a 5% significance level (sig. 0.041<0.05; Test value: 6.766). The significance of the independent variable, the consumption rate, and the findings related to the coefficients are presented in Table 9.

Table 9. Model Coefficient Test

	Coefficient	Standard error	T	Sig.
Constant	11.168	2.256	4.95	0.003
Consumption rate	-0.287	0.11	-2.601	0.041

** Dependent variable: happiness, Independent variable: consumption rate*

The coefficient of the natural logarithm of the independent variable, representing the consumption amount, was found to be statistically significant at a 5% significance level (0.041<0.05). The equation for the model is formulated as follows:

Happiness = 11.168 -0.287*Consumption

According to the equation, a one-unit increase in the natural logarithm of consumption amounts leads to a decrease of 0.287 units in happiness. As indicated by the equation, an increase in consumption tendency results in a decrease

4. Conclusion and Recommendations

The aim of this study is to analyze the relationship between consumption desires and levels of happiness among economic units in different countries. In recent years, the observed increase in consumption trends has been accompanied by a rise in income levels, which has, in turn, led to increased consumption among economic units. Consequently, this study examines the widely held perception that "happiness increases with higher consumption" using data from OECD countries, including Turkey.

Due to the availability of accessible data, the study is divided into two sections. In the first section, the relationship between consumption desires and happiness among 30 OECD countries with continuous data access is analyzed using the Granger Causality Test. The findings indicate that there is no significant causal relationship between consumption desires and happiness among economic units in the different OECD countries.

In the second section of the study, the relationship between consumption desires and happiness levels among economic units in Turkey is examined using simple regression analysis. The results reveal that while no causal relationship between happiness and consumption is found among OECD countries, a reverse relationship is observed in Turkey. Specifically, a 1% increase in consumption is associated with an approximate decrease in happiness by 0.00287 units. These findings are consistent with numerous studies that show either no relationship or a reverse relationship between happiness and consumption.

The absence of a relationship between household happiness and consumption levels in Turkey could be attributed to macroeconomic factors. In Turkey, the increase in consumption is driven more by high inflation rates than by rising welfare levels. Therefore, understanding the relationship between welfare and happiness requires looking beyond just consumption levels.

Inflation affects individuals' purchasing power, which in turn impacts their happiness. As inflation rises, people's ability to buy goods and services decreases, forcing them to spend more to maintain their usual consumption levels. Hence, analyzing the relationship between happiness and consumption should also consider inflation and income data.

The lack of a significant relationship between household happiness and consumption levels in Turkey can be attributed to various factors, including the limited impact of income on happiness, the importance of savings in enhancing overall well-being, and the factors that strongly influence individual happiness in specific areas. Additionally, it is essential to consider the cultural, social, and economic differences between countries.

In summary, a more comprehensive approach that includes both economic factors and the impact of inflation on welfare is necessary to better understand the connection between consumption and happiness in Turkey. This approach can help evaluate how consumption-focused policies affect social welfare and inform better policy decisions.

According to the literature, there is generally a positive relationship between happiness and consumption. However, it is sometimes observed that even basic needs may not effectively contribute to increasing happiness levels. Happiness is more frequently associated with expenditures on goods related to status and social motivation, rather than expenditures aimed at increasing material well-being. In Turkey, it has been observed that consumption tendencies among economic units increase rapidly with income levels. Nevertheless, due to rising inflation, consumption is growing faster than income, resulting in decreased purchasing power and savings rates.

This study aims to investigate the relationship between the ratio of disposable household income to consumption and the happiness index within OECD countries, including Turkey. The findings determine how consumption patterns of economic units and the country’s overall happiness level are shaped.

Future research should consider happiness not merely as an absolute value but in comparison to consumption ratios. This study can provide a more comprehensive analysis of how economic units allocate their disposable income towards various needs and desires. Such an approach could enhance the understanding of the happiness index and its influencing factors, thereby contributing to the resolution of societal issues.

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