

SOME CONSIDERATIONS OVER CONSUMPTION AND HAPPINESS IN THE ROMANIAN SOCIETY

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Abstract

How much money does a man need to be happy? “Just a little bit more” is how John Rockefeller¹ famously answered this eternal question. Over time, many studies focused on determining this undefined “a little bit more”, in terms of a little bit more money, thus increasing incomes, or in terms of a little bit more goods and services, thus increasing consumption. Individuals have the tendency to overestimate the utility of extrinsic goods and activities, like income and status, overestimation deepened by the contemporary consumerist philosophy. Around the world, a growing number of economists, social scientists, corporate leaders and bureaucrats are trying to develop measurements that take into account not just the flow of money but also access to health care, free time with family, conservation of natural resources and other noneconomic factors that have a intrinsic utility. The aim of our paper is to reframe this subject for the case of a developing country and to explore if and how consumption influences the happiness of Romanian individuals. The study is based on a survey of recent literature illustrated by descriptive statistics regarding the level of national incomes, consumption credits and the degree of self-perceived happiness and satisfaction with life. The conclusions that can be drawn reside within the larger framework of the hyperconsumption society and its characteristics.

Keywords: *consumption, happiness, national incomes, hyper consumption society.*

1. Introduction

Happiness is probably one of the most frequent answers to the question regarding the purpose of our lives, the first natural law being expressed as “the man was born to be free and happy” (Lipovetsky, 2007, p 292). In our continuous attempt to reach it, we have abandoned the eudaimonic approach according to what happiness arises as people function and interact within society. Thus, an approach that places emphasis on non-material pursuits such as genuine interpersonal relationships and intrinsic motivations (Deci and Ryan 2001). Nowadays, the dominant paradigm is the hedonic one, where happiness is the result of avoiding pain and seeking pleasure.

In the name of this type of happiness the overconsumption society has rapidly developed. Acquiring more, bigger and expensive goods seems to have become synonym with satisfaction and happiness. The modern individual doesn't know any other way to live than by possession and by consumption. To believe you can retain the real through an image, to fill in a content through a

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¹ The richest man in the world at that time, and one of the richest of all time

simple cover, to possess things through signs and signs through things, this is the common description of the consumption society, in total opposition with a contemplation society (Brune, 2003). Linking more explicitly consumerism to the level of happiness, in "Success Intelligence," (2005) Robert Holden wrote, "The rise of consumerism has certainly influenced our thinking about happiness and success... We are making every effort to 'buy, buy, buy!' our way to happiness and success" (p. 110). While buying things can temporarily bring short-term pleasure, our prior levels of happiness soon return. In other words, we can't buy our way to happiness.

In addition, the importance of the theme has been also reflected in a quantitative manner. According to the count of Kahneman and Krueger (2006), between 2001 and 2005, analyses on data regarding life satisfaction and happiness were present in more than 100 papers, in comparison with just four papers written in the period 1991-1995. This suggests a raised awareness, in the economists line also, that "happiness" is an interesting and empirically relevant concept that needs an interdisciplinary approach.

Within the above context, this paper explores the findings in the branch of economics of happiness applied at a first base level to the Romanian society. The privacies endured in the communist regimes, the lack of products, the lack of liberty of expression, the lack of mobility and the list of interdictions can continue, are important factors in trying to depict the psychology of the Romanians in face with capitalism and consumerism, and by consequence to a model of happiness, copied after the western and American examples. We will discuss in what degree some of the main developments in this field can find an echo in our contemporary reality, in line or in opposition with the global trends.

2. Literature review

The revelation of happiness insights into the economic science can be traced to Brickman and Campbell chapter from 1971, "Hedonic relativism and planning the good society". The conclusion of their study was, or should have been, from the beginning intriguing for mainstream economics: improving the objective conditions of life (income or wealth) doesn't have any lasting effects on personal well-being. The economists didn't put too much emphasize on this insight, until 1976, when Scitovsky brought a new light on the subject through "The Joyless Economy". He deepened the idea that happiness depends on where one stands in relation with others and not at all on one's absolute standard of living. Many comforts are satisfying at first, but soon become routine and taken for granted. Consumer demand for them remains undiminished, but the original motivation, the desire for additional satisfaction, is replaced by the new and very different motivation of wishing to avoid the pain and frustration of giving up a habit to which one has grown accustomed (Scitovsky, p 137).

In this vicious circle, the commonly accepted view that consumption increases individual utility or well-being, has flourished and has derived into a strong consumerist wave. The neoclassical theory of consumer behavior has three important pillars to rely on: consumer sovereignty and exogenous preferences, rational behavior and insatiability (handbook, p 153). These hypotheses provide the theoretical basis for the general widespread support to endless increases in economic growth because, according to Ackerman, 'the only meaningful forms of individual satisfaction result from more consumption' (Ackerman 1997:652).

An important voice, from the other side of the argument, to which I subscribe, is that of Juliet Schor (Schor, 2002) who understands consumption primarily as a social process. From her

perspective, in terms of function and motivation, “consumption derives from social communication and symbolic action, rather than the drive to meet basic needs such as food, shelter or clothing. We create our culture and the quality of social connection through our consumption practices”. The majority of consumerism critics acknowledges as a primary observation and departure point the observation that people spend a lot of money purchasing goods that don’t actually produce lasting satisfaction or happiness: “as a society, we invest an enormous amount of money in some things, like advertising, or dubious product enhancements, while neglecting certain other important social priorities, like health, education, famine relief, and so forth” (Heath, 2001, p 3).

Further discussing the classical factors put in correlation with happiness, Boes and Winkelmann (2006) argued that the relationship between incomes and subjective well-being is an asymmetrical one in the sense that the income significantly diminishes the probability of a bad mood, but it doesn’t influence the high levels of satisfaction. The very simple and common sense explanation of economics stands in defining the marginal utility law: the benefits are progressively diminishing after a specific point – saturation – because any unity added has a lower value added to happiness. To illustrate this point Zamfir (1989, p. 172) formulated the following example: a person who wins 6000 monetary units (m.u) will not be twice as satisfied than a person who wins 3000 m.u, but maybe, to take a probabilistic guess just 1.25 more. At an aggregate level, in terms of a country’s wealth, we find similar remarks: once the level of income surpasses the poverty limit, it seems that money don’t have any impact on happiness (Formula, 189). Enlarging this framework, consumerism, grossly measured in a rise in material standards, ceases to add happiness in established consumer societies (Trentmann, 2004).

Other arguments can be traced to contest the expected level of happiness of a country determined by just looking at its incomes level. In the World Values Survey, a project under way since 1995, Ronald Inglehart, a political scientist at the University of Michigan, found that Latin American countries, for example, registered far more subjective happiness than their economic status would suggest (figure 1).

In contrast, countries that had experienced communist rule were unhappier than noncommunist countries with similar household incomes - even long after communism had collapsed. Of course, this is a major fact to take into account when analyzing our own national pattern to happiness. It is worth stating at this point that a concept of gross national happiness² (GNH) was developed in an attempt to define an indicator that measures quality of life or social progress in more holistic and psychological terms than gross national product or GDP.

² The term was coined in 1972 by Bhutan's former King Jigme Singye Wangchuck, who has opened up Bhutan to the age of modernization, soon after the demise of his father, King Jigme Dorji Wangchuk. He used the phrase to signal his commitment to building an economy that would serve Bhutan's unique culture based on Buddhist spiritual values.

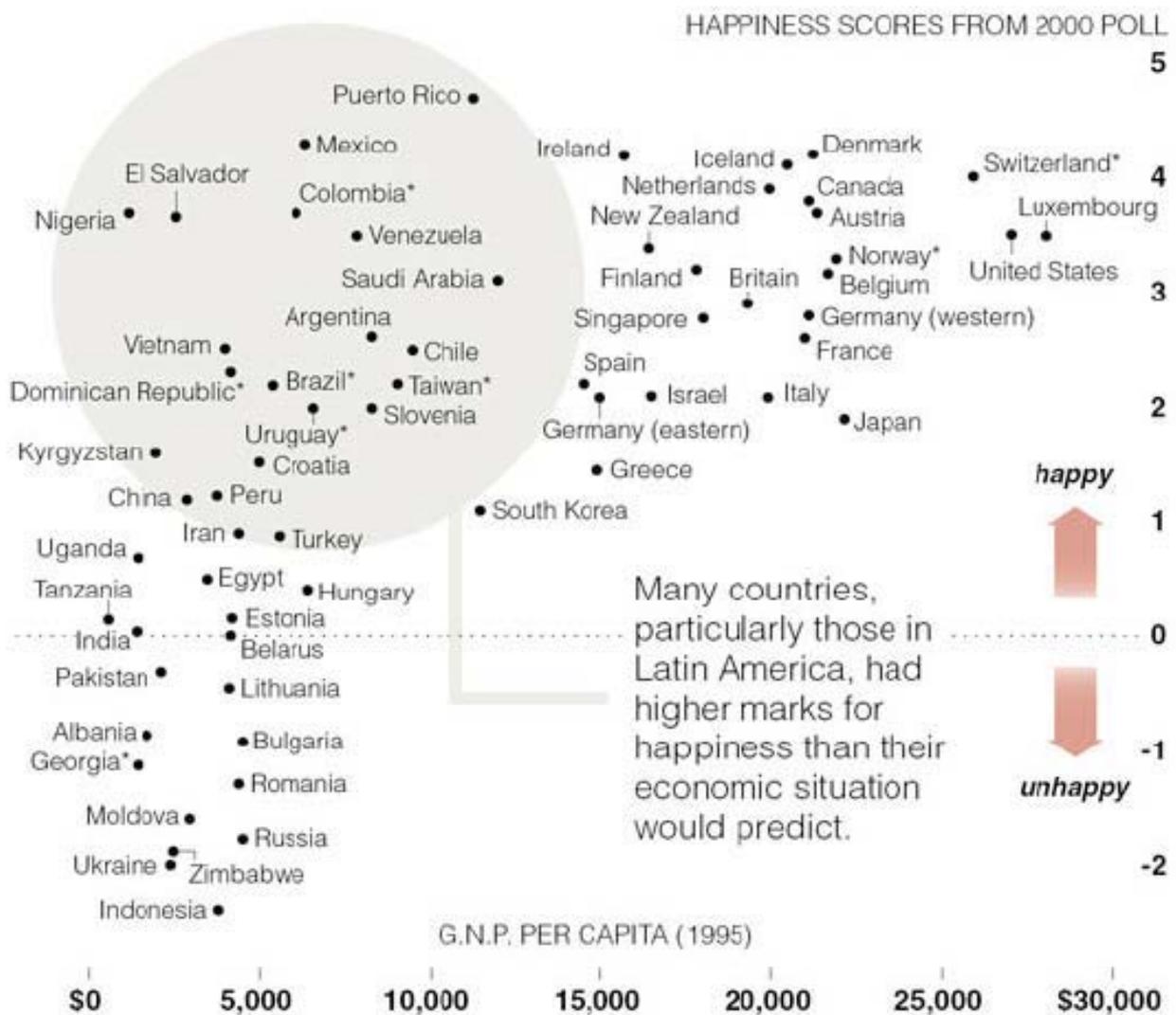


Figure 1. Happiness Scores

Source: Ronald Inglehart, “Human Beliefs and Values: A Cross Cultural Sourcebook based on the 1999-2002 Values Surveys”

3. On the one hand, consumption...

The idea that modern neoclassical economics define happiness on the basis of consumption is widely disputed. The objective of this chapter is not to expand this dispute but to present some static and dynamic numbers related to the consumption practices in Romania, in order to further put them in connection with some happiness statistics.

According to the report “Consumers in Europe” (2009, p 71), the average consumption expenditure per household in the EU-27 stood at EUR 24 447 in 2005, ranging from a high of EUR 52 754 in Luxembourg to a low of EUR 2 863 in Romania. Adjusting to take account of differing purchasing powers, there was still a wide range between the Member States, with the same countries at each end of the ranking; expenditure reached a high of PPS 51 932 in Luxembourg, which was almost 10 times the level recorded in Romania (PPS 5 324).

Starting from this drastic statistic result that positions us at the bottom, it would be interesting to see in detail how our country has ranked in respect to the structure of consumption expenditures per household. We find out that the sector on which we spend the most money is represented by food and non-alcoholic beverages with a percent of 44.2 %, compared to the lowest level registered as 9.3 % in Luxembourg. We are surpassed by Ireland on the alcoholic beverages segment but we have our comeback, occupying the first place at the total expenditures on tobacco (3.5%). At the other end, we have the lowest mean consumption in areas like “Housing, water, electricity, gas & other fuels”, “Furnishings, household, equipments & maintenance”, Health, Transport, Communication and many segments of “Recreation and culture.”

One should nevertheless have in mind that this perspective is only a static one, at the level of the year 2005. Its relevance is conferred by the interesting country comparisons and, even if it a pessimistic image, it is important to see the larger context in which our country has evolved.

From a dynamic point of view, the graphs below (figure 2 & figure 3) are describing the evolution of real income and of real final consumption of households, for the period 1990-2008, respectively 1990-2006. The series are emphasizing ascending trends for both the analyzed items, allowing us the asses that even if we have very low rates of consumption compared to the EU countries, the internal indicators have known a considerable growth.

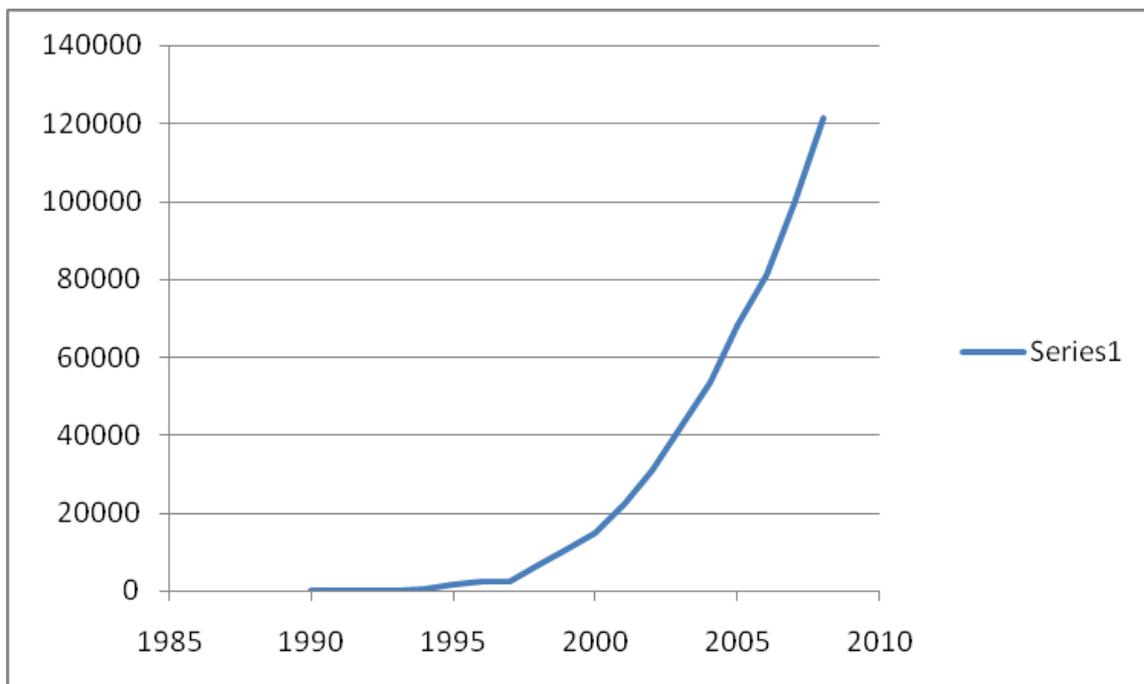


Figure 2. The evolution of real income in Romania between 1990-2008

Source: personal calculation with data provided by the National Institute of Statistics

Frey (2008) acknowledges, as a robust and general result, that richer people, on average, report higher subjective well-being. However, additional income does not increase happiness ad infinitum. The relationship between income and happiness is not linear, and it was observed a diminishing marginal utility with absolute income.

As many empirical studies show it (Frey, 2000; Kenny, 1999), this considerable increase in per capita incomes, also observed in recent decades in many other countries, did not raised

happiness in general. As we will also present in chapter 4 for Romania's case, the national indices for subjective well-being have virtually remained flat over time.

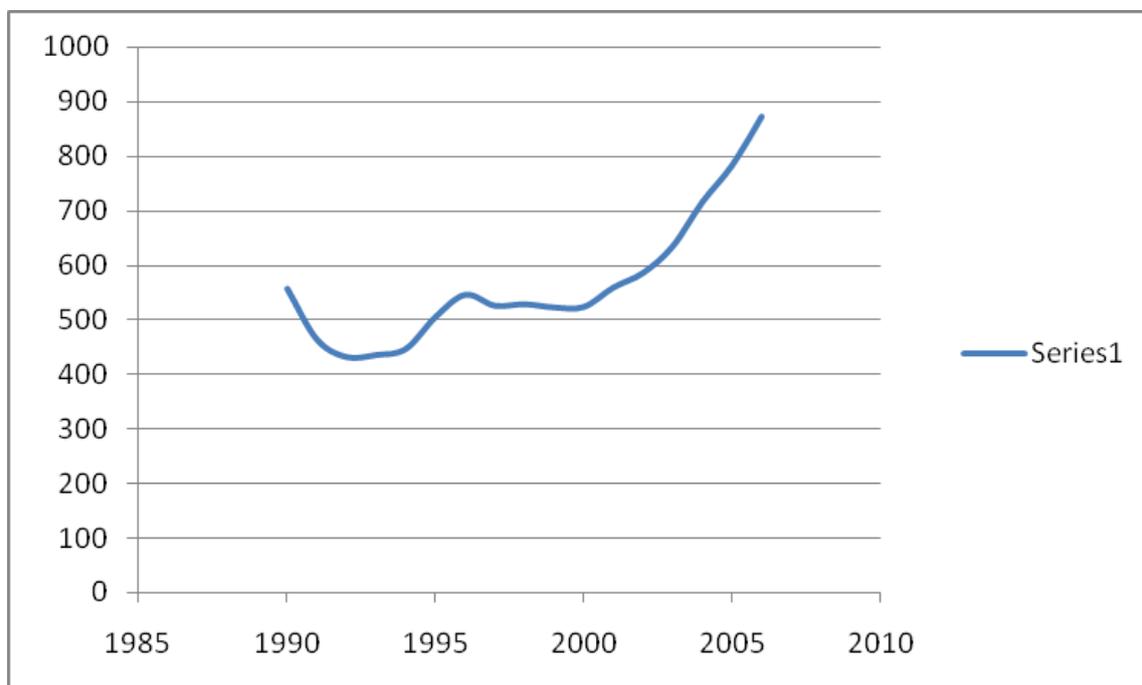


Figure 3. The evolution of real final consumption of households (in billions) in Romania between 1990-2006

Source: personal calculation with data provided by the National Institute of Statistics

Equally relevant to the consumption issue is the fact that in the period from 2000 to 2004, Romania has experienced explosive growth in the retail credit industry. Progress towards European (EU) accession, the continued expansion of foreign banks in the Romanian market, rising purchasing power among individuals in urban areas, and strong consumer demand—particularly in the area of white goods³—caused an explosion in the availability of retail consumer credit.

Even if the credit frenzy diminished in the last years, The Financial Newspaper announced in 2008 that Romania is the country of consumption credits, with more 76% of the existing debts entering into this category. A UniCredit study informs us that, with a level of almost 15% of the GDP, the market for consumption credits contracted by Romanians surpasses the value of similar markets from more developed countries in the region like Turkey, Czech Republic or Poland, outrunning the average of the area. What we need to highlight is the fact that the credit for

³ White goods encompass nearly every common household item made of fabric. Sheets, bedspreads, comforters, bath towels, kitchen towels, washcloths, curtains and draperies, and table linens – including table cloths, runners, napkins, and place mats – are all considered white goods. Many retailers categorize other household items, such as bed and throw pillows, as white goods during their sales.

White goods can also be the household appliances that accomplish everyday housekeeping tasks, whether active or passive. White goods in this capacity are all the large, typically electrically powered appliances in the home. The refrigerator, stove, washer, dryer, dishwasher, and water heater can all be called white goods. White goods' recycling is the proper and environmental disposal of these appliances.

companies didn't followed the same trend, with a value of only 18% of the GDP, compared with 29% in Hungary or 52% in Germany.

4. ...On the other hand, happiness

In the previous chapter we have discussed some of consumption triggers, mostly in the paradigm of extrinsic utility. This section will be dedicated to surveys and studies that have captured our self-perceiving well-being.

Despite the global increasing interest for this topic, stated in the introductory and literature review part, our country has very few surveys related to subjective happiness. The most recent and complex enquiry that we could found was conducted by the National Institute of Statistics, with the general theme of the population state of health (2008). The study included a question that asked the adult respondents about their subjective perceptions of feeling full of life, of calm and peacefulness, of having a lot of energy, and being happy all or most of the time. Almost half of the respondents (49, 3%) agreed on 3 or 4 of these items, and the other half was divided in two positions: 24, 1% agreed only on 1 or 2 of the 4 items and 26, 6% didn't agree of none of the 4 items. On the other end, regarding the perceptions of unhappiness, the scale was developed through the following assertions: having been very nervous, having felt down that nothing could cheer one up, felt down-hearted and depressed, worn out, or felt tired. A greater majority (84, 4%) didn't identify with none of these characteristics, 11% asserted with 1 or 2 of the 5 items and a percentage of 4, 7% agreed on 3 to 5 items.

The results reflect an average state of happiness, but just at a speculative level, we can ask ourselves if the respondents were influenced by the fact that this was a survey focusing on health, in the sense that they didn't want to look somewhat depressed in order to be linked to an easy form on mental disorder, like depression for example. These can be manifestations assimilated to the overconsumption society and its high levels of anxiety.

Outside the national area, in the study Happy Planet Index for the year 2009, Romania ranked 70 from a total of 143 countries, covering 99 per cent of the world's population. The research targets were embodied in the three fold index – high life expectancy, high life satisfaction, and a low ecological footprint⁴. Our country has obtained the general etiquette of 3 components middling. An important observation to make would be regarding our country's ecological footprint, which has a low value compared to other countries, but still has a local ecological deficit.

Another study "Average happiness in 148 nations 2000-2009 - How much people enjoy their life-as-a-whole on scale 0 to 10" situated us also just a little below the middle range, with a 5.7 score. The same for the how long and happy people live question, with 40 years compared to middle range of 42, and the inequality measure – 2.47, above the average of 2.3.

We found some more elaborate data on a global database of happiness (table 1). We have represented below both the original question and the statistical information. The scale range from 1 to 4, very = 4, quite=3, not very=2, not at all = 1.

⁴ The ecological footprint is a measure of human demand on the Earth's ecosystems. It compares human demand with planet Earth's ecological capacity to regenerate. It represents the amount of biologically productive land and sea area needed to regenerate the resources a human population consumes and to absorb and render harmless the corresponding waste. Using this assessment, it is possible to estimate how much of the Earth (or how many planet Earths) it would take to support humanity if everybody lived a given lifestyle.

Taking all things together, would you say you are....:

- *very happy*
- *quite happy*
- *not very happy*
- *not at all happy*

Year	Original Range	On Original Range		On Range 0-10	
		Mean	Standard Deviation	Mean	Standard Deviation
1990	1-4	2.63	0.68	5.84	2.13
1990	1-4	2.63	0.68	5.84	2.13
1998	1-4	2.55	0.7	5.61	2.2
1999	1-4	2.39	0.74	5.11	2.32
2005	1-4	2.55	0.71	5.7	2.02
2005	1-4	2.56	0.74	5.6	2.27
2005	1-4	2.56	0.74	5.72	2.07
2006	1-4	2.63	0.75	5.84	2.28
Average		2.56	0.72	5.66	2.18

Table 1. Results of happiness questioner

Source: Veenhoven, R., *World Database of Happiness*, Erasmus University Rotterdam.

All of the above studies point out a moderate level of happiness, with almost indistinguishable variations in time. Enclosing here the ascendant trends of consumption and incomes will immediately lead us to the speculative allegation that they aren't influencing factors of happiness. Doubtless, we cannot take for granted this statement, without a further rigorous econometrical analysis. However, we can acknowledge it as a pertinent departure point and a valuable insight in developing future research.

Conclusions

We have begun our study with the tricky question of how much money do we need to buy happiness. We continued in the same delicate manner wondering about the role of consumption in a hyper consumption society. As if it wouldn't be enough, the object of our reflection was a developing country, which seems to escapes the common sense logic and often creates intricate paradoxes.

The research foundations in this area are somewhat recent and they flourished lately, even under the umbrella of a journal totally dedicated to happiness studies, being often regarded as a

counter-revolution to standard microeconomics. Economic growth, unemployment, inflation, inequality, as well as institutional factors such as good governance, are the main factors analyzed to see how they affect individual well-being. We focused on a component of economic growth, and the innate perception we tried to discuss was that of a proportional dependence between consumption and happiness. We've had in mind that it is generally accepted that consumption increases wellbeing by lifting people out of poverty and that it has a negative impact if it fails to place them at a higher social position.

The data available in both fields, interpreted only through some descriptive statistics and qualitative implications, brought just the incentive to go deep in analyzing this issue. Compared to the other countries of EU, it is an incontestable fact that we have very low rates of consumption, excepting food, beverages and tobacco. Moreover, we seem to perceive ourselves as being moderately satisfied with our life. So the natural question that arises is: which way we have to go in order to enhance our happiness. Adhering to consumerism critiques and in the light of the statistics, we reached to a first road indicator showing the necessity of reassessing the direction of neoclassical economics and incorporate findings from other social sciences like psychology, sociology or anthropology.

There are many limitations, especially at a mental level, in accepting that interdisciplinarity becomes more and more a norm in doing high quality research. At an operational level, the lack of more focused national surveys and appropriate data is also an obstacle sometimes hard to overcome. Nevertheless, we are confident in the huge potential of this, and other young branches of economics, and we will continue our research in the complex field of economic behavior.

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