

money and consumption

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outline

ps comments

money and consumption obsession

one thing to read about it; another to experience it

Lexus=happiness?

i wish i hadnt worked so hard

some literature

first flip the class and work on papers, discuss my comments;
QandA

make it look like a published paper

- again to get an A, it's gotta be a publishable paper
- make it look like one!
- everything, amount of lit, etc, structure, feel, etc
- see the journals like johs, sir, ariq
- yes i may be obsessed with data and stata, but paper does need theory and lit
- we're at the stage it needs to start looking nice, publication quality
- also dont forget abstract and keywords

describe data in detail

- at very minimum like a para
- what kind of sampling (eg random)
 - representative of what? ctry, muni, etc?
- what data collection (eg face-to-face)
 - do make sure whether you need sampling weights!; eg fine with gss, wvs; but need for brfss
- what non-response rate

control vars must be motivated by lit!

- dont just run a bunch of regressions with random stuff!
- do read about what predicts your DV, cite it!!! and control for it!

do have meaningful des sta

- again never ever do inferential stats like regressions without des sta
- not only mindless summarize: mean, std, min, max
- always have a bunch of hist of all key vars
- do tabs and crosstabs! eg counts of drug use; and counts of 2 drug uses (crosstabs)

practical or substantive sig

- not only look at stat sig but also at practical or substantive significance and interpret it
- eg Ebshoy's 1pt on 1-10 swb scale is like 3 steps on health (.3) say from very poor to fair; also across countries one of the largest effects
- can also use beta (fully standardized) coefs

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we have so much stuff—and we dont realize it!!!

- again everyone except bottom decile (min wage or ~20k hh inc) has better qol than everyone except top decile 100 years ago (Bok, 2010)
- in 1890 most would live on 1\$ adj for inflation (J Peterson youtube)
- perhaps the most incomprehensible thing today: materialism/conspicuous consumption
- arguably in couple decades or couple centuries humans would wonder what are we doing now with suburbs, mc mansions, SUVs, etc: all human energy geared towards stuff and never enough, never satiated

so much stuff and yet so unhappy

- true as per Pinker (eg “Enlightenment Now”) and Peterson (youtube): we never had so much
-
- at the same time: opioid epidemic, loneliness, anxiety, and mental health, eg [\(Wilkinson and Pickett, 2010\)](#)

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ditch consumption!—many did it

- maybe most famously Henry David Thoreau; excellent and relevant “Walden” (Thoreau, 1995 [1854])
- a more modern example is Tesson (2013)
- I kind of did it too: lived in Cali Colombia in a regular/local housing—rent was less than \$100/mo
- and was one of the happiest, if not the happiest, time in my life
 - social relationships
 - nature

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the obsession

- Okulicz-Kozaryn and Tursi (2015)
- perhaps East Europeans are miserable because they are obsessed about luxuries
- cars are a perfect example
- in Poland and Ukraine a black shiny BMW is the best thing in the world, greatest happiness, but is it?

car has changed our lives

- much truth in popular wisdom:
"car has changed our lives"
- especially in America, cannot imagine our life without a car
- car is typically the second biggest purchase we make (after the house)
- in poor neighbourhoods too—houses may be falling apart, no money for proper nutrition, but there's plenty shiny Cadilacs and SUVs

fancy car, fake people, fake happiness



Lexus=happiness?

16/34

marketing babble to make you feel special



**STYLE VS. STYLISH.
PASSION WINS.**

conspicuous/wasteful consumption

- arguably, much of car consumption is conspicuous or wasteful
 - (Veblen, 2005a,b)
- yes, some are useful eg:
 - Toyota Corolla, Prius, Honda Civic
- yet many are wasteful, eg:
 - Lexus, BMW, Chrysler, Land Rover
 - you buy them to show you are better than other people
 - as the above ads indicate

public v private transportation

- let's take a public policy perspective
- cars are substitutes for public transportation
 - the more cars, the less (worse) public transportation
 - eg given limited public money can either build hwy or rail
- the US infrastructure is made for cars
 - and the US has terrible public transportation

theory/hypotheses

- car may increase happiness (livability theory)
 - unlikely that Lexus increases livability more than Corolla
 - or in Europe, compare cheap VW with pricey BMW
- car may have no effect or decrease happiness
 - given limited resources, if we buy a car, we do not buy something else
 - and given that much of car consumption is a waste, we end up less happy

theory/hypotheses

- per hedonic treadmill theory, we get used to pecuniary goods
- at macro scale, according to MDT, we do not become any happier; also see ([Frank, 2012, 2005](#))
- hence, one frugal car per household helps; more is a waste resulting in no happiness

data

- psid, but just one year

OLS of happiness

	b1	b2	b3	b4
own car				
1 car	-0.03	-0.05	-0.09*	-0.13***
2 cars	0.26***	0.20***	0.10*	-0.05
3 cars	0.30***	0.22***	0.10*	-0.02
4 or more cars	0.22***	0.12*	-0.01	-0.15*
total family income		0.00***	0.00***	0.00***
rent a dwelling			-0.18***	-0.07**
other than own/rent			-0.29***	-0.19***
num of child in hh				0.04***
health				0.20***
male				-0.06*
married				0.28***
age				-0.03***
age2				0.00***
state dummies	no	no	no	yes
constant	7.70***	7.68***	7.85***	7.50***

OLS of happiness

	c1	c2	c3	c4
car \$ 0-5k	-0.03	-0.03	-0.06	-0.05
car \$ 5-15k	0.11*	0.09+	0.02	-0.05
car \$ 15-23k	0.23***	0.19***	0.09+	-0.00
car \$ 23-35k	0.33***	0.27***	0.15**	0.03
car \$ > 35k	0.36***	0.24**	0.11	-0.05
total family income		0.00***	0.00***	0.00**
rent a dwelling			-0.19***	-0.04
other than own/rent a dwelling			-0.27***	-0.13+
number of children in household				0.04**
health				0.20***
male				-0.07
married				0.29***
age				-0.03***
age2				0.00***
year in which acquired first car				
state dummies	no	no	no	yes

but may be reverse causality

- rev causality being upset first go shopping second

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Kondo 16 The Life-Changing Magic of Tidying Up

- a recent popular practical guide
- it advises how to decluter and get rid of most stuff

Veenhoven 21 Happiness and Consumption: A Research Synthesis Using an Online Finding Archive

- strikingly we don't know much swb and consumption
- this gives some overview of the studies
- an attempt to cover much of it
- but can't cover all the studies these days, just too much out there

Leonard 10, 'The story of stuff: How our obsession with stuff is trashing the planet, our communities, and our health-and a vision for change

- one of my fav!
- an ex-greenpeace activist in lively language demonstrates how bad is consumerism
- and see her website, and there's good info for kids
- and bunch of youtube vids

Joye 20, A diminishment of desire: Exposure to nature relative to urban environments dampens materialism

- a useful fascinating recent psy study
- exposure to nature decreases materialism

Schwartz 04 The Paradox of Choice: Why More Is Less

- a fascinating little book arguing counter-intuitive point
- usually, as opposed to what we think, the more choice does not help

Scitovsky 76 The joyless economy: An inquiry into human satisfaction and consumer dissatisfaction

- an old but timely classic
- rare to find economist (Bob Frank is another one) that acknowledges that consumption does not lead to happiness

Csikszentmihalyi 00 The costs and benefits of consuming

- Csikszentmihalyi is definitely one of the top 10 happiness scholars
- maybe the most incisive one
- read all he wrote

- BOK, D. (2010): The politics of happiness: What government can learn from the new research on well-being, Princeton University Press, Princeton NJ.
- FRANK, R. (2012): The Darwin economy: Liberty, competition, and the common good, Princeton University Press, Princeton NJ.
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- OKULICZ-KOZARYN, A. AND N. O. TURSI (2015): "Luxury Car Owners Are Not Happier Than Frugal Car Owners," Forthcoming in International Review of Economics.
- TESSON, S. (2013): Consolations of the Forest: Alone in a Cabin in the Middle Taiga, Penguin, London UK.
- THOREAU, H. D. (1995 [1854]): Walden, Dover Publications, Mineola NY.
- VEBLEN, T. (2005a): Conspicuous consumption, vol. 38, ePenguin, New York NY.
- (2005b): The theory of the leisure class; an economic study of institutions, Aakar Books, New York NY.
- WILKINSON, R. G. AND K. E. PICKETT (2010): The spirit level: Why equality is better for everyone, Penguin, New York NY.