

EXPLORING THE MEANING OF CONSUMPTION THROUGH EXPENDITURE AND MOTIVES IN A PERUVIAN CORRIDOR

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INTRODUCTION

This paper explores the effect of consumption on people's happiness in seven Peruvian communities (Peru is a lower middle-income country with acute economic and social inequalities and a low degree of basic needs satisfaction). It follows a multi-methods approach that incorporates local specificities of consumption, whilst aiming for a general understanding of the key factors mediating its relationship with happiness. It captures the multi-dimensionality of consumption by using expenditure and motives to account for its economic and psycho-social aspects. It uses regression analysis to test how expenditure and motives for consumption relate to people's happiness in the Peruvian sites. The working hypothesis of the paper is that not only absolute or relative consumption affect people's subjective wellbeing (SWB), but its symbolism captured through motives for consumption also play a determining role.

Generally, it is 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. Other aspects defining consumption such as the symbolic meaning of goods, its pleasurable dimension and the role of goods and services such as basic needs satisfiers, among others, have not been systematically approached from the perspective of their effect on wellbeing. This paper studies some of these relevant aspects through people's reasons to consume. It incorporates the findings by psychologists such as Carver and Baird (1998), Srivastava and colleagues (2001) and Sheldon and colleagues (2004) claiming that not all motives for wanting money or material things have the same effect on subjective wellbeing. When motivations are led by extrinsic rewards or punishments SWB decreases and when they are caused by fulfilment of the individual's intrinsic needs it increases.

In this research motives were captured using a 'bottom-up' strategy, which worked better than conventional psychological methods due to several reasons ranging from the nature of the consumption activity to the characteristics of the population. Thus, people's explanations as to what motivates their consumption priorities constitute the primary data, which is analysed drawing from anthropological knowledge of the communities and theoretical work on consumption from economics, sociology, psychology and anthropology. This results in three basic categories of motives: basic needs, social interaction and hedonism. Once the three 'motive variables' are generated, it uses regression analysis in order to assess the impact of expenditure and motives for consumption on happiness accounting for the

relevant socio-demographic variables. The latter includes an indicator of the household level of basic needs (McGregor et al. 2007).

The seven Peruvian communities studied have been involved in the research on wellbeing and development carried out by the Wellbeing in Developing countries (WeD) ESRC Research Group from 2002 to 2007. They were identified as forming a corridor showing diversity in terms of geography (from the rural Andes to a shanty town in Lima), degrees of urbanisation, types of market, proximity to centres of political power, ethnicity and language. Despite their differences, people in the corridor share a common feature, i.e. they are materially poor by Peruvian standards and the majority fall into the 'extreme poverty' category. As Copestake and colleagues (2007: 6) report 'the most comparable poverty figure of 90.7% (unweighted and income based) is well above official estimates, for the country as a whole (51.6%), for Lima (37.1%), Junin (29.2%) and even Huancavelica (84.4%) which was the highest average figure for any department in the country'.

The paper starts by sketching some of the relevant approaches to consumption in the social sciences. It then presents psychologists empirical work on the importance of including motivations in the assessment of the impact of materialism on SWB. This is taken on in the paper by researching motives for consumption in the Peruvian corridor through an open-ended question. The motives that arise are discussed and transformed into variables that are finally included in a study of happiness determinants. Results are presented and discussed before a brief conclusion and reflection on the potential for further research.

CONSUMPTION AND HAPPINESS: BEYOND BASIC NEEDS AND SOCIAL COMPARISON

Generally, social scientists working on the relationship between income and happiness have taken income, wealth and expenditure interchangeably and extrapolated their results to consumption. Since Easterlin's (1974) work in the mid seventies it has been generally accepted that within countries richer people are significantly happier than poorer ones. However, the relationship tends to be weak. Correlations between income and SWB are only moderately high at the lower economic levels and in the poorest countries (Veenhoven 1991; Diener et. al. 1999; Diener and Lucas 2000; Diener and Biswas-Diener 2002; Biswas-Diener and Diener 2006).

Conversely, one of the strongest correlations between income and subjective wellbeing (SWB) reported in the literature was found by Biswas-Diener and Diener (2001) in their study of slum dwellers in Calcutta (0.45 at the $p < 0.05$ level of significance). Other research in developing countries such as Møller's (2007) work in South Africa also claimed a strong link between the two. She found that during the eighties correspondence between subjective assessment and objective living conditions was strong enough to justify taking the two terms interchangeably. Coincidentally, Guillen and Velazco (2006) also found that an indicator of consumption was an important determinant of people's happiness and satisfaction with income, housing and food in rural Thailand. In addition, Graham and Pettinato (2002) in their study of 17 Latin-American countries and Russia reported a strong and positive effect of wealth and income on happiness¹.

¹ Graham (2005) also compared determinants of happiness in Latin America, Russia and the US in order to test whether those in the developing countries diverge from those in the rich economies and

In general, that the relationship between income and SWB is stronger for poor people has been associated with the fact that most of their expenditure is on food, housing, basic services and clothes. This has contributed to a general believe that income matters for the poor because it allows them to provide for their basic needs. So far, there have not been many systematic attempts to distinguish between the effect of basic needs and income or wealth on SWB. Two reasons account for the disregard: first the difficulty of building basic needs indexes given the controversy associated to basic needs theories regarding, among other issues, its universality. The second reason concerns the complexity of most basic needs approaches and the difficulties of operationalising its main components.

However, some examples can be found in the social science literature. Inspired on Maslow's (1970) hierarchy of needs, Diener and colleagues (1995) used a composite score including indicators of basic health, safety and survival needs at the national level to study whether income would still correlate with SWB once basic physiological needs were controlled for. They found that the correlation coefficient was lower but remained significant pointing at the differential effects on SWB of the two variables. Lelkes (2005) found similar results in a study of SWB determinants in Europe. She found that broad indicators of basic needs dissatisfaction such as bad health, unemployed and having no friends were negatively affecting people's wellbeing controlling for income. Finally, Guillen and colleagues (2007) using a basic needs index drawing from the Theory of Human Need (THN) by Doyal and Gough (1991) also found that SWB was related to both higher expenditure and basic needs levels in Thailand. Moreover, they showed that in some Thai communities the indicators of basic needs and household wealth were not significantly associated and could not be taken interchangeably. It was sometimes the case, that economic progress in relatively prosperous slum areas did not go hand to hand with higher security or insurance against external shocks.

Besides studying the effect of total income, some research has focussed on the social comparison aspect of consumption. It goes back to Adam Smith's (1776) claim of the instrumental role of consumption as a means to achieve or maintain a certain social position. This was developed further by Veblen (1899) in his analysis of the patterns of consumption of the leisure class at the end of the nineteenth century. He claimed that the patters of consumption of the upper classes were mainly based on the impression that goods and services were making on others and that this behaviour will increasingly concern the middle and the income groups. Since Veblen, many economists and social scientists have accounted for the role or social interaction in defining consumption choices (Duesenbery 1967; Leibenstein 1968; Sen 1977; Hirsch 1978; Bourdieu 1986; Scitovsky 1986; Galbraith 1987; Easterlin 1995; Schor 1998 and Frank 2004 , among others). This has also been considered in happiness research in order to explain why countries with different average income do not always show significant differences in terms of subjective wellbeing. It also seemed to explain why the poorer are usually unhappier than the richer at any level of the income distribution.

Contrary to what one would expect, evidence suggests that the relative income hypothesis applies even for developing countries and that in some cases one's position in the society is more important than the absolute level of income. For instance, Fafchamps and Shilpi (2003)

found a great degree of similarity in the effects of income (positive and significant) and other socio-demographic variables (age, education, marriage, employment and health).

showed that in isolated villages of Nepal the impact of the demonstration effect (the exposure to new and more sophisticated goods owned by the reference group) is negatively affecting people's SWB above and beyond their own income. This also happened in urban Peru as shown by Herrera and colleagues (2006) and in Latin America (Graham and Felton 2006). Furthermore, the latter study also shown that *status considerations* (the concern about one's position within one's reference group usually measured by relative wealth) and the *demonstration effect*² (average wealth of their community) impact on people's happiness in 17 Latin American countries. They found that status considerations played an even more important role than living in a wealthy neighbourhood. It seems that Latin Americans are more concerned about their relative position in the income ladder than with the actual wealth of their neighbours. This was specially the case for the lowest two quintiles that saw their happiness significantly reduced and of the highest quintile who had it significantly augmented.

Consumption has broader effects on people than the ones derived from social comparison and basic needs satisfaction. Anthropologists have long been researching the cultural meaning of things; how people present themselves and construct and identity through consumption. For instance, Douglas and Isherwood (1978) argue against the utilitarian nature of consumption in economics and the display-oriented consumption of sociology. They posit that 'consumption has to be recognised as an integral part of the same social system that accounts for the drive to work, itself part of the social need to relate to other people, and to have mediating materials for relating to them'. (*ibid.* :4). Thus, consumption is instrumental for individuals as it facilitates their relational activities.

People present themselves through their material possessions, which are used to make statements about their values about who they are or who they want to be. 'The kind of statements consumers make are about the kind of universe they are in, affirmatory or defiant, perhaps competitive, but not necessarily so' (*ibid.* : 62). Under this approach culture is the provider for the meaning of consumer goods; without it, objects cannot be understood. There are even specific goods the demand of which almost solely relies on their acquired cultural meaning. Appadurai (1986: 33) maintains that for special goods that are associated to critical social messages, the societal/cultural level has an influence on their demand that surpasses that of the amount supplied or of the level of prices. This also applies to developing countries like for instance Peru and Bolivia where identities are increasingly created through consumption (Huber 2002). Traditional and globalised products are combined in order to define one's identity in a rapidly changing world. Thus private consumption becomes the path towards identity building and consequently to feelings of pride and self-realisation.

Finally, consumption has also been explored from its hedonic angle as a source of pleasure and excitement. Scitovsky (1986), Campbell (1995, 1998a, 1998b) and Bauman (2001), among others, have investigated consumption and its dynamics in Western societies from the perspective of its interaction with the individual's natural search for pleasurable experiences. Their analyses have focussed on western societies where the search for excitement through private consumption has been associated with the expansion of the welfare state since the fifties (Scitovsky) and the insecurities derived from a rapidly shifting world in the nineties (Bauman). Campbell goes beyond structural reasons and sees consumerism as an aspect of modern hedonism which is defined by the search for pleasurable stimulus derived from

² See Hirata (2001) for a thorough explanation of the relative income hypothesis.

good or bad emotions. Individuals, persuaded or not, take consumption as the doorway to pleasure. As Campbell posits:

‘This theory of consumerism is inner-directed. It does not presume that consumption behaviour is either guided by, or oriented to, the actions of others. In that sense, it breaks with the long-standing sociological tradition that presents consumption as an essentially social practice. On the other hand, this theory does not present consumption as driven by material considerations. The idea that contemporary consumers have a magpie-like desire to acquire as many material objects as possible (the acquisitive society thesis) represents a serious misunderstanding of the basic motivational structure that leads consumers to want goods (...) the true focus of desire is less the object itself than the experience the consumer anticipates possessing it will bring.’ (Campbell 1998: 147).

The search for pleasure through consumption does not necessarily circumscribe to western societies. Anthropologists researching on traditional festivities have reported how does are increasingly mediated by consumer goods (Colloredo-Mansfeld 1999; Parregaard 1997; Huber 2002). However, not only expenditure directly related to celebrations or leisure is driven by expectations of future enjoyment, but aesthetic pleasure also plays an important part.

FROM MOTIVES FOR WANTING MONEY TO MOTIVES TO CONSUME: A BOTTOM-UP APPROACH

Arguably the reasons why people consume will have an influence in their subjective wellbeing beyond the effect of one’s economic level. Whether people focus on perceived need satisfaction, fun and enjoyment or social integration when they buy or use a specific item or service is expected to have a differential impact. This is difficult to capture through expenditure itself as the same product can be bought for a wide array of reasons from habit to sheer necessity. This research brings out the wider dimensions of consumption beyond basic needs or social comparison through the exploration of people’s motives.

Although not focussing on consumption, psychologists (Carver and Baird 1998; Srivastava et al. 2001; Sheldon et al. 2004) have discussed the role of motives as a mediating variable following Kasser and Ryan’s (1993) work on the association of materialism with psychological wellbeing (self-actualisation and vitality). They assumed that aspirations for financial success were extrinsically motivated implying that they are generated by external rewards or demands. Their supposition was based on Maslow’s work, Self-Determination Theory³ (SDT) and two previous empirical studies by Emmons (1991) and Cantor and colleagues (1991). Their empirical work using a sample of young Americans found that the ones who overrated financial success over other life domains like affiliation, community feeling and self-acceptance experienced lower wellbeing. They hypothesised that individuals aspiring for material wealth might be more likely to be more centred around external goals and not pay enough attention to the satisfaction of their three basic psychological needs. This behaviour would harm their personality growth and wellbeing in terms of lower self-actualisation, vitality and more depression and anxiety (*ibid.* : 420).

³ SDT claims that there are three basic psychological needs that foster wellbeing: autonomy (that people value and feel interested in their own actions), competence (related to being able to achieve results to function effectively in one’s society) and relatedness (concerning being accepted and respected beyond the close family ties) (Ryan and Deci 2000).

Carver and Baird questioned Kasser and Ryan’s study on the grounds that what matters is not what goals are pursued but why they are pursued. They challenged Kasser and Ryan’s association of aspirations for financial success with extrinsic rewards and argued that wanting money could also be driven by autonomous orientations.

‘People can aspire to financial success because it will increase their popularity, because it will make their families proud, because of a societal expectation that that is what people are supposed to do. But people might also desire a high-income job because such jobs are likely to be more fun or exciting than those lower in status or income. People might aspire to financial success because financial success facilitates identified or intrinsic goals such as self-determination in one’s work activities. Some people might think it strange to say this, but in principle, it seems entirely possible for a person to have the identified sense that the process of making a lucrative business deal or of carrying out a high-status professional activity has intrinsic value’ (Kasser and Ryan 1993: 290).

In line with SDT, Carver and Baird enquired not only about the same set of goals as Kasser and Ryan but about the reasons people had to choose those goals. They classified motives in four types: internal, identified, introjected and external. Their initial hypothesis was that a greater endorsement of reasons related to intrinsic-identified motives would lead to greater self-actualisation, even if the goals were connected to financial success. Through a study based on regression analysis they confirmed their hypothesis but they also found that the goal itself was significantly reducing subjective wellbeing.

Acknowledging the above contributions but going beyond the locus of motivations that characterises SDT-based approaches, Srivastava and colleagues developed a classification of motives for wanting money focussed on their content. Their initial list of motives drew on Furnham’s (1984) scale of beliefs and behaviours related to money⁴ from which they generated their final list of 17 motives⁵. Each of them was described by 3 items that were identified through a ‘brainstorming session with researchers not associated with their study’ (ibid.: 962). After carrying out four different studies and using factor analysis to group motives, they selected 10 first order motives which finally clustered in three second order factors. Table 1 shows the typologies of motives derived from the study and examples of the sample items used in the survey.

Table 1 : Factors identifying motives for wanting money

Second order factors	First order factors	Sample items
Positive motives	Security	To have a feeling of security
	Family support	To be able to support a family
	Market worth	To get just compensation for my efforts
	Pride	To feel proud of myself
	Leisure	To spend time and resources pursuing leisure activities (e.g.

⁴ Furnham (1984) found six factors that describe people’s attitudes towards money: obsession towards money, money as a source of power, tendency to retain money, tendency to consider the available money as inadequate, ability to earn money, and conservative attitude towards money.

⁵ The 17 motives were: security, practical needs, help for future life planning, freedom from poverty, family support, market worth, pride, achievement, leisure, luxury, freedom, impulse, charity, social comparison, showing-off, seeking power, and overcoming self-doubt.

		poetry, literature, photography, painting, music, etc.)
Freedom of action	Freedom	To implement my ideas by starting my own business
	Impulse	To let my mood guide me at times so that I can blow money in shopping just for the thrill of it
	Charity	To donate money to those who need it
Negative motives	Social comparison	To have a house and cars that are better than those of my neighbours
	Overcoming self-doubt	To prove that I am not as dumb as some people assumed

Source: Srivastava *et. al.* (2001: 962)

They found that after controlling for motives there was no relationship between money importance and SWB. People motivated by social comparison and the lack of autonomous orientation were unhappier and attached a higher importance to money than others. Hence, they claimed that the negative relationship between money importance and wellbeing found in previous studies was due to the effect of negative motives and not to the type of goal or aspirations.

Later, Sheldon and colleagues (2004: 476) raised serious methodological concerns about the work of Carver and Baird and Srivastava and colleagues. They maintained that the former did not succeed in proving that the effect of pursuing financial success was due to the motive behind it and that the second study did use a motive measure that did not make a clear distinction between goals and motives. They carried out three studies (participants were current or former university students) to test whether the content of people's goals (like financial success) and the motives behind them had different and separable effects on SWB.

Their study showed that motives and goals were both important. Individuals that reported higher SWB were those who focussed on intrinsic goals (related to meaningful relationships, personal growth and societal contribution) and pursued goals due to autonomous motives (because they identified with the goal or because of the enjoyment of the goal). Participants pursuing financial success showed lower wellbeing in line with Kasser and Ryan's previous work but the reason why they pursued it was also significantly influencing SWB. However, people who had high material aspirations because of autonomous motives showed lower contentment than people having intrinsic goals like 'helping to make the world a better place' (*ibid.*: 478).

As with most studies on SWB determinants, causality presents a problem. Reverse explanations could also hold as 'individuals dispositionally high on broad factors such as neuroticism, or those with low security and sense of wellbeing, may be more prone to view money as means of self-enhancement' (Kasser and Ryan 1993: 420). This latter approach could imply that the search for financial success is a consequence of an individual's pathology.

Unlike wanting money or financial success, consumption is not always a goal in itself but a means to a good health, shelter, relatedness, social integration, etc. Buying food to feed one's family can well be collecting the motive and the goal pursued by the expenditure. Thus, the desired or expected goal might well be the motive people have to consume. This poses the

research on motives for consumption additional challenges to the ones addressed by research on materialism which are augmented by the type of population usually tackled. Psychologists' studies have commonly relied on samples comprising young highly educated people in the US. This is not the case in the current research as it focuses on non-western materially poor people which have a relatively low level of education. It would not seem appropriate, for instance, to develop a questionnaire with predefined items identifying motives on the extrinsic-intrinsic continuum of the SDT as the levels of literacy in the Peruvian corridor are low and people's analytical thinking does not always follow Western parameters. The next section describes the methodology and data used in this research on consumption and motives in Peru.

METHODOLOGY AND DATA

The surveys and the Peruvian communities

The research draws on data from the Resources and Needs Questionnaire (RANQ) and the Income and Expenditure survey (I&E) developed by the Wellbeing in Developing Countries (WeD), ESRC Research Group at the University of Bath. The aim of WeD has been to develop a methodological framework for understanding the different dimensions of wellbeing in developing countries. In order to do that they have implemented several research instruments and approaches since the beginning of the project in October 2002 (see <http://www.welldev.org>).

Data on demographic characteristics of the Peruvian corridor's households and indicators of basic needs satisfaction were taken from the Resources and Needs Questionnaire (RANQ) that was implemented in July-September 2004 to 1,000 households (to which 4,981 people belonged) in Peru across seven rural and urban communities. One of RANQ's goal was to gather information to assess household's need satisfaction (health, education, food, housing, primary relationships).

Since the objective of the research was to capture diversity within the poor in Peru, one of the most unequal countries in the world, a purposeful selection of the sample was applied. Two urban, two peri-urban and three rural communities were identified across a 'corridor' that besides geographical variations (coastline/desert, highlands and jungle) reflects variation in access to natural resources, degree of urbanisation, population density, type of markets, proximity to centres of political power, ethnicity, language, and collective and individualistic values (see table 2 below). WeD intended to have a high overlap between samples so participants in RANQ were extracted from a previous instrument that had used stratified non-random sampling⁶. Only additional households were randomly selected.

Table 2. A brief description of the research sites in Peru

Name, altitude and distance by road from	Households in extreme poverty ^a (%)	Region, type, and population	Brief description
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⁶ Stratified non-random sampling or quota sampling means 'that cases are selected nonrandomly (volunteer, available, and so on) from each subgroup of the population under study' (Tashakkori and Teddlie 1998:76).

Lima			
Llajta Iskay 3,400m 380km	92.9	Huancavelica (Rural - highlands) 365	Annex of Alegria with poor road access. Mostly Quechua speaking. High rate of migration to Huancayo, Lima, mines and jungle: few immigrants.
Llajta Jock 3,300m 365km	72.7	Huancavelica (Rural - highlands) 212	Annex of Alegria. A smaller and more close-knit community than Llajta Iskay. Mostly Quechua speaking. High rate of migration to Huancayo, Lima, mines and jungle: few immigrants.
Selva Manta 1,400-1,800m 290km	40.0	Jauja province of Junin (Rural - cloud forest) 560	Hamlet in a steep valley on the Eastern slopes of the Andes in the district of Monobamba. Spanish speaking. Comprises migrants from Huancavelica and other parts of Junin. Migration out during the violence, for education and business. Seasonal immigration for sugarcane and coffee harvesting.
Alegria 3,000-3,500m 355km	78.0	Huancavelica (Peri-urban - highlands) 5,440	Farming town and district centre in Tayacaja province with good road access to Huancayo city. Mostly bilingual. Some immigration from neighbouring villages. Migration out to Lima, Huancayo, central jungle and mines.
Descanso 3,275m 290km	67.3	Junin (Peri-urban - highlands) 5,323	Farming town and district centre in the Mantaro Valley. Almost entirely Spanish speaking, with easy access to Huancayo city. Some immigration, mostly for marriage. Migration out to Lima, central mines and jungle, especially for education.
Progreso 3,275-3,325m 310km	64.0	Junin (Urban - highlands) 1,560	Two neighbourhoods on barren hillside overlooking the city of Huancayo. Bilingual. Residents mostly arrived in the 1980s as a result of political violence, mostly from Huancavelica but also from Ayacucho and some highland villages of Junin.
Lugar Nuevo 550-900m 35km	49.2	Lima (Urban-coast) 150,000	Large settlement (part of the district of Ate Vitarte) in hills to the east of Lima, founded in 1984. Mostly residents arrived in early 1990s from the Central Andes. Many are bilingual, but very few non-Spanish speaking.

Source: Copestake (2006) and Copestake *et al.* (2007)

a. Estimated using monthly household income and unweighted.

Data on household expenditure, perceptions and motives for consumption of the household head⁷ and the spouse were collected in the I&E survey. This survey was implemented in the seven communities of the corridor to a sub-sample of 254 RANQ households during July 2005⁸. The basic selection criterion was the main economic activity of the household head and the number of households selected in each site was proportional to the participation of each community in RANQ. Since the survey was carried out a year later than RANQ some household demographics were updated.

Measures

Intermediate needs

The indicator of needs satisfaction used in this paper was taken from McGregor and colleagues (2007) who applied Desai and Shah's methodology (2007) in order to construct an Intermediate Needs Deprivation Index (INDI). The INDI was constructed drawing from

⁷ WeD Peru applied a purposeful selection of the sample sites

⁸ The survey had three rounds; only data from the first round was included in this research.

Doyal and Gough's (1991) Theory of Human Need (THN). The THN develops a philosophical justification for the identification of physical health and autonomy as universal basic needs. Those are not achieved directly but through the satisfaction of eleven intermediate needs: adequate nutritional food and water, adequate protective housing, non-hazardous work and physical environment, appropriate health care, security in childhood, significant primary relationships, physical security, economic security, safe birth control and child bearing, appropriate and cross-cultural education. Whilst basic needs are argued to be universal, intermediate needs take specific forms in every society.

The INDI is generated as follows.

$$Di = \sum_k I_{ik}$$

Where

$I_k = 1$ if a household i is facing a lack of access to the k_{th} intermediate need

$I_k = 0$, otherwise

Household level indicators for 10 intermediate needs of the THN are drawn from RANQ (see appendix Table A.1). Thus, $0 \leq Di \leq 10$, where an index of 10 indicates that a household lacks of access to all the 10 intermediate needs and an index of 0 that has access to all of them. Since most households participating in the I&E had also taken part in RANQ a year before, data on basic needs deprivation was available for the majority of the I&E households.

Expenditure

Total expenditure was generated by calculating July's 2005 food and non-food expenditure from the first round of the I&E survey. Data were transformed in monthly terms at current prices of July 2005 (the month when the survey was carried out) in the local currency (Nuevos Soles⁹). Then, expenditure at the household level was transformed to per capita terms using the adult equivalence scale of the World Health organisation¹⁰ (WHO, cited by McCulloch and Baulch 2000: 129).

The fact that this research uses data from a specific month to study consumption presents additional limitations. July is a month when the Andean communities hold their traditional festivities which imply a high level of expenditure on alcohol, ceremonial expenses, food, gifts, clothes and other related categories. Moreover, July is harvest season in the Andes so consumption of own produce is at its peak, which increases total food expenditure in the rural communities. Those two factors point at a predictable overestimation of monthly consumption in the rural corridor.

⁹ At 15 July 2005 1 Peruvian Nuevo sol equalled 0.25451 Euro (<http://www.oanda.com/convert/classic>)

¹⁰ The use of adult equivalence scales is not unproblematic but it is used here as it represents the diverse consumption requirements of different age and gender groups (see White and Masset 2006 for a methodological discussion).

Expenditure data is used in total and relative terms. Following Graham and Felton's (op. cit.) work on Latin America¹¹, expenditure is transformed into average and relative expenditure. The former represents the average expenditure of the type of site (urban, peri-urban, rural) and it is useful to approximate the reference group of the participant (Fafchamps and Shilpi 2003). 'Relative expenditure' is the difference between the participant's and the average consumption of respondents in the same site type. If the sign of the coefficient is positive and significant it would imply that individuals are happier if their consumption is higher than their neighbours and unhappier if it is lower.

Motives

The question on motives was asked at the end of the expenditure section of the I&E survey and unlike the rest of them it was open-ended. Both household heads and spouses were asked about their five current priorities of non-food expenditure. Once this was done they ranked them from the most to the least important following Clark's (2002) work in South Africa. Motives focussed on non-food expenditure because the piloting phase showed that in such a deprived setting most expenditure on food was reported as basic needs oriented. Including food would have reduced the range of motives that could be captured using a single question.

Two piloting phases were required to refine the wording and the method. In general, respondents could understand the question and could easily give accounts of priority expenditure and motives. A few participants felt puzzled when asked about the reasons why they spend on what they would call basics. They would deem the motives obvious and not expand much on them.

There are some arguments against using a single open-ended question on motives. Among others, the claim that individuals are not always able to identify the causes of their own actions and that motives are not always conscious nor are behaviours singly motivated (Maslow 1970). Moreover, people's motives are verbalised in different fashions and their personal and community values often mediate their answers. The latter was approached in the research by discussing with local researchers the method of data collection and the content of people's answers. Multiple motivation is acknowledged here and was later investigated in a qualitative phase in Nuevo Lugar. Unconsciousness remains a possibility but this research follows (West 2006) definition of motives as conscious forces that act on people's behaviour. Thus it is assumed that people's argued reasons for consumption represent their 'real' motives.

Linking back to the debate between motives and goals, it should be noted that the difficulties of distinguishing between motives and goals amplify when the research focuses on consumption. Since the aim here is to capture additional dimensions of consumption than the ones concerning basic needs and social comparison the distinction between motives and goals becomes a secondary concern. As West posits, motives are tightly linked to goals and even the intensity with which they are felt depends on 'the intensity of the emotional state attaching to the mental representation of the target' (West 2006: 151). Moreover, it is accepted that even using accurate psychological instruments it is not always feasible to distinguish between the two (Sheldon *et al.* 2004).

¹¹ Graham and Felton's work follows Di Tella and MacCulloch with data from the U.S. and Europe and Luttmer for the U.S. (Di Tella and Mac Culloch 2003; Luttmer 2004)

Reliability was confirmed through a qualitative study implemented in Nuevo Lugar but triangulation was not possible in the Andean and cloud forest sites. However, declared motives and priorities of consumption were confronted with information about expenditure and ethnographic notes from WeD researchers as well as with alternative secondary sources.

Finally, two types of variables were constructed following Clark's (2002) treatment of responses to similar questions. Ordinal variables were created assigning weights (from 5 to 1) to each motive in descending order from the highest ranked to the lowest. Dichotomous variables accounted only for the presence of a motive without taking into consideration its ranking or the times it had been mentioned (see Appendix 2).

Happiness

The explained or dependent variable of the model is global happiness which is the variable used in the I&E survey to capture overall subjective wellbeing. It was investigated through a three-point scale question:

Taking all things together, how would you say things are these days? Would you say you are:

- 1. Very happy*
- 2. Fairly happy*
- 3. Not too happy*

Answers were recoded in order to follow a logic sequence where the highest number represents the highest level of SWB. Although three point scale questions do not allow for detailed cross-personal comparisons and larger scales have been usually recommended (Cummings 2003), they are useful to capture the direction of people's subjective states¹². In the I&E survey the global happiness question was placed right at the end of the questionnaire before the questions on satisfaction with life domains. Perhaps some tiredness after a long and detailed questionnaire on income sources, expenditure and intra-household distribution of tasks might have given the results a negative bias but this would have been evenly distributed throughout the corridor sample.

¹² A happiness question had already been used in the RANQ and in a previous psychometric instrument developed by the WeD Peruvian team. Therefore issues about the meaning of happiness for people of the Peruvian corridor and the translation of the concept to Quechua had all been cleared before the implementation of the I&E survey.

MOTIVES FOR CONSUMPTION IN THE PERUVIAN CORRIDOR: A DESCRIPTION

Motives were computed in order to include in the analysis other dimensions than the ones collected by basic needs or social comparison. The open-ended nature of the motive question demanded that coding was done in consultation with local researchers and using WeD ethnographic data. The characteristics of the sample with most participants falling under the poverty (91%) or extreme poverty line (65%) (Copestake et al. 2007) resulted in priorities of consumption being largely motivated by local perceptions of basic needs. Motives linked to avoidance of social discrimination were also very important with regards to education, clothes and other expenditure such as celebrations. The latter was sometimes reported as a mechanism to avoid social exclusion more than as a positive manner to be recognised in the community. Finally, few participants declared to be lead by different types of pleasure (physical, psychological or aesthetical) in their everyday purchases. Those were usually concentrated around electric appliances such as TV sets, CD players or DVD players and festivities.

Basic needs: motives linked to the THN basic and intermediate needs

As expected, in the Peruvian corridor 76% of motives were associated with basic needs one way or another. Some participants used words like *necesidad* (need), *imprescindible* (essential), *basico* (basic), *importante* (important) etc. in order to underline that the expenditure was essential for them. However, not everybody explicitly reported that expenditure on 'essentials' was made to cover a perceived need and a number of people merely explained what they employed goods or services for. Thus, there was a requirement of clearer criteria to assign reported motives to basic needs which finally relied on linking the content of people's motives to the characteristics of the universal satisfiers of the THN (Doyal and Gough 1991: 191-217).

Hence, if expenditure was made in order to tackle physical health or autonomy through any of the eleven intermediate needs would be classified as basic needs related expenditure. For instance, household appliances or cars would be interpreted as being motivated by basic needs if the respondent considered them essential to satisfy any of the THN intermediate needs. A fridge would be reported as indispensable to preserve food and satisfy the intermediate need for 'adequate nutritional food' and a car could be necessary to guarantee economic security working as a taxi driver or in order to gain access to the markets to sell their crops. Insufficient availability of public transport in most of the rural communities meant that the few people who had bought or would like to buy a car reported the motive as linked to economic security.

As table 3 shows, basic needs related motives were argued for all hygiene and health expenditure (15 % of the total household expenditure) and for 94% of expenditure on housing, 92% of transportation and 81% of clothes' purchases¹³. Expenditure on education was also reported as being mostly motivated by providing children with the necessary knowledge to undertake productive activities in the future (53%). Household appliances (28%) and other expenditure (16%) were not usually bought driven by basic needs

¹³ Motives were collected through a question on priorities of consumption. Those resulted in similar patters of consumption than the ones derived from expenditure (table A.3. in the appendix). Thus, motives for prioritising expenditure are here generalised to motives for consumption.

satisfaction. The following quotation illustrates the type of responses grouped under ‘basic needs’ regarding education.

...I spend on education because without it my children would be tontitos (dumb) they would not know how to produce the bill in the business.

It is not clear whether motives gathered under ‘basic needs’ will show a negative or positive relationship with SWB. Following SDT it might depend on the degree the person has internalised the need to spend on necessities for him/her or his/her family. Linking back to Srivastava’s approach if motives collected under this category were somehow reflecting the joy or pride of being able to support a family they would be positively related to happiness. In a context of sheer poverty it is in principle unclear whether the strive to satisfy basic needs through consumption will reflect the struggle to achieve it or the joy of trying.

Table 3: Expenditure categories and motives for consumption in the Peruvian corridor (% of motives by expenditure category)

	Housing	Transport and communications	Education	Hygiene	Clothes	Health	Household appliances	Other expenditure	Total
Basic needs	94	92	53	100	81	100	28	16	76
Hedonic	4	1	1	-	1	-	67	17	4
Social interaction	2	7	46	-	18	-	5	67	20
Total	100	100	100	100	100	100	100	100	100

Source: WeD-Peru I&E first round; sample size=449

Finally, it is worth noting, that the THN focuses on universal prerequisites for social participation and although open to discuss local understandings of basic needs does not stress the role of community, social relations, identity and status beyond what is believed to add to ‘significant primary relationships’. The latter are described as ‘a network who provides and educative and secure environment’ (Doyal and Gough 1991: 207). Following this definition only expenditures that are reported to be motivated by keeping or improving close family relations were included under basic needs. Expenditure motivated by abiding to social rules, building one’s identity or social positioning will be classified as ‘socially related motives’¹⁴.

Enjoyment, having good experiences

As explained earlier, individuals’ natural search for pleasurable experiences has been used to explain the dynamism of consumption in Western societies (Scitovsky 1986; Campbell 1998). It has also been seen as a result of the search for immediate compensation for everyday’s insecurities and temporalities (Bauman 2001). Moreover, Veenhoven (2003: 437) in his work

¹⁴ This decision is made for the sake of conceptual consistency so basic needs in this quantitative part of the thesis are understood as relating to the basic or intermediate needs of the THN. It is quite likely that relatedness, identity building and social positioning are also felt as basic needs in the Peruvian communities. However, they were never included in the THN and the fact that they incorporate values and constrains beyond the family domain might justify studying them separately.

on hedonism and happiness argued that the former was often defined as the ‘main motivator of human behaviour’.

Thus, it could be argued that having fun and amusement is an internal feeling of the individual that it is usually genuine and fulfilling. Consequently, these types of motives could be seen as intrinsic (Ryan and Deci 2000) and result in self-actualisation. They are usually linked to leisure and thus constitute what Srivastava and colleagues called positive motives. In the Peruvian corridor only 4% of priority expenditure was motivated by hedonism, this was mainly concentrated on household appliances (67%) and to a lesser extent on furniture and celebrations (17%) (refer to table 3). The former is illustrated by the words of an urban participant:

... I bought a TV set for the same reason I have a radio; for my family to enjoy. I needed it urgently!

Hedonic feelings are often present when talking about current expenditure on family celebrations in the urban areas or traditional festivities in the Andean communities. In the corridor, spending on furniture could also have a hedonic character. People would sometimes report that they were buying furniture for the living room, for instance, to enjoy the beauty of a well furnished room or the comfort of a sofa.

Social interaction

Social interaction drives much of people’s behaviour. Consumption is socially embedded due to its symbolism, what the person intends to say with goods and services and how the others perceive the message. People consume to relate to others in equal or superior terms, to be respected in their community and in the wider world. In the corridor, many people declared that their priority expenditures were driven by motives linked to social integration at different levels. Some indicated that they spent on transport and communications to be in touch with relatives or friends and on clothes to attend social gatherings. Many declared to spend on their or their children’s education in order to gain respect in the greatly stratified Peruvian society. Others explained that they contributed to festivities in order not to lose face in front of the community and few clearly stated that comparison with others was steering their purchases. In order to capture the different implications of social interaction in the corridor, responses within this category were gathered under four theoretically meaningful groups: relatedness, social positioning, social integration and customs. Table 4 shows the how this subcategories relate to the eight groups of expenditure.

Table 4: Social interaction components (% of motives by expenditure category)

	Housing	Transport and communications	Education	Hygiene	Clothes	Health	Household appliances	Other expenditure	Total
Relatedness	-	7	2	-	5	-	-	9	3
Social positioning	-	-	7	-	1	-	-	-	2
Social integration	1	-	28	-	9	-	-	2	9
Customs	1	-	9	-	3	-	5	56	6
Total Social interaction	2	7	46	-	18	-	5	67	20

Relatedness, is a subcategory linked to anthropologists' work stressing the role of consumption as facilitator of relationships. As Douglass and Isherwood (1978) maintained, goods intermediate interpersonal relationships through rituals appropriate to particular circumstances. For instance, in the corridor people would argue that they buy furniture to have an adequate room to host social and/or family gatherings. What would be a proper or an accepted type of room would depend on what is seen as such in the different communities; in some would imply having benches and a table and in others a sofa and a CD player. In the corridor only 3% of the motives were explicitly argued as being linked to facilitating relatedness. Besides furniture, people stressed the importance of having a telephone or access to transport in order to be in touch with relatives together with having the right clothes to socialise.

Social positioning, concerns the fact that consumption is not driven by the utility that individuals derive from goods and services but from the impression that they generate on others. This is in line with the work initiated by Veblen in 1899 and followed by many social scientists working on positional goods and social differentiation pointing at social comparison as the origin of an increasing amount of expenditure. In the corridor, improving or maintaining one's social position was not commonly declared as a motive for consumption on priority items (only 2% of responses were associated with this). However, some people linked it with expenditure on education, clothes and housing. Regarding the former, people would usually declare that they want their children to be in a better position than themselves, very seldom participants reported other reference groups. As a participant of Progreso says:

... I spend on education for our children to be seen as better than us; this is the best bequest I can give them

Social integration arose as an important motive in the corridor (9% of total). Creating a new identity through goods is especially relevant in a society where marginalisation and exclusion related to ethnic and rural background is at play (Huber 2002). Building an identity that detaches people from their indigenous background, that 'whitens' them, is key to having access to certain social and material resources. As Colloredo-Mansfeld (1999: 200) states referring to people living in the Ecuadorian Andes 'by discriminating among the world of goods, people distinguish among each other and naturalise their position in a class-divided society'. In the corridor identity related motives were commonly argued when explaining expenditures on education and clothes. Education would allow children to become professionals, to be competitive to stand up in a society were their parents are struggling to get by. Having western and urban type of clothes will also facilitate job prospects and being treated with respect in public institutions (Valdivia 2001).

In the Peruvian communities some expenditure were explicitly reported as a *social obligation* (6% of total priorities). Those were largely identified with purchases undertaken in order to participate in community festivities; which were generalised in the Andes as the survey coincided with the period of harvest-related celebrations. Participation in local festivities implies a great deal of expenditure from food and alcohol to music bands, which is mostly made by the host family or families but also by relatives and close friends (*compadres*).

Whilst participation in festivities is usually perceived as leading to enjoyment and fun it is sometimes felt as obligatory. Organising a Santiago (the Andean festivity celebrating wellbeing and fertility of the livestock) or a Jalapato (typical Andean festivity) entails that the padrinos (the host family) live an austere life for a year in order to pay for the expenses.

There is a clear external threat attached to bad organisation or to a refusal to arrange the celebration and this is social exclusion and losing face and respect in the community. As a rural participant said:

... I spend on festivities because it is always good to join the fiestas and the customary celebrations of the community, otherwise neighbours would criticize you

Thus, motives are picking up people's perceptions on their expenditure. They reflect its essentiality for personal and social survival together with its role as source of pleasurable experiences. The next section analyses whether these subjective dimensions have a significant effect on people's happiness in the corridor.

CONSUMPTION AND HAPPINESS: EXPLORING THE MEANING OF CONSUMPTION THROUGH BASIC NEEDS, EXPENDITURE AND MOTIVES

The research relied on regression analysis in testing the main question of the study i. e. that the different aspects of consumption should be accounted for in order to explore how it relates to people's subjective wellbeing.

Table 5 shows the results of the study of the effect of consumption on happiness undertaken using Ordered Probit. It first tests an empirical model (1.a.) where the focus is on basic needs and consumption. Next it studies whether social comparison and motives for consumption do also have an impact in the communities of the Peruvian corridor (1.b.) (refer to Table A.5 for the descriptives of the independent variables).

Table 5: Motives for consumption and happiness in the Peruvian corridor

Independent variables	1.a			1.b		
	Coef.	z-Score		Coef.	z-Score	
Socio-demographic characteristics						
Age	-0.121	-3.58	***	-0.108	-3.19	***
Age squared	0.001	3.46	***	0.001	3.00	***
Male dummy	0.347	2.31	**	0.357	2.35	**
Religion dummy (1=catholic)	-0.092	-0.57		-0.223	-1.41	
Cohabiting dummy	0.550	2.76	***	0.679	3.32	***
Chronic illness dummy	-0.122	-0.65		-0.102	-0.55	
Self-employed dummy	0.214	1.35		0.087	0.54	
Homemaker dummy	0.342	1.74	*	0.226	1.13	
Basic needs						
Intermediate needs deprivation index	-0.075	-1.63	*	-0.117	-2.50	**
Consumption						
Log total expenditure	0.545	1.98	**			
Average expenditure				-0.014	-3.71	***
Relative expenditure				0.002	2.56	**
Motives for consumption						
Basic needs				-0.055	-2.74	***
Hedonic				0.075	1.35	
Social interaction				-0.091	-3.09	***
Location						
Peri-urban dummy (urban=0)	0.560	3.97	***			
Rural dummy (urban=0)	0.596	3.16	***			
Summary statistics						
Low point of age		47			49	
/ cut 1		-1.609			-5.601	
/ cut 2		0.604			-3.318	
Number of observations		399			399	
Mc Fadden R-squared		0.075			0.102	
Log Likelihood		-307.799			-298.706	

Note: * Significant at 10% ** Significant at 5% ***Significant at 1%

Socio-demographic variables

Regarding age, people in the corridor are unhappier as they grow old until they reach their late forties and after then they experience an upturn in their happiness levels¹⁵. Similarly, Graham and Felton (2005) found that for their sample of 18 Latin American countries the low point of happiness was at 51 years. As expected, being a man has a positive impact on happiness compared to being a woman in the Peruvian corridor. This is in line with claims of gender discrimination in the country (Schuldt, op. cit.) and results of previous empirical studies (Graham and Felton op. cit.; Herrera op. cit.). Controlling for gender, working at

¹⁵ This is a common finding in happiness studies where the young and the old seem to be happier than the middle-aged (Frey and Stutzer 2002a: 54). Those findings vary with regard to the econometric methods used and the cardinality or ordinality of the dependent variable (Ferrer-i-Carbonell and Frijters 2004)

home is positively related to happiness in the first model although its significance is low most likely because it correlates strongly with gender ($r = -0.526, p < 0.01$)

People living with a partner (including married people) are happier than heads of households or spouses living on their own. As expected, living in peri-urban and rural areas is positively related to happiness compared to urban communities. However, it should be taken into account that in the corridor sample the comparison is between rural and peri-urban Andean communities with urban slums, which do not represent the urban population as a whole, mainly in the capital city.

Some variables that are usually included in happiness studies do not appear as significant for the corridor sample. These are religion, health and being self-employed. With regard to religion, Peru can be considered a Catholic country due to its colonial background. Nevertheless, there are remains of Andean religions (Andean syncretism) and other Christian denominations (Pentecostal, Evangelical, other Protestant churches). In general, Catholicism could be identified with more urban and wealthier people (see correlations in Appendix 4) whilst other Christian denominations like Pentecostal would be associated with rural and poorer communities. Both the fact that non-Catholics are a heterogeneous group and that other variables are correlated with religion could make the variable not significant.

People report being in good health as one of the most valued components of the 'good life' (Clark 2002; Layard 2006; Guillen 2007). However, it does not always come out as significant in explaining happiness levels. One reason could be adaptation to physical limitations (Layard op. cit.). Another reason could be that in this study the indicator for ill health is chronic illness that is a variable collected through RANQ one year before happiness was captured in the I&E. Although chronic illnesses are by definition long term, their acuteness changes over time which might explain the non-significance of this variable.

Being self-employed (43% of the sample) in the corridor does not significantly contribute to greater happiness. Graham (2004) and Graham and Felton (2006) found that in Peru and Latin-America being self-employed has a negative effect on individuals' wellbeing. Precariousness, volatility and uncertainty are related to jobs in petty-commerce or agriculture and this is meant to affect people's wellbeing. Since working at home (32% of the sample) is negatively related to being self-employed and shows to be significantly (although not strongly) affecting happiness, it could be collecting indirectly the effect of being self-employed.

Consumption and basic needs

As explained earlier, it is argued that when people do not have their basic needs satisfied income matters for SWB. Model 1.a. separates out the two effects by including the INDI that collects 10 indicators of the THN intermediate needs and total consumption. As shown in Table 6.7 both are significant and have the expected signs.

Hence, people who have higher access to consumption in the corridor are significantly happier controlling for socio-demographic characteristics. Although having more money to spend is usually related to higher levels of needs satisfaction (OLS of consumption on INDI $\beta = -1.429, p < 0.001, R^2 = 0.053$), consumption has a meaning, a symbolism and a psycho-social purpose that is not fully captured through basic needs.

Concerning basic needs, the higher the number of unmet intermediate needs the more frustrated people feels. The fact that some of the components of the INDI respond to structural characteristics of the communities and are collected by the site dummies might be reducing the significance of the negative sign of the index. For instance, in two of the rural communities people do not have access to electricity; which is one of the indicators of proper housing included in the INDI. Moreover, in urban slums that are usually populated by migrants is quite common not having relatives nearby to spend time with. In spite of those caveats, having more intermediate needs unsatisfied has a negative effect on happiness beyond the type of community and the amount of money available for consumption.

Consumption and the relative income hypothesis

Model 1.b. follows Graham and Felton's work in Latin-America to account for the effect of relative and average (at the site type level) income on happiness¹⁶. It includes the same demographic variables as model 1.a. with little variation regarding their significance and sign. Only the positive effect on happiness of the homemaker becomes non-significant. The INDI increases its significance as it might be capturing some of the effects of absolute income; namely those related to spending on basic needs satisfiers.

Table 5 showed that the coefficients for average and relative consumption are significant, which indicates that the *demonstration effect* and *status considerations* are affecting people's SWB in the corridor. This agrees with what previous research has found in Peru and with some characteristics of the Peruvian society (inequality, envy plus recent extensive deployment of marketing campaigns targeted to the lower income groups) highlighted by Schuldt. Thus, living in a neighbourhood where one is exposed to new or more sophisticated goods (this is the case for slum dwellers) has a negative effect on one's happiness. This demonstration effect has been shown to be significant in Herrera's work on urban Peruvians and in Graham and Felton's research for Peruvians living in small settlements (less than 5,000 respondents).

Despite the high significance of the average consumption coefficient it should be noted that this variable is collecting the impact of the type of site but in an inverse order. Urban sites are on average richer than rural and peri-urban. The corridor also represents different access to markets, consumption goods, public facilities and different levels of exposure to media. Sites are also different with regard to community involvement and social capital, with physical assaults and general violence being more widespread in the urban slums than in the peri-urban or rural communities. Those structural differences are likely to be collected under average consumption. Therefore, the relatively high value of the average consumption coefficient compared to the coefficient of relative consumption could be characterising problems associated to urbanisation and 'slumisation' in the Peruvian society.

Status considerations are also relevant in the corridor, matching Graham and Felton's findings in Latin-America, especially for the lowest quintiles. People's concern about their own level of expenditure compared to the level of a wealthier reference group shows through the negative sign of the relative consumption coefficient. Richer people in the corridor are usually urban or peri-urban. This entails a higher exposure to diversity of

¹⁶ The dummy variable identifying the type of site is dropped in this model because is collected in the average income variable.

consumption opportunities and to types of products, qualities and brands. Being richer implies having more access to those type of goods which are coveted by their less wealthy neighbours, making the former happier to feel distinct and the latter frustrated for lack of achievement.

Consumption and motives

The goal was to find out whether the reasons why people consumed by including people's own reports would add valuable information on the impact of consumption on SWB besides basic needs and social comparison concerns. Table 5 showed how including motives for consumption increases the proportion of variance explained by 36%.

In the corridor, consumption triggered by social interaction and satisfying basic needs as in the THN is significantly and negatively associated with happiness¹⁷. Spending on goods or services because of customs and hedonism does not show up as being significantly related to happiness.

Social interaction motives

Spending motivated by social interaction is associated to unhappiness. Although of a somewhat different nature, the four subcategories are likely to be driving the negative sign of the relationship with happiness. An additional analysis disaggregating the variable in its four components clarifies this effect (Table 6).

Social integration was the motive with the highest incidence. It picked up the struggle of living in a discriminating society. For instance, participants believed that only through education could one prosper and achieve respect in the highly class and ethnically stratified Peruvian society. In that context being motivated by social recognition, 'being accepted' or avoiding the pain of being marginalised due to lack of skills (all of them identity related issues that account for most of the socially related motives) is quite likely to pick up the suffering of the poor and marginalised rural participants and the urban migrants of the sample.

Table 6. Ordered probit of motives for consumption on happiness

Motives for consumption	Coef. ^a	z-Score	
Basic needs	-0.05	-2.48	**
Hedonic	0.08	1.43	
Relatedness	-0.047	-0.69	
Social positioning	-0.144	-2.42	**
Social integration	-0.107	-2.97	***
Customs	-0.056	-1.37	
Number of observations	399		
Mc Fadden R-squared	0.106		
Log Likelihood	-297.334		

Note: ** Significant at 5%, ***Significant at 1%

¹⁷ As with most variables causality could go both ways. In a generally deprived sample unhappier people could be more prone to associate their consumption to basic needs and identity seeking motives than the happier and positive participants.

a. Controlling for the same demographic and economic variables as model 1.b.

Social positioning was the subcategory mentioned by fewer participants and was also significantly and negatively associated to happiness. Here, social positioning captures comparison as it is narrated by respondents, usually in different terms than the ones picked up by relative expenditure (comparing one's expenditure to the average income of the community). Reference groups and high aspirations are not only related to direct comparison with neighbours. Migrants returning for the village festivity or to visit relatives, together with access to TV, are increasingly raising awareness of the most advanced consumer goods even in remote Andean villages (Huber 2002). The latter is not picked up through the relative consumption variable since even in small rural communities reference groups might be less local and more global (Collaredo-Mansfeld 1999). People seemed to compare their situation as poor rural indigenous people or urban migrants to the one of the whiter-educated and richer Peruvian and international elite.

The negative effect of being motivated by social integration and status has already been reported by psychologists. For example, Srivastava and colleagues (*ibid.*) found that motives such as social comparison and self-doubt were negatively associated to SWB. Sheldon and colleagues (*ibid.*) also found that extrinsic motives, which they related to social comparison and the shame or guilt of not living to one's expectations, were negatively linked psychological wellbeing.

In summary, associating one's expenditure to social integration and position is negatively linked to happiness. It is quite likely that the reasons lies on the characteristics of a generally marginalised and deprived sample where social motives for consumption are picking up the suffering of being socially excluded and the hope that expenditure of a specific sort will contribute to increase one's feelings of worth through being accepted and well-regarded by others.

Motives linked to the THN basic needs

Spending driven by motives related to the intermediate or basic needs of the THN is also negatively related to happiness. This occurs controlling for basic needs levels as in the THN (INDI) and average and relative consumption. The reasons for these significant effects could be threefold:

First it could be the case that the indicators included in the INDI do not represent people's understandings of basic or intermediate needs. A study by Guillen Royo (2007) showed that the intermediate needs of the THN were reported as components of the good life by participants from Nuevo Lugar.

The second could be related to knowing that whatever quantity they might afford to spend on building materials their need for proper shelter will not be satisfied because of the structural characteristics of the community (such as insecurity or unsanitary conditions).

Linking to the above, the third might be associated to the sheer poverty of participants since even the ones in the highest quintile are close to the poverty line (Copestake 2006a). Thus, it is quite likely that the negative relationship between basic needs motives and happiness is picking up the obligation that households have to spend on essentials. Quote from the guy explaining expenditure on education as obligation

Whichever reason might be the strongest, basic needs related motives are somehow collecting dissatisfaction with households' current level of basic needs. This shows as being highly motivated by basic needs correlates significantly and negatively with an index derived from the factor analysis of satisfaction with life domains tightly related to the THN intermediate needs¹⁸ (Pearson correlation $r=-0.361$ at the significance level 0.001).

Thus, in the context of the corridor, motives related to the THN basic needs may represent the frustration of lacking access to suitable satisfiers, the obligations derived from material poverty and the disappointment of a perceived low level of basic needs. In Western households, on the other hand, psychologists found that being driven by basic needs is positively related to SWB: a result of people choosing to do so rather than as a matter of limited opportunities. Moreover, the trend highlighted by Schuldt (op. cit.) about Peruvians being persuaded by marketers to look at global reference groups even for basic items might be stretching even further participant's dissatisfaction¹⁹.

Hedonism

Being motivated by hedonism did not show up as significantly affecting people's happiness but it had the expected positive sign. In addition to the previous analysis, model 1.b. was also estimated using the dichotomous motive variables (refer to Appendix 2). This allowed testing for the effect of the presence of a motive; whether just the fact that a person was mentioning a specific motive had an effect on his/her happiness²⁰.

Despite some changes in the significance of the variables, the demographics, the INDI and expenditure were still significantly affecting SWB. Furthermore, as shown in Table 7, hedonic motives came out as positively and significantly related to happiness. This shows that beyond one's level of basic needs and economic position within the community, being motivated by the intrinsic drive of enjoyment has a positive influence on one's wellbeing. It also shows a reduction in the significance of the basic needs motives, as only accounting for its presence might not make any difference on SWB as it is the most universal reason to consume unless the stress they put on such motives is contemplated.

Table 7. Ordered Probit of motives for consumption (motives as dummy variables) on happiness

Motives for consumption	Coef. ^a	z-Score	
Basic needs driven	-0.374	-1.68	*
Hedonic driven	0.452	2.20	**

¹⁸ Factor analysis is a data reduction technique used to derive factors from highly correlated variables. The five domains included in RANQ are satisfaction with family health care, satisfaction with children's education, family housing, family clothing and family total income.

¹⁹ Schuldt (2004: 245) showed that in 2003, the 100 companies that spent the most in advertising did it through TV, which most of the sample have access. These companies belonged (ranked according to the amount spent) to telephony, banks and insurance, toiletries and beauty products, biscuits, sweets and beer. However, TV is not the only means of propagating information about new products, but tourism and returning migrants in the highlands, the proliferation of shopping malls in middle and low class suburbs of Lima and consumption credit facilities contribute to frustration through consumption.

²⁰ How the dichotomous variables were created is described in Appendix 2.

Social interaction	-0.419	-3.05	***
Number of observations	399		
Mc Fadden R-squared	0.101		
Log Likelihood	-298.862		

Note: * Significant at 10% ** Significant at 5%, ***Significant at 1%
a. Controlling for the same demographic and economic variables as model 1.b.

That hedonic motives are positively related to happiness is in line with Ryan and Deci's claim that enjoyment is an intrinsically motivated drive or goal and thus increases SWB and with Srivastava and colleagues finding that motives linked to leisure, freedom and impulse enhance people's SWB. It also agrees with Veenhoven's (2003) findings that sensation-seekers are on average happier.

LIMITATIONS AND CONCLUSIONS

This paper has presented an exploratory study on the impact of consumption on happiness accounting for some of its many dimensions: basic needs, social comparison, social interaction and hedonism. This has been done in a context of seven poor Peruvian communities, when in principle basic needs are expected to explain most people consumption and have a positive impact on SWB. An objective indicator of basic needs deprivation showed as expected, that increased needs satisfaction was positively related to happiness as it was a higher income. The latter had an absolute and a relative effect as status considerations and the reference group seemed to be also influencing happiness. Moreover, people who stressed basic needs related motives were communicating their dissatisfaction with the current level and the obligation of devoting most of their income to necessities. The latter together with spending on overcoming marginalisation and social exclusion were negatively related to happiness.

The fact that characteristics of consumption other than basic needs and social comparison have been addressed through a perception variable generated from an open-ended question presents several limitations that might be overcome with further research. First, the information obtained through the question on motives could be refined by designing a new instrument with tutored questions capturing the different array of reasons why people consume. In the case of the corridor, focussing on education, furniture and electric appliances is likely to reveal many of the aspects considered in the consumption literature from basic needs to hedonism.

Second, the significance of the motive variables is likely to be related to the fact that they are capturing some personality traits or most likely one's intentional activities. This implies that motives are beyond personal circumstances and might be picking up people's goals and the strive to achieve them which is thought to account for about 40% of the variance in happiness (Demir and Weitekamp 2006). However, trying to avoid going beyond socio-demographics by, for instance, using as indicators locally symbolic assets or expenditure is improbable that captures the different reasons people have to consume the same item. This paper has show how the impact of consumption on people's wellbeing is better understood if people's reported reasons for spending are taken into consideration.

APPENDICES

Appendix 1. The components of the INDI

Table A.1. The components of INDI

Domain and indicator	% of Peru sample ²¹
<i>Health Service Utilisation</i>	
HH with children under the age of 20 that did not get a polio vaccination or HH with member that was ill and did not seek treatment (%)	15
<i>Basic Education</i>	
HH with children that did not attend primary school or all adult members have not completed primary education (%)	15
<i>Significant Primary Relationships</i>	
Households that have not spent time with any close relative in the last week	30
<i>Nutrition</i>	
HH with shortage of staple food (%)	41
<i>Sanitation</i>	
HH with sharing/non sharing bucket toilet or no toilet at all (%)	28
<i>Drinking Water</i>	
HH with well/tube well, water storage jar, pond, spring, river, lake or other (%)	20
<i>Housing</i>	
HH with no electricity (%)	22
HH with thatch, reed, bamboo or plastic sheet roof to main dwelling (%)	14
<i>Economic and Physical Security</i>	
HH facing any type of shock (%)	69
<i>Safe Birth Control</i>	
HH that did not receive contraceptives or condoms (%)	71

Source: Velazco and Copestake (2006)

Appendix 2. The motive variables.

In order to generate the ordinal variables a weight for each motive for each person was calculated assigning to the first motive the highest weight (5) and to the fifth one the lowest (1). The same procedure was followed to generate the variables representing priorities of non-food expenditure. The generation of the motive variables is presented formally hereafter.

Let us call M_j motives for consumption where ($j = 1...4$) and

- $j = 1$ = basic needs
- $j = 2$ = enjoyment
- $j = 3$ = socially driven
- $j = 4$ = custom

Participants in the I&E survey ($i = 1...508$) declare up to 5 priorities and motives for consumption and they rank them ($z = 1...5$). For each rank it is assumed a score S_z from 1 to 5 where $S_1 = 5$; $S_2 = 4$; $S_3 = 3$; $S_4 = 2$ and $S_5 = 1$.

From individuals' responses an index (M_{ij}) of the relevance of motive (j) for individual (i) is defined as follows:

²¹ Figures show the percentage of "yes" responses for 764 households of the original 1,004 for whom a full set of responses to both needs and resources questions were available.

$$M_{i,j} = \sum_{z=1}^5 S_z * m_{z,j} , \text{ where } m_{z,j} = 1 \text{ if motive } j \text{ occurs in position } z \quad (\text{a})$$

$$m_{z,j} = 0 \text{ otherwise}$$

For each individual we can, therefore, generate a vector of motives for consumption VM_i where $VM_i = (M_{i,1}; M_{i,2}; M_{i,3}; M_{i,4}; M_{i,5})$

Dichotomous variables that consider only the presence of a motive or priority without accounting for its ranking²² were also generated. The aim of calculating two different types of variables was twofold. First, it would allow for triangulating the results and testing the reliability of the findings. Second, it would allow for testing whether statistical results change if what is measured is the presence of a motive and not its intensity.

If $M_{i,j}$ are motives for consumption where ($j = 1, 2, 3, 4$) and

- $j = 1 =$ basic needs
- $j = 2 =$ enjoyment
- $j = 3 =$ socially driven
- $j = 4 =$ custom

and ($i = 1 \dots 506$) an index ($DM_{i,j}$) of the relevance of motive (j) for individual (i) is defined as follows:

$$DM_{i,j} = \begin{cases} = 1 & \text{if } j \geq 1 \\ = 0 & \text{if } j = 0 \end{cases}$$

Appendix 3. Patterns of consumption from expenditure and priorities

Table A.3. Patterns and priorities of non-food consumption in the corridor

INEI categories	Patterns of consumption	Priorities of consumption
Maintenance and housing services	19	27
Transport and communications	17	14
Education and leisure	28	25
Toiletries and personal care services	7	4
Clothes and shoes	10	18
Health care	8	4
Household durables	5	2
Other expenditure	7	6
	100	100
N = 447		

²² The dichotomous variables had a value of 1 if the motive had been mentioned by the participants and 0 if it had not.

Appendix 4: Table A.4.: Correlation matrix. Regression dependent variables. (Pearson correlation)

	AGE	GENDER	RELIGION	COHABITING	CHRONIC ILLNESS	SELF-EMPLOYED	HOME-WORKER	INDI	LOG OF TOTAL EXP.	AVERAGE EXP.	RELATIVE EXP.	BASIC NEEDS MOTIVES	HEDONIC MOTIVES	SOCIAL INTERACTION MOTIVES	TYPE OF SITE
AGE	1														
GENDER (1= MAN)	0.133(**)	1													
RELIGION (1=CATHOLIC)	0.032	0.046	1												
COHABITING	.111(*)	0.156(**)	0.146(**)	1											
CHRONIC ILLNESS	.211(**)	-0.034	-0.063	-0.011	1										
SELF-EMPLOYED	0.09	0.221(**)	0.075	0.026	-0.008	1									
HOMEMAKER	-0.048	-0.526(**)	-0.069	0.037	0.017	-0.608(**)	1								
INDI	0.061	-0.025	-0.248(**)	-0.01	0.022	0.023	0.031	1							
LOG OF TOTAL EXPENDITURE	-0.104(*)	-0.002	0.216(**)	0.046	0.04	0.108(*)	-0.08	-0.231(**)	1						
AVERAGE EXPENDITURE	-0.127(*)	-0.016	-0.108(*)	0.046	-0.038	-0.011	-0.147(**)	-0.188(**)	0.169(**)	1					
RELATIVE EXPENDITURE	-0.043	0.001	0.199(**)	0.016	0.03	0.116(*)	-0.058	-0.146(**)	0.875(**)	-0.041	1				
BASIC NEEDS MOTIVES	-0.185(**)	0.019	-0.087	0.045	0.01	-0.130(**)	0.02	0.012	-0.056	0.212(**)	-0.072	1			
HEDONIC MOTIVES	-0.061	-0.052	0.039	-0.129(*)	-0.034	-0.026	0.022	-0.002	0.105(*)	0.121(*)	0.053	-0.222(**)	1		
SOCIAL INTERACTION	0.06	0.057	0.102(*)	0.013	-0.013	0.048	-0.103(*)	-0.123 (*)	0.165(**)	0.12	0.147(**)	-0.583 (**)	-0.013	1	
TYPE OF SITE (URBAN=1, PERI-URBAN=2,RURAL=3)	0.139(**)	-0.014	-0.146(**)	-0.02	0.005	-0.027	0.141(**)	0.218(**)	-0.102(*)	-0.677(**)	0.011	-0.195(**)	-0.114(*)	-0.136(**)	1

* Correlation is significant at the 0.05 level (2-tailed), ** correlation is significant at the 0.01 level (2-tailed) Source: WeD-Peru I&E first round

Appendix 5.

Table A.5.: Determinants of happiness: Description of the independent variables

Variable	Description	Mean	Std. Dev.	Min	Max
Socio-demographic characteristics					
Age	Age	41.228	11.293	16	81
Ageage	Age squared	1826.957	1025.605	256	6561
Gender	Male dummy	0.486	0.500	0	1
Religion	Religion dummy (1=catholic)	0.779	0.415	0	1
Cohabit	Cohabiting dummy	0.875	0.331	0	1
Chroill	Chronic illness dummy	0.130	0.337	0	1
Selfemp	Self-employed dummy	0.434	0.496	0	1
Homemake	Homemaker dummy	0.326	0.469	0	1
Basic needs					
Sumneeds	Intermediate needs deprivation index	3.321	1.436	0	9
Consumption					
Totalcon	Total expenditure	128.401	81.291	14.233	724.315
Logtotal	Log total expenditure	2.044	0.232	1.153	2.860
Avgconsu	Average expenditure	134.194	18.504	94.824	158.539
Relconsu	Relative expenditure	-5.793	79.926	-144.307	584.567
Motives for consumption					
Basicnee	Basic needs	8.158	4.331	0	15
Hedonic	Hedonic	0.393	1.198	0	7
Socialinte	Social interaction	2.419	2.785	0	12
Relatedness	Relatedness	0.276	0.953	0	5
Socialcomp	Social positioning	0.221	1.099	0	9
Socintegra	Social integration	1.085	1.994	0	9
Custom	Customs	0.837	1.869	0	9
Location					
Sitetype	Location dummy	1.722	0.727	1	3
	2 if household located in peri-urban community				
	3 if household located in rural community				
Sample size=399					

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