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Consumer Psychology

The Driving forces behind consumers’ buying behaviour and its impacts

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Selling, buying, marketing and thinking about money has become a very central force in today's society. Most people use money to purchase something almost daily and money is an important factor in the decision-making process. It has evolved to become one alongside the rising standard of living created in the western world since the previous world war. This progress has positive and negative effects on both the human mind as well as the planet as a whole.

The aim of this thesis was to understand the driving forces behind the consumers' buying behaviour. The purpose was to identify where the various forces derive from and how they can affect people in form of sales and marketing and how people express themselves via purchasing objects. The research was done by referencing studies and theories of first the economic system and its derivatives and then the psychological perspective to it, why people buy things and whether money can make people happy. Finally, a point was made of how this stream of events effects the planet in the form of overconsumption.

The research of this thesis indicates that while the free markets have created a great deal of good things, it has been built on the premise of buying more and using more money by the consumers. This inclines the human mind to think about money and buying all the time, which leads to humans overvaluing money and the feelings it produces over other methods and feelings.

The psychological aspect of motivation to purchasing behaviour seems to consist of Maslow's Hierarchy of Needs and various different smaller aspects, such as wanting to belong to something and valuing things that are new. People express their values, hopes and dreams via their buying behaviour. Buying things is a modern way of being and showing who one is. Unfortunately, this behaviour is harmful to the environment and to the planet. By reducing the amount that people buy new things and succumb to the world of marketing, this progress of harming the planet and the human psyche can be helped.

Keywords
Consumerism, Economics, Capitalism, Marketing, Consumer behaviour, Consumer psychology, Over-consuming, Sales
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1 Introduction

“This Activity is more stimulating than full sex – it’s not what you’re thinking” (Daily Star, 2017) This was the headline for an article by the Daily Star in October 2017. What the article means by a more stimulating activity than sex is shopping. According to a research quoted by the newspaper 84% of shoppers experienced a “buyer’s high” when they bought new things. Shopping, buying new things and spending money can create a feeling of enjoyment and satisfaction, hence it has become a very normal activity in western societies.

The word “consume” is defined by the Cambridge Dictionary as a verb to describe the use of a resource, or as the destruction of something. In this thesis, the term “consuming” will be used to mean the usage of money by individuals to buy products or services. The other uses of the term should be kept in mind as well. Consuming money to buy something of value has become an integral activity in the modern society. More or less, everything people do, involves engaging in an activity where one party offers money to the other party in exchange for a certain product, service or experience. This is a very basic economic activity, regardless of the ruling economic system. Started in the western society and now used by most societies all over the Globe, the ruling system is a free market economy, in which, depending on the country in focus, the markets alone or to a certain extent decide the price of a product based on its supply and demand, which will then lead to the maximisation of profits for all parties in the society and an overall good quality of life. This economic system withholds the idea of maximised profits and therefore having excess money beyond a person’s basic needs to buy whatever they want, that they feel will benefit their lives even more.

Due to that, the activity of “consuming” as means of using money to buy something, has become one of the most normal activities that individuals can engage in. They can engage in it freely without limitations as long as their own financial resources (physical or implied, meaning credit or loan given out by a bank) are sufficient enough. Because it has become such a normal activity, it has consequences for both the individual, to the society as a whole, and to planet earth.
The consequence of consuming towards the environment and nature is called overconsuming. Overconsuming is the habit of producing and buying products beyond the limited resources of the planet, which leads to an unsustainable system that harms and eventually destroys the planet. It will lead to diminishing biological diversity all around the planet as well as a changing climate, which causes the median temperature of the planet to rise, causing severe changes in what are liveable areas of the world today and changes in weather patterns and extreme weathers. This will irreversibly change the way people live all around the globe.

One could even say, that past the basic human activities of breathing, thinking and using their senses, consuming is among the next most normal things to engage in.

As it is such a normal activity to engage in, and especially a certain kind of product of our time, it is interesting to look more into this subject, and how it affects the human thinking. Apart from the theoretical background of consuming and the need to buy more things, such as the prevailing economic system and its derivatives, for example marketing and consumerism, there are psychological aspects to it. This thesis will try to cover and answer the following questions: Why do people feel the need to buy so much? Why do people end up buying a certain product? And, what is the connection between consuming activities and a person’s happiness? Basic motivation of acting upon something will be covered as well as the meaning of wealth for an individual and why it is so important to people. Finally, the connection between consuming and the current ecological imbalance will be covered in order to understand the long lasting negative consequences of the current activities.

Literature review of renowned theories of relevant fields in comparison with contemporary studies and research will form the basis of this thesis. They will form an entity that will give the reader an understanding of the basic ideas and forces behind consumer behaviour and purchase decisions. The ideas behind this thesis can be of relevant nature to an individual trying to understand the reasoning behind consumerism and possibly even when trying to steer away from consumerism. Marketers can use the entity of my findings as to target their message in a more precise way to their audience or to understand the consequences of limitless selling and marketing.
2 Business Theory

2.1 Economics

Most of the world’s economic systems are free market economies, at least to some extent. The free market system is based on a freedom on the marketplace, where the price of a product is based on the law of supply and demand. These two variables, on their volume, will determine to what price the product is sold in the marketplace. The system is also based on growth and competition, where the more people spend money on a certain corporation’s products, the more that specific company makes profit and can enhance its production capacity or hire more people to work, which allows for more people to get a paid job, which then resonates throughout the economy in a similar fashion and this should create well-being. Essentially, this is meant to create the most effective system possible, because everyone is working for their own self-interest which in the bigger picture creates benefits to everyone in the society. Due to this pattern, the activity of consuming money to buy something is very essential for the system. In a free market, people can buy whatever they want, within the reach of the criminal code, from the marketplace, which nowadays ranges from a local store to the internet and social media. This possibility and freedom of will has led to the creation of “consumerism”, which is the economic idea that the more consumers consume money to buy products, the better they and the economy is doing. (Wright & Rogers, 2010) Consumerism has slowly been nudging its way into the norm of everyday capitalism.

Consuming is everywhere in the modern society. Supermarkets and shopping malls and today the internet are the epicentres of consuming, where people are faced with things to buy or advertisements trying to get them to buy something constantly. Advertisements are online, on social media, e-mails and at the side and middle of news articles. They are on radio, TV, public transportation, shop windows, as banners on sidewalks and as big screens on the sides of shopping centres. Not only is advertising everywhere in people’s lives, companies are also working constantly to minimize the threshold to buying and remove the obstacle between a customer and their buying decision. Innovations such as the credit card, contactless payment, payment plans and online shopping are evidence of this activity of minimizing the obstacles between the consumer and their purchase decision. Known as shopping malls or commercial centres, there are centres
dedicated solely to the act of consuming money. In the modern society, there is little or no escaping the consuming of money.

Money and wealth are the root of a modern society and most of its functions: economic factors are often the most prevalent and most important whether its making personal or global decisions. Money holds a great deal of power in the modern way of life and many decisions made in life often withhold the factor of whether the possible decision made would allow for more money to be made, or at least not lose that much money. Having money creates freedom, whereas on the contrary not having money might lead to the complete opposite where one loses all their belongings and would have to maybe even live in the streets. The capitalistic system has given everyone the opportunity to make money and shape their way they want, depending on their education and later their workload. This has greatly benefited the societies by eliminating or reducing poverty massively due to distribution of wealth through the society. An evidence of this is the high standard of living in the countries that have instituted the free market economy as the main economic principle as opposed to those countries that have not or have done so later. On the other hand, this system also allows for the rich to get richer and the poor to become poorer as the wage cap continues to grow due to the rate of return of owned capital exceeds the overall rate of economic growth. (Pomeroy, 2014) The problem creating this is, that the ones that could do something to shift this change are the same people who have the money, therefore also the power, and are hence reluctant to give it up. Many argue that modern day capitalism is in serious problems and as such will cause the destruction of it. (Collins, 2015) An interesting study about the wealth gap is by the Institute for Policy Studies in the United States in 2015 that concluded that based on the Forbes 400 richest Americans listing (Forbes, 2017), the 100 richest households in the United States own about as much wealth as the combined African American population all together. (Collins & Hoxie, 2015)

And the amount people spend money on various things has increased over the years radically. This can be measured on different scales. One testimonial to this is the size of housing in the US. In the 1950’s, the average US household size was 953 square feet with 3,37 people living in there. In 2011 the average size was 2460 square feet and the amount of people living in the apartment had moved down to 2,6 people. (Hill, 2013) (Comen, 2016). In sixty years, the average size of a house in the US has almost tripled,
while less people inhabiting it. Another testimonial to the rising consumerism and unhealthy spending habits by the public is another example from the USA, where credit card debt is the highest in the history of the United States. According to the Federal Reserve, as of June 2017, Americans had over 1,021 trillion in outstanding credit-card debt. (Lamagna, 2017) According to these, people use more money than what they in reality have and live in bigger houses than what they most likely in reality need. In an urbanized world, bigger houses and ownership of more and more things are something to strive for, they are measurements of wealth and success as a modern human being. The spending of money and using it to create a better quality of life for themselves, as such, is not a bad thing. People need things to strive for and they need to have a way of showing to other people who they are. It becomes a problem, when these goals and ideas of people replace the things that actually make them happy and as a side effect of representing themselves, they take part in the grand scheme that devastates the environment.

2.2 Marketing
Marketing exists to help consumers navigate their way in a world full of things offered to them to fulfil their needs and desires with the products that companies have created. Marketing also helps companies to figure out what their audience wants and needs. By definition, marketing is: “About satisfying customer wants and needs and in the course of doing so facilitating the achievement of an organization’s objectives.” (Proctor, 2002) Marketing is the means of companies to find their way and place in the business world and help them maximize their profits and cater to their customers the best possible way. This is done by following trends, making market surveys of what people need and want, by analysing the customers and for example their willingness to pay for something and by advertising the products to bring attention to them and to create an image that attracts buyers. A prevailing theory of marketing is the theory of 4P’s, created by Jerome McCarthy in 1960 in order to try to label marketing actions (or the marketing mix) the best way possible. (Van Waterschoot & Van den Bulte, 1992) The 4 P’s stand for Product, Price, Placement and Promotion and they try to indicate the different places on a product’s timeline where different marketing actions can be undertaken to influence the success of the product. Philip Kotler has then taken this idea and enhanced and worked on it. After refining the idea for years and having become the father of this idea, Kotler argues that marketing is nowadays transitioning in to a phase called Marketing 3.0. Marketing 3.0 means how marketing has shifted from first only some companies putting in
effort in marketing, then a few more companies engaging in it to nowadays where marketing efforts are taken seriously and most companies recognize the value of marketing for their operations, success and growth and that marketing is of vital role in the whole field of business. (Kotler, et al., 2010) The contrary to this is questioning the need and the ethic of marketing in time of overconsumption and unsustainable growth. Hence, sustainable and ethical marketing and an acknowledgement of these factors as a part of corporate social responsibility (CSR) is called for. Sustainable marketing is the activity where companies market their products or services that cater to the customers and to the company, but also take into consideration the environmental and social impacts of their marketing efforts.

As today’s world has so many different products to offer and so many different wants to fulfil, the markets are bound to be over-saturated by different products. And for a product to be manufactured, certain amount of it needs to be sold for it to be economically justifiable; i.e. profitable. That consequently requires marketing to determine to what price it should be sold, where it should be advertised and above all how to advertise it so that as many people would buy it. Often companies create products that do not actually add value to people’s lives, people merely fall victim to marketing schemes where the need of a certain product is placed in their mind so that they would buy that object, which makes the manufacturing of the product profitable and the wheel of economy keeps on turning. Margo Aaron puts it in her article on Medium.com, that “The simple truth is you can’t make people buy something they don’t want. You can, however, make people buy things they don’t need.” (Aaron, 2016) She argues, that people don’t fall victim to branding, but rather they buy how things make them feel, or in other words, they buy a piece of “their future self”.

This creation of wants and needs to people withholds a possible dilemma between marketing and the state of the planet and that it is threatened by the number of things produced, transported, warehoused, sold and thrown away only to be replaced by a similar product. (Somerville, 2015) A Dutch study from 2010 found that “One of the signature strengths of the advertising industry lies in its ability to transform seemingly mundane objects into highly desirable products” (University of Chicago Press Journal, 2010) This leads to people wanting to buy new things that they don’t necessarily need, but feel that they need to get in order to fill that void created by that marketing effort.
This action is at the very root of the problem of marketing and consumerism. Artificially created needs, that in themselves do not cause problems, but on a global scale feed into the problems of overconsuming and people misinterpreting what they actually want from life, which leads to a certain level of unhappiness. Often this feeling can be tried to fix by buying more things.

Another aspect of ethical marketing is how marketers create different ideals in people’s minds about how their life, looks or houses should be like, with their products. Sports attire companies create the ideal person who looks good and is in top shape, which creates the need for sports equipment, but also a never-ending rat race to always look better and better. To be in good shape is good, but to have a low self-evaluation is not so good. Another example of this is the beauty and make-up industry creating beauty ideals so that people would buy their products. The problem of this is, when people start to change the way they see themselves and feel that they are not good enough and can only get better by buying these products. As found in the same Dutch study from 2010 mentioned in the previous paragraph: “Exposure to beauty-enhancing products in advertisements lowered consumers' self-evaluations, in much the same way as exposure to thin and attractive models in advertisements has been found to lower self-evaluations” (Swinson, 2011)

The economic system and the marketing create the framework for consumer behaviour and its psychological dimensions. The capitalistic system in its freedom to operate has created a new culture of spending money, shopping, advertising, credit and online-shopping, essentially known as consumerism. To support this system, marketing has grown as a side product to it to support companies to be more efficient. As the framework for consuming has been set, it is time to examine how the system translates into the human brain and its functions as well as how it effects the environment. Buying behaviour and purchasing decisions are complex functions in the human brain that relate to many different parts of human activity and thinking.
3 Psychology & Consumer behaviour

Apart from the economic system creating the need for and supporting the act of consuming, there are various psychological factors that play a vital role in a person’s decision making and preferences that end up as purchasing decisions. As with anything else, the human brain is the beginning and end of that person’s actions. To explain human behaviour researchers and scientists have created both theories and pinpointed certain things to be taken into control when trying to understand the way humans behave and act upon. The human brain is a complicated structure and not all of its functions have been mapped out or been explained completely. Not even the newest brain imaging technologies can see what a person is actually thinking or why they do what they do. But over the years, with behavioural testing, brain imaging and comprehensive studies, some data has been gathered so that human behaviour does not seem quite as arbitrary as it once was thought to be. Whereas on the other hand some research, such as Daniel Kahneman’s behavioural studies suggest that people do not function or make decisions rationally.

3.1 Psychology

Psychology is the science of trying to understand how the human brain functions and how it relates to human behaviour. (Glickstein, 2014) Throughout various fields and subcategories psychology investigates people, their actions and their minds to understand them better. For example, the investigation of how the human brain functions, is called neurology, how people behave in groups with other people, is known as social psychology, and for example how evolution affects the human brain, activities and psyche is called evolutionary psychology. (Stangor & Walinga, 2010) The human brain is a complicated entity, and the understanding of it thoroughly is still under development. Year by year more is understood about the brain’s functions and hence human actions, and even though a lot is still to be uncovered in that area, many things are known already. The brain handles the various stimuli that people are faced with every day. All the various sensations, such as what people see, feel, hear, taste and smell go through the brain, where it is processed and translated to some sort of response within. This creates the basis for human activity. Psychologists have studied how people respond to certain stim-
uli and the understanding of the cause and effect of these responses can often be broad-ened in order to understand the human species as a whole. That is where the study of people’s purchasing behaviour starts.

3.2 Motivation – Maslow’s Hierarchy of Needs

The explanation for people’s motivation to engage, or not to engage, in an activity from a psychological perspective is manifold. One of the original theories explaining intrinsic motivation to act upon something is known as Maslow’s Hierarchy of Needs. (McLeod, 2017) According to the theory people act based on which level of the hierarchy of needs they are on and what they are trying to achieve. The levels range from most important to less important (And from less sophisticated to more sophisticated) as follows: physiological needs, safety needs, belongingness and love needs, esteem needs and self-actualization. According to Maslow, this is at the heart of intrinsic motivation of human beings. Once people have satisfied their physiological needs of having food, water and warmth, they can move onto satisfying the safety needs in form of having a place where to stay at and being protected from weather. This is then followed by looking for meaningful relationships and then craving for success as an individual. This can be applied all over the field of business and it can well explain the purchasing behaviour of humans to a certain extent. In many societies, having the first two levels fulfilled at least to some extent is fairly easy. People will use money based on the level that they are on and whether the purchase will affect their position in the hierarchy positively or negatively. For example, grocery items being bought is a great example of how it is based on different needs and income level, which equates to the different levels in the hierarchy. A lower income family will most likely buy the cheapest possible items and not go for any luxurious or higher-end products in a supermarket, whereas a family with higher income levels (“middleclass”) might buy other brands of same products with the expectation that the more expensive product is better than the cheapest and they might add some luxury items to their cart, classic examples of this being cheese and wine. Another example is a purchase that puts a person’s or their family’s safety needs in risk (for example mortgage payment or rent) is likely not to be made. This is where the finance industry has worked their way around this by offering different ways to split the payment over time and by banks offering credit so that people can keep on buying things without technically having any money at all. (Kumra, 2013)
Richard L. Oliver gathers the various criticism of Maslow’s Hierarchy of Needs in his book “Satisfaction: A behavioural Perspective on the Consumer” (Oliver, 2010). The criticism evolves around the feasibility of the theory outside of “laboratory” conditions and how provable they are. For example, whether or not such a thing as “basic” needs even exists was questioned and that Maslow had no proof of their existence or of their universality. Though very much criticised, Maslow’s Hierarchy of needs might lay a good groundwork to provide a theory on human motivation to act upon various tasks, such as the purchasing of things. What Maslow’s theory does not completely cover due to its scope, are various other psychological aspects, such as the human brain’s fatigue when making decisions.

3.3 Other theories
The discipline of Consumer Behaviour has over the years managed to create several different theories that might explain the reasoning of an individual when they make a purchase. These include the Stimulus-Organism-Response Model of Decision Making, which suggests that stimuli, together with environmental and social factors create a response. (Bray, 2007) It is a good, but very simplistic model, which serves well as an outline when approaching the next theory.
The means-end theory states that the motive to buy a product is based on three steps. (Kumra, 2013) First on the product's attributes, second come the consequences followed ultimately by the values of the person. The attributes are the product's promised ways in which it is worth buying and other outer factors such as the way the product looks. The attributes can be concrete, such as a powerful engine or leather seats in a car, or abstract, which would for example be the proposed quality of certain car manufacturers. The consequences are both psychosocial and functional, from which functional consequences are the immediate effects of having the product, such as a snow shovel before a snow storm, and psychosocial benefits are the emotional benefits brought by the product, such as being able to further a certain experience with the product. Lastly, though, according to the theory, it comes down to the values of the person. The object might be better, cheaper or better looking on attributes than another one, but because of for example brand loyalty or some other factors a person buys the other product, because it suits their values to a larger extent than another one. As an example, a person wants to invest in a quality product and is determined that a more expensive product is of higher quality and because of that will buy the more expensive one. People tend to use their purchases as means to further the ways of achieving certain goals and values in life. This could mean that buying a good jacket for the cold winter might be a good explanation for the attributes of the product, but on a deeper level the reason for buying it is because the jacket is produced by a certain brand that reflects the values of the consumer, for example, it is produced ecologically or it is a luxury product that shows certain status to other people, and a person can express themselves through that purchase when wearing the jacket. In his book, Dr. Kumra argues that the attributes are only the first, rational, response to why a person bought something, but that the motivations for buying it lie deeper in the person's values and belongingness, which are opened more the in the next paragraph. On some levels, one could think that the attributes merely relate to values and different levels of motivation as in Maslow's theory.
3.4 Values & belongingness

Values define a person, who they are, what they do and why they do what they do. And as buying new things is such a normal activity, values are also reflected in the buying behaviour of a person. A person reflects their own personal values or what they would like to reflect in their purchases. According to Dr. Kumra, the most common values that people reflect to when deciding on what to buy are: Accomplishment, Belonging, self-fulfilment, Self-esteem, family, satisfaction and security. A person with a lot of money will buy more expensive stuff, an ecology-oriented person might buy mainly ecologically produced goods, such as eat only vegan food and a sports oriented person will use most of their left-over money on sports events and apparel. Lower socio-economic classes often depict the way higher classes dress to make themselves look better and try to be a part of that higher group merely based on the way they look or for example behave. This activity is indicated in a research of a wine store, where the effects of background music on buying behaviour was examined. The research concluded that when classical music was played as background music, people tended to purchase more expensive wines as opposed to what they would buy when regular music (TOP 40) was playing. (Areni & Kim, 1993) Buying a good that is branded as a “luxury good” can enhance the persons self-esteem. It can make them feel better about themselves while also possibly showing a glimpse of higher status to other people. For example, in China, men buy luxury goods to show off wealth and success in life. (Page, 2017) In another case a person might have just gotten into a new hobby and wants to show everybody else that they are a part of that certain group of people who also have that hobby. That means buying clothes that were designed for that hobby. Not only because they were designed for that activity but because by owning those pants the person felt more attached to the community, felt more attached to the sport and could show others also that they are clearly into this new sport. This relates to Margo Aaron’s point in her article mentioned earlier, that people buy what they want, or would want to be. A person’s values seem
to be at the very heart of their spending behaviour. By buying things, people can show who they are and what their values are. If people are not aware of their values or what they want to support, they will probably be affected by the marketing world and their messages of what looks good or is good for oneself.

3.5 Decision making & Self-control
Another factor to be taken into account is the difficulty of self-control and the need to make decisions all day which favours easy decisions. According to research humans have the energy only to make a certain amount of valid, well thought out decisions a day, because their brain tires out after having to make decisions and regulating human activities. (On, 2008) After making strenuous decisions and tiring mind work all day, for example at work or in studies, the simple choice to buy something not only makes people happy because they got something they wanted, but it was also easy for their mind and it was a task taken from beginning to end and one can then only enjoy the product and be happy that they accomplished something. Especially working or studying, where one does not necessarily make decisions for themselves, but works for someone else, a person needs to get the feeling of completing something for themselves, such as going to the grocery store or buying something for themselves. Another thing to do would be to exercise or enjoy something else, but it is important to realize that amplifying that relaxation with the purchase of something is at our fingertips. And this relates to the values of accomplishment and self-fulfilment mentioned in the previous paragraph. Instead of simply socializing with a friend, the experience is amplified with a beer at the pub or a coffee at the café. Or when a person decides to relax after a workday by watching TV, they might buy some snacks for the time being. On the contrary to this, as another example of enjoying the act of consuming, can be the elongated shopping process, where a person does loads of research to find a certain product to buy. After the right amount of research, comparison and understanding of the product category, the purchasing of the product can feel quite good. The process of evaluating the effort required to make a certain choice and tailoring the amount of cognition that a person is willing to put into that project is called constructive processing. (Solomon, et al., 2016) A similar effect of willpower in decision making is also called ego depletion, as it is to explain that humans have a limited amount of willpower and it decreases over time, especially when having to make decisions all the time and not getting enough rest between decisions. (The British Psychological Society, 2017) This theory was a dominant theory on willpower for years on, after it was first tested in about 20 years ago by psychologists Roy Baumeister.
and Dianne Tice. It was replicated dozens of times and thought to be true until recently it was criticised heavily due to various experiments not being able to replicate the results. Due to this, some psychologists think of this theory to have been debunked. (Engber, 2016) But even with the recent findings, it can still be seen that willpower can have an effect on purchase decisions that people make on a daily basis, especially when it is viewed from a happiness perspective.

3.6 Ownership & New
Interesting factors that might well relate to the subject of consumption and buying behaviour are how the status of ownership over something, or in other words “possessing something” and the feeling of something “new” affects people. For years, the only possibility for being able to use a product was to buy and own it. In many ways, personally owning something shows some sort of success. An example of this would be owning a sports car versus renting one for some time. Owning something of value (both monetary and status value) is the ultimate epitome of success in the realm of the capitalistic “American dream”, and being able to buy something, a person shows that they have worked hard and done well and have now been awarded by themselves with a certain high-end good. Owning something feels good, whereas merely renting something and then having to give it away might not feel as good. This has lately started to change as there is a new wave of exchange economy coming up, where it is normal to lease a car, electric tools or something that one needs in their life, instead of buying it.

Furthermore, the “newness” factor plays a role as well, especially in modern day branding and research & development, where new versions come out for example once a year. Two professors from the University of York Computer Sciences, Paul Cairns and Alena Denisova, studied this factor under the title “The Placebo Effect in videogames: Phantom Perception of Adaptive Artificial Intelligence” (Denisova & Cairns, 2015). They studied how the fact that something is new effects people’s perception of that object. In their research, they had people playing two rounds of a game called “Don’t Starve”. After the first round, they told that they added a new version of the AI into the game for the second rounds, that was supposed to adapt the game to the person’s skills and make it more difficult. When asked which AI was better, most players felt that the new AI functioned better, where in fact the AI in both rounds was the exact same. The researchers concluded that people in fact somehow appreciate and expect new things to be better, even though they might not actually be that. This plays an important role for example
in the smart phone industry, where companies come out with a new version of their phone each year and people truly believe that they are new and extra special just because they are new versions. This forces other competitors to come up with new versions as well. People tend to like the idea of something new or revolutionary, which enhances their quality of life, even if it has little or no actual effect on their life.

3.7 Daniel Kahneman’s Research

Daniel Kahneman is an Israeli-American psychologist and a Nobel prize winner. He has done a lot of research over the years on the way people think, perceive things and make decisions. In 2002 he won the Nobel prize in economics for his research on behavioural economics. In 2011 he published a book called “Thinking Fast and Slow” (Kahneman, 2011) where he covered most of his research, of which some will be covered now.

Kahneman argues that the human mind is based on two systems. System 1 is the intuitive, automatic and effortless system, that creates notions in our brain based on how it perceives the environment. System 2 on the contrary is the more rational and data-driven side of the brain, that requires effort in its functions and decision-making. According to Kahneman’s Nobel prize winning argument, human decision-making and behaviour relies heavily on system 1 and its functions. According to previous schools of thought, people have believed that human behaviour is based on rational thinking coming from system 2 and that system 1 is only a side factor in the process. Kahneman managed, based on his research, prove that it is actually the other way around, system 1 is in charge of human decision-making. He uses a metaphor of an elephant and its driver. In this metaphor, system 1 is the elephant, and system 2 is the driver. The driver of the elephant believes to be in charge and in control of the elephant, he gives directions to the elephant who then follows those instructions. But in reality, the elephant makes the decisions and is only slightly influences by the decisions and instructions of the driver, who simultaneously fails to see that the elephant is making its own decisions and the driver modifies his decisions based on the decisions already made by the elephant. According to Kahneman, human decision-making is based on the effortless system 1 that is intuitive to people and perceives the world and the surroundings in a certain way and that ultimately the decisions made are based on various heuristics and rules of thumb of the person themselves. Some of these heuristics and biases to be taken into account are cognitive ease, framing and laddering. These are important to remember and take into
account when trying to understand why people make some of their decisions and how decision-making can be influenced.

3.7.1 Cognitive ease & Confirmation bias
Cognitive ease is a heuristic, that states that information which is easily presented, more familiar and simple is easier to understand and fathom. This is also true to sources that are already familiar to a person. Furthermore, this relates to the heuristic of confirmation bias, which states that thoughts and ideas that confirm preconceived ideas are easier to believe and often due to their relation to previous thoughts, people disregard countering views. People are biased towards ideas that are easily computable in their mind, come from sources they know from before and confirm ideas and thoughts that correlate to their beliefs and values. (Marsden, 2012) (Kahneman, 2011) This is to be taken into account when thinking about branding and advertising. If a person is brand loyal and thinks highly of a certain brand, they are more likely to believe, receive and internalize a marketing message of that certain brand. In advertising, this bias relates to a message that is being repeated over and over again. By using repetition, the message becomes more believable over time.

3.7.2 Framing
Framing relates to how a problem is presented to people and how their brain conceives that presentation of the issue. Some examples of this given by Kahneman are for example how car drivers were more likely to become organ donors in case of an accident when they had to opt out of becoming one, rather than having to check the box that said, “check this box if you want to participate in the organ donation program”. (Ariely, 2008) Another example of this is how doctors were more likely to choose a plan that promised a “90% survival rate” rather than a “10% mortality rate” even though they mean the exact same thing. This is to say, that people do not make decision as objectively as originally believed, regardless of their level of education.

3.7.3 Anchoring
The anchoring effect means the incorrect evaluation of a value estimate based on previously heard valuation of it. An example of this would be the case of selling a car, and wanting to eventually sell it for €5000. If the bidding is started at €7000, the person
wanting to buy it, might offer to buy it for 5000€, since that person is getting it for less than originally valued at, so it is a bargain for him. But if the bidding was started at 5000€, then the price might for example drop to 4000€, which would seem too little for the seller in the first place. People are suggestible and they anchor the value of something to a preconceived idea. This is to be taken into account when considering the prize of a product or for example when buying something on sale, where the red price tag catches the customer’s eye.

There are many more biases that relate to all parts of people’s lives. System 1 seems to oversee the decision making in the first place, and the activation of system 2 to make conscious decisions relies on the individual person. Falling down to follow biases and heuristics is easy for the brain and hence will remain as the default option for most people for most of the time. Ultimately, Kahneman’s research shows that people do not function or make decisions as rationally as often thought, but rather make decisions that are easy to fulfil, easy to understand or that enhance their previous views on things. That is why it is important to understand the dynamic of this theory to be able to make better decisions or understand why certain decisions have been made. In his book Kahneman says:

The halo effect and confirmation bias both occur because the minds are eager to make quick judgements. But this often leads to mistakes, because we don’t always have enough data to make an accurate call. Our minds rely on false suggestions and oversimplifications to fill in the gaps in the data, leading us to potentially wrong conclusions. (Kahneman, 2011)
4 Consuming & Happiness

The connection between happiness and buying or owning things or the correlation between greater wealth and life satisfaction has been under investigation in various different researches over the past years. It is easy to think, that as monetary wealth is of absolute necessity in modern societies, that the more one has it and is able to accumulate it, the happier one would also be. But the case might not actually be that way. Madeleine Somerville, in her article in 2015, states:

We shop because we’re bored, anxious, depressed or angry, and we make the mistake of buying material goods and thinking they are treats which will fill the hole, soothe the wound, make us feel better. The problem is, they’re not treats, they’re responsibilities and what we own very quickly begins to own us. (Somerville, 2015)

The field of study researching the connection between people’s happiness levels and the economic state of the person and the nation is known as happiness economics. Happiness economics researches the correlation of happiness and wealth and how happiness is measured. (Blanchflower, 2008)

4.1 Happiness
But what is happiness? The Merriam-Webster dictionary defines happiness threefold: First as good fortune, second as a state of well-being and contentment and third as a pleasurable or satisfying experience. (Merriam-Webster Dictionary, 2017) There are different definitions of happiness and it can mean either a quick, passing feeling of joy or a broader good feeling about life in overall, where happiness could be paired with the term “life satisfaction”. In this case happiness and life satisfaction would mean happiness in life overall and how content a person is with different aspects of their life. This is often called subjective well-being, which depicts how people feel about the state of their life in terms of well-being and happiness both on the cognitive and the emotional level. (Jansson-Boyd, 2010) Subjective well-being is often used to describe happiness in scientific research for the sake of having a similar parameter to refer the different findings to.
4.2 The Easterlin Paradox

The Easterlin Paradox is a concept of happiness economics, which suggests that people’s happiness levels don’t correlate with the level of the country’s Gross Domestic Product (GDP). Richard Easterlin researched this correlation in his studies in the 1970’s and concluded in his paper in 1974 that a higher GDP of a country did not correlate with higher self-reported happiness levels. (Easterlin, 2008) According to his research, people that had higher incomes reported higher levels of happiness, but when the whole nation was examined, the higher levels of happiness did not hold out, creating a paradox. This lead him to believe that a higher level of wealth does not correlate with being happier as an individual nationwide.

The Easterlin paradox has been criticised over the years by psychologists and economists suggesting there is indeed some correlation and that the situation is not as black and white as Easterlin paints it. An interesting point is made in the United Nations World Happiness Report, which is edited by John Helliwell, Richard Layard and Jeffrey Sachs. (Helliwell, et al., 2012) In their report, they point out that while wealth as itself may not make people happy, a higher GDP does indicate the possibility for a higher social trust, which would then allow a better framework for individual happiness created by the higher GDP. Other factors added could be better health care or a working justice system.

The Easterlin Paradox relates to the Hedonic Treadmill Theory, which states that people’s happiness levels are relatively stable and that they return to about the same limits after, and despite, any negative or positive things happening in people’s lives. It draws on the idea that people’s expectations and forethought of happiness shift along with things going on in life. This causes, for example, lottery winners not to report any especially high levels of happiness. When a person makes more money, their thought of what makes them happy (often level of wealth) shifts further away creating a stable level of happiness pursuit throughout their life. (Frederick, 2007)
4.3 Correlation

Graham Hill states, in his article for the New York Times on living with less, that while money is thought to bring happiness, American spending habits have multiplied over the decades, happiness levels have remained the same ever since. (Hill, 2013) Different studies have researched the connection between wealth or buying behaviour and happiness. A Study in Princeton University from 2010 found that the upper limit, where money can still buy happiness (In the United States) is $75 000. That is the limit where money can still compensate for the negative turmoil in life and beyond that money cannot buy better healthcare or that much better living conditions to make people any happier, especially if something else in their life is not well. The study concluded not only that high income buys a certain level of life satisfaction, not happiness, but that low levels of income correlated with low life-evaluation and low emotional well-being. (Kahneman & Deaton, 2010) This suggests that money and wealth does correlate with the emotional wellbeing and life satisfaction of a person but only to a certain extent. Furthermore, a research article also by Kahneman et al. labelled as “Would You Be Happier If You Were Richer? A Focusing Illusion” (Kahneman, et al., 2006) found that people who have a lot of money are satisfied with their lives but not more so than others that have “regular” amounts of wealth and that they are no better in enjoying different experiences and they showed to be tenser. The study argued that the amount of wealth and income as ingredients of happiness are exaggerated in the modern world as opposed to other measurements of happiness. The researchers call this a focusing illusion, where people think that more money will make them happier whereas when they do achieve higher income and wealth levels, people are not that much happier. Hence people are
willing to sacrifice other things in life, that would actually make them happy, to be able to have a higher income level. The study found that people with higher income levels bought material things that did not actually make them happy and that they did not use time more in a way to make them relax and feel good, called passive leisure, such as watch tv. Rather they spent proportionately more time at work, on work-related activities, compulsory nonwork activities (Childcare and shopping), and doing things such as exercising. None of which are associated with higher levels of happiness, but rather with greater levels of stress and tension.

A multitude of different studies have researched whether purchases on experiences bring more happiness to a person, than buying material things. Several studies have found that it would be the case. One specific study by the San Francisco State University psychology department researched how people forecast the benefits of purchasing either material or experiential purchases. They found that people expect experiences to result in a better well-being, but material purchases to be a better use of money and that the happiness brought upon by a material purchase was not as great as an experiential purchase. This affirms their hypothesis of people not correctly forecasting the benefits of different purchases and that ultimately their study showed that life experiences give people greater well-being in life and they consider them to be a better use of money. (Pchelin & Howell, 2014) Another study by the Stony Brook University researched the case of happiness in relation to two scales: materialistic versus experience-purchases and on solitary versus group purchases. This was to see whether experience purchases would overcome materialistic purchases in both cases. The results showed that the inclusion of a social aspect to discretionary buying gave a boost to the possible happiness factor. According to the study, social discretionary spending was favoured over solitary spending while experiences were seen as not to produce any more happiness, than spending on material possessions. Ultimately the research implies that the inclusion of a social aspect to any sort of spending behaviour has the possibility to add happiness to the process, even to the point where material possessions may be favoured over experiences. (Caprariello & Reis, 2013) Furthermore, psychologists from Northwestern University concluded in their study of materialism and happiness, that materialism can undermine personal and social well-being, as materialistic people experienced low levels of well-being. (Bauer, et al., 2013)
Another study concluded that alongside experience-motivated purchases, also purchases that saved time in the person’s life to be used somewhere else made them happy. That would include a cleaner or somebody to mow the lawn, which would allow that person to buy themselves out of the tasks they wish not to do and that were taking up time from something else, that was appreciated more valuable, such as spending time with family and friends or on their hobbies. The findings of this research go together with the previous paragraph’s research on the importance of the social dimension as well as the value-based approach of the means-end theory, as spending time on family over something else is a value decision. These findings showing that social connections, which is the third level on Maslow’s Hierarchy of Needs, are backed up by a research performed by the British Psychological Society (Gleibs, et al., 2013) that studied whether the basis of happiness is economic capital in form of individual income or rather social capital, meaning the communities that surround the individuals and that they are part of. They concluded that either can be the basis of happiness, but it depends on the definition of that person’s self. If the “self” and its happiness is defined through money and wealth, then money can be the cause of happiness, but that the role of the community as a happiness promoting factor is bigger across all various contexts than that of wealth. This is to say that the community around people and the social connections they have, create a much better basis for happiness than money does. Furthermore, it seems, that money, wealth and income must be taken into consideration when trying to define happiness factors, because it seems to resonate with the levels of happiness at least to a certain point.

Furthermore, on the point of spending that does make people happy, a study from 2007 (Dunn, et al., 2007) found that spending money on others can have a positive effect on the happiness levels of people as opposed to people spending money on themselves. The findings show that the level of income does not directly correlate with the level of happiness, but rather how the money is spent. According to surveys conducted by the researchers, as little as $5 spent on someone else created gains in the levels of happiness and the researchers even go as far as to propose some policy interventions that would promote prosocial spending. This could help shift some of the national wealth to an all-round national happiness.
A further study built on the research presented in the previous paragraph and their findings support the hypothesis of the first research. In a cross-cultural reference, the study looked at whether the benefits of prosocial spending can be seen in other countries, especially in countries that have very different levels of national wealth. The study found the benefits of prosocial spending and the need of generosity to apply in different cultures irrelevant of the level of wealth or income. According to the study, it seems that generosity is important for human well-being and that prosocial spending has positive emotional benefits. (Aknin, et al., 2013) These studies both show the importance of how people spend their money. As opposed to common belief, spending money on oneself is not the best way of promoting the happiness of oneself, but rather spending money on others can make a person feel happy and it will carry further.

On the contrary to some of these findings a research from 2016 by psychologists from the University of Cambridge found that a purchase makes a person happy whenever it suits their personality and it stays within a certain boundary. (Matz, et al., 2016) That is to say, that people addicted to adrenaline were happy about a new adventure whereas someone who enjoys reading books was joyful and happy of a new book they were able to buy. According to this, as long as people make purchases that truly represent their values and beliefs, it can make them happier as it allows for them to represent and show who they truly are to other people. This becomes problematic when this buying is based on wanting that good feeling of having a new product or they merely follow a trend or the values and beliefs of another person.

The usage of money has been studied in many different ways quite extensively. And it seems to point in many different ways, the general direction though being somewhat same. With regards to happiness, well-being and emotional benefit of money, it seems that it is important how the money is used. It doesn't seem to create quite as much happiness as is believed, or strived for. This would indicate in a skew in the perception of money and what it benefits if there is more of it. This causes people to give up other beneficial things in order to make money. It also causes urgency and stress. This in turn causes buying decisions as people have little time, but need positive emotional responses from somewhere. People also strive for acceptance of the society, which is believed to derive from success and money, so excess money is spent on clothes, cars and fine food. This rat game of seeking for acceptance is often called by the name "Keeping up with
the Joneses”, which is an idiom for the benchmarking of one’s social status to their neighbours. This becomes problematic when other aspects of life suffer from these decisions. According to research, buying decisions that involve a social commitment can make people feel better. Using money on others, instead of on oneself might create more inner positive responses than solitary spending. Also using money on experiences that remain in memory longer than a piece of clothing can create more happiness. And actively thinking about how to spend money, what is given up, to receive it and what the actual drawbacks of that are, and spending money according to one’s values and beliefs that are acknowledged to the person, will bear fruit more than merely spending it here and there without a thought where it goes.

4.4 Negative effects of using money

In many ways, the usage of money can be seen as having twisted the mindset of humans. There is growing evidence on research that shows that money can in some ways make people unhappy, depressed or have some other negative psychological effects on the person’s psyche. One effect can be how obsessive, uncontrolled or misguided shopping behaviour can skew a person’s perception of the world and their own happiness. Instead of doing something, that would factually create a better feeling or sense of enjoyment and accomplishment, such as working out or reading a book, people might end up spending their days shopping for new things. The constant need of something new is of essence to understand in this case, because people need new things, variation, in their lives, and buying stuff is an extremely easy way of completing a task and receiving something new. Another unhappiness causing factor is the sheer amount of material objects people own and have to keep track of, clean and store them away, which has shown to cause stress. The University of California in Los Angeles published an article in 2012 called “Life at Home in the Twenty-First Century” where they researched the life of 32 middle-class families in Los Angeles. One of the findings was that the families’ mother’s stress hormone levels spiked every time they had to deal with the number of belongings in their home. (Hill, 2013)

Another study examined the psychological effects of money on people. Through various experiments performed with university students the researchers Vohs, Mead and Goode concluded that people who were reminded of money showed a state of self-sufficiency and made independent, but socially insensitive decisions. Furthermore, the experiments
showed that students who studied economics as a major in university made self-interested moves in social dilemma games as opposed to those majoring in something else. (Vohs, et al., 2015) This points out a negative effect of money as it is such an important factor in our society that it might bring out negative qualities of people. This is due to money not only bringing security in life, but it also helps to show status, measure success and opens new doors. This can bring people to leave some emotions regarding the welfare of others aside and make decisions to benefit themselves.

Money and the usage of money can be shown to have several negative effects. And as it may do so, it is important to remember that it is not money itself that causes the negative effects, but rather the people using it and the system that it is being used in. The creation of money has allowed for an intricate economic, social and political system to evolve over time, that has essentially created the possibility for the quality of life as we know it in the western world. It has only then, once a certain level of progress was reached, started to show severe negative effects, such as the negative effects on the human psyche or on the environment.
Overconsumption

Endless buying behaviour followed by the creation and fulfilment of materialistic needs and the economic system behind it all has led to an ecological imbalance known as overconsumption, which is unsustainable for planet earth. Overconsumption in economic and ecological terms means the unsustainable manufacturing and gathering of raw materials and buying of new products. The ecological imbalance is formed when people buy any kind of product, as long as the price is right and it suits the person in its form, without any thought on what problems the production, transportation or sourcing of raw materials causes. This is due to companies’ pursuit of the best possible profit by cutting costs where possible. The system is based on mining, cutting and collecting materials that are not infinite, at least on the current rate of consumption, but they will run out completely or the level of renewing for many raw materials will slow down over time. That is by definition not sustainable, but will rather leave the planet in a worse state than it was half a century ago. The problem is, that the system is based on infinite growth and needs that are based on finite materials. A good example of this is demonstrated by Professor Tim Jackson, who is the Economic commissioner of the Sustainable Development Commission. In his report titled “Prosperity Without Growth” he writes that:

A world in which things simply go on as usual is already inconceivable. But what about a world in which nine billion people all aspire to the level of affluence achieved in the OECD nations? Such an economy would need to be 15 times the size of this one by 2050 and 40 times bigger by the end of the century. What does such an economy look like? What does it run on? Does it really offer a credible vision for a shared and lasting prosperity? (Jackson, 2009)

It is up to the different politicians and experts of different fields, especially economists and scientists, but also to each and every person living on this planet to come up with a way to create prosperity without this sort of growth that ultimately destroys the planet.

According to the World Wildlife Fund the day of overconsumption in 2017 (or Earth Overshoot Day) was 2.8.2017. (WWF Finland, 2017) It is the day in which the earth’s resource consumption of the year exceeds the capacity of the planet to regenerate and
produce those resources. After that day, the earth lives on ecological deficit spending, so it has used up all the resources for that year. In comparison, in Finland that day was 3.4.2017, so almost four months earlier than the average. If everyone would consume to the same state as Finns do, there would have to be three planet earths for it to be on a sustainable level. (WWF Finland, 2017) Last time the Earth Overshoot day was not before the end of the current year was in 1970. Ever since then, the day has crept earlier and earlier into the year. (Earth Overshoot Day, 2017) The World Wildlife Fund lists the production of food and the emissions of the housing and traffic as the biggest contributors to the problem. This consumption in the western world not only affects the climate in the long run, but the poor and fragile areas of the world directly. The poorest areas in the world might face erosion, deforestation, lack of drinkable water and as weakening of the biodiversity of the area, which all might make that area of the world unbearable to live. (NASA, 2017)

The consumption of one individual can have long lasting impacts locally and globally. It not only affects the person’s perception of the world and has psychological consequences, it also affects people all around the world. Originally this effect was thought to be good, but over time this impact has in many ways turned out to have negative effects, such as climate change and bigger gaps between the rich and the poor. This is driven even further by our economic system, that promotes this behaviour and it needs to be acted upon.
6 Discussion & Conclusion

The driving forces behind people’s buying behaviour are manifold. First, it is important to understand, that using money to buy things is a very normal, everyday activity. People use money to buy food, water, clothes, to pay electricity, rent, education, leisure and everything else. It is an integral part of the modern society. Hence, one of the major drivers to consumption is the economic system. Without capitalism and consumerism, trying to achieve safety needs and thrive for more would be very difficult. Through capitalism and the modern state of the economy, it is possible to concentrate on more than just surviving. And without consuming, there would be no economy of this sort, where the current free lifestyle would be possible. Capitalism has its issues, but the way it functions and what it has created, explains the need for humans to use money to buy things, whether for survival or for leisure, to a great extent. On a national level, it may not be wealth that directly creates happiness, but rather the circumstances it creates within the nation, such as social trust, good health care and such, that create a framework for happiness. Given the evidence to support this, governmental policies to support acts that create true happiness creating factors would be important to implement in governmental plans and policies. It may not create economic benefit right then and there, but these kinds of policies would pay off in happiness levels of the people over a longer period of time, which could then stretch through to economic benefits.

Psychologically, the brain is behind all our decision making and there are various ways it effects the activities that people engage in. Maslow’s hierarchy lays the groundwork for understanding human motivations. Once a certain level has been reached financially, a person looks to satisfy more sophisticated needs, often by using more money. According to theories and research, the values of the person are at the very heart of decision making. Decisions that are made are often rationalized through various forms, but essentially it would seem that values play a major part in the whole scheme. On top of that it is vital to understand things such as the brain tiring after a certain amount of decisions made throughout the day and that people often yearn some level of belongingness or for example new and exciting things in their lives and that it feels good to accomplish something and through one’s own actions be able to own something. These are all important factors in everyday life that need to be taken into account especially when speaking of buying behaviour, as consumerism has become such a normal thing.
The two possible issues with the usage of money is the effect of it on people’s minds and the effect of it on the environment. First, according to multiple research, it seems that money can have a positive influence on a person’s well-being and hence happiness, but that the happiness created through money is easily tainted with other factors in life. That is to say, that the saying “money can’t buy happiness” is true at least to some extent. Research shows that people sacrifice many other important things for money and that they exaggerate the amount of happiness that a certain amount of money or a certain purchase might bring to their life. On top of that, research also shows that instead of merely shopping for regular shoes, clothing, electronics or such, in order to retain more happiness from the used money, the money should be used on experiences or in line with a person’s own values to further the experiences that the person truly wants to experience. Furthermore, an interesting thing to keep in mind is that using money on others can have a more positive impact on a person’s happiness, than buying something for oneself.

Lastly, the second problem of consumerism is that the endless buying habits of people all around the Globe are harming the planet for good. The rat wheel in which the need of companies to make greater profits and hence creating whatever is necessary and marketing it to people who then conform to the marketing messages and buy more and more things has created a trend that endangers the whole planet and that is almost irreversible.

Money, capitalism, the free markets and consumerism have created many good things. But it is vital to understand what the consequences of those systems are on everything and what people think of as “normal” can be harmful, to people and to nature. People distract themselves from stress, negative, strenuous things in life by using money instead of actually doing something about them, whether it means spending time with family, exercising, pursuing a hobby or creating more good around them. It is also important to notice, that nowhere in my research did I come across a viable research result, that could have identified money as solely bad or even evil. As with anything when there is too much of it, there are side effects to the usage of it and people need to understand the consequences of using money on themselves and how the pursuit or usage of money distracts them and how it effects the environment.
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