Chapter 5
The Relation between Money and Happiness in MENA Countries

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ABSTRACT

Even though economic growth plays very important role in development, governments stressed the importance of happiness recently. The crucial question is that what exactly is the relationship between happiness and money? Or, what can determine happiness? In recent years, the human well-being of its people has been accepted as a new economic inequalities measure. Not only economic performance of the country but also social, political and cultural performance of the country has been accepted as an indicator of better life of the people. Questions which will be discussed are thinking whether or not economic growth plays a major role in happiness and how the relation between economic growth and happiness is. The purpose of this chapter is to investigate the relationship between economic growth and happiness in the MENA Region using an empirical analysis.

INTRODUCTION

Even though economic growth plays very important role in development, government stressed the importance of happiness recently. The crucial question is that what exactly is the relationship between happiness and money? Or, what can be the determinant of happiness? In recent years, the well-being of the people has been accepted as a new economic inequalities measure. Not only economic performance of the country but also social, political and cultural performance of the country has been accepted as an indicator of better life of the people. Questions which will be discussed are emphasizing whether or not the economic growth plays a major role in happiness and how the relationship between economic growth and happiness is.

The purpose of this chapter is to investigate the relationship between economic growth and happiness in the MENA Region using an empirical analysis.

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The Economic, Social and Demographics Aspect of the MENA Region

The Middle East and North Africa (MENA) region has 22 countries differing in historical heritage, economic and social structure as Muslim, Arab and conservative and accounts for approximately 6% of the world population. The entire region is predominantly Arab except Israel, Turkey and Iran. According to World Development Indicators 2014, the MENA region is the second region in terms of average population growth rate (approximately 1.72%) following the Sub-Saharan African Region. In 2012-2025 period, expected population growth rate is 1.65% for MENA. Moreover, 0-14 age group has the largest growth share in population. As a result of cultural and dynamic population structure of the region, the diminishing of fertility rate is very slow. And the marriage age is the lowest compare to the rest of the world.

The MENA region contains many of the OPEC countries. Algeria, Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Malta, Morocco, Oman, Qatar, Saudi Arabia, Tunisia, United Arab Emirates, West Bank and Gazza, Yemen, Ethiopia and Sudan are MENA countries. The region is divided into partly three groups, oil economies as Kuwait, Libya, Oman, Qatar, Saudi Arabia and United Arab Emirates, non-oil groups as Jordan, Turkey, Israel, Morocco, Yemen and mixed group as Algeria, Iran, Iraq, Egypt, Tunisia and Syria. And economically, this region accounts for 60% of the world’s oil reserves and 45% of the world’s natural gas reserves.

In respect of growth and economic performance, the region has important problems such as low growth rate and high unemployment rates. The region seems to be underdeveloped because of poor economic performance and social indicators.

The Region has high potential sources. However, in terms of human development the region has important shortages. With the rich cultural heritage and shared history, MENA region as a group has various importances in the world. The MENA countries have relatively higher per capita incomes but traditional gender structure. The religious identity of the population leads to economics structure characterized by public sectors.

The relationship between human development outcomes and higher per capita incomes is valid in MENA. For example, Yemen has lower per capita incomes and lower human development outcomes than the rest of the region. On the other hand, MENA region has, on average, female life expectancy at birth that is 9.1 percentage points higher than other non-OECD countries. Female labor participation rates are below the average for lower and middle income countries and increase very slowly. As common view, female labor participation rates are relatively low because of oil producers’ economics structure. Oil-rich countries tend to have been characterized by male-dominated employment and large sectors.

The Region marked progress on human development such as mortality rate, education level especially for females. Because of insufficient public investment and lack of sufficient educational system human development progress is bound to focus on reforms.

Since 1970, especially 5 MENA countries (Algeria, Morocco, Oman, Saudi Arabia and Tunisia) have been among the top 10 countries all over the world in human development progress. Over that period, in female literacy rate, mortality rate and life expectancy on average, the Region has remarkable improvement. Between 1985 and 2010, the Region also did well in closing the gender gap in education and in employment force. As results of these advances, health and education of women is remarkably improved as compare to the other developing countries (World Bank report).

The best indicator of growth of MENA region is oil prices. As a result of oil prices fluctuations growth rate has volatility. For this reason volatility of growth rate in the region has been unpredictable.