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Title: Understanding the Impact of Foreign Direct Investment on the Happiness of Countries

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Summery

This research study explains the impact of Foreign Direct Investment (FDI) on the happiness of countries.

The study was aimed at explaining the direct and indirect impact of inward and outward FDI on happiness of countries and the related spatial variation of such impact across different regions of the world. This explanation was achieved through answering the main research questions; to what degree does inward and outward Foreign Direct Investment (FDI) influence Happiness of countries? And the sub research questions which included; Does FDI directly influence happiness of countries? Does inward and outward FDI influence indicators of happiness implying an indirect influence of FDI on happiness? To what degree does the indirect and direct influence on happiness vary across regions?

The study used quantitative methods and secondary data to accomplish to obtain answers the research questions. It involved construction of six years panel data on happiness; the dependent (Y) variable, and independent (X) variables of inward and outward FDI as well on other variables that were controlled for, namely; unemployment, carbon emissions, electric power consumption per capita, control of corruption, percentage of total population living in urban areas, percentage of total population with access to protected source, country and population size. The study sample included 78 selected countries. Excel program was used to prepare the database, while regression analysis using random effects model was used to analyse the data, establish the statistical and descriptive findings of the study.

The findings show that inward and outward FDI influence happiness both directly and indirectly and the nature of the impact varies from one region to another. At world level whereby all countries were aggregated together, inward FDI was positively correlated with countries happiness while outward FDI was not significant although positive. At regional level it was considered from two perspectives; the World Bank based categories of countries according to their level of incomes and continents. The income level based regions included high income OECD, high income none-OECD; upper middle income and low income countries while continent based one were constituted by Europe, North America, South America, Asia and Africa.

FDI was significantly and directly correlated with happiness of high income OECD and high income none-OECD, North American, Asian and African countries. There was no significant direct correlation of FDI and happiness was not found the upper middle, lower middle and low income countries as well as the European and South American countries. However for these regions where indirect correlation of FDI and happiness was lacking, an indirect one was established where by FDI influences important indicators of happiness. Impact was through GDP and unemployment for upper middle income countries, GDP, unemployment and CO2 emissions for the lower middle income countries and GDP, unemployment and control of corruption for the low income countries. For European countries, the influence of FDI on happiness was through its positive correlation of inward and outward FDI with GDP which in turn influences happiness. For the continent of South America continent, the FDI

impact on happiness was through the positive and negative correlation of inward investments with countries GDP and unemployment

The study proposed the following recommendations for policy practice; subjecting all inward FDI to a social and environmental impact assessment for mitigation of potential adverse aspects on the host country, promotion of regional economic integration to strengthen countries' bargaining power and negotiation capacity for equitable gains from FDI in the context of happiness, strengthening quality control mechanisms and standards to streamline the quality of FDI, mainstreaming FDI into the SDGs for acceleration of attainment of economic growth as well as quality of life since it proved impactful on countries happiness and also ensuring that countries have reliable, up to date data to facilitate effective FDI impact monitoring and assessment of progressive response of the countries' happiness to the investments. Also cross boarder knowledge brokering and best practice sharing on performance in the area of FDI has been recommended; if its impact on happiness is to be fast tracked and kept on a positive trend.

For future research, the study recommended studies on FDI sector specific impact on happiness because it is believed that the impact of FDI varies depending on the type of investment, the impact of FDI on happiness at country specific level as well as an intra-continent based analysis of FDI impact on happiness.

Keywords

Foreign Direct Investment, Happiness, Countries

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Abbreviations

FDI	Foreign Direct Investment
MNCs	Multinational Corporations
MNEs	Multinational Enterprises
UCR	Urban Competitiveness and Resilience
GDP	Gross Domestic Product
CO2 Emissions	Carbon dioxide Emissions
OECD	Organization for Economic Development
UN	United Nations
U.S	United States

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Chapter 1

1.1 Introduction

This chapter gives an overview of what the research is about. It highlights the basis of the study, stipulates the problem to be studied, the objectives, research questions which the study intends to answer, the scope and limitations as well as the academic and policy significance of this research.

1.1.1 Background

The research will seek to explain the effect of Foreign Direct Investment (FDI) on the happiness of countries in different regions of the world. The regions of the world will be studied in the context of continents namely; Asia, South America North America, Europe and Africa. Additionally, analysis of the impact of FDI on happiness will be done based on countries' income or wealth levels categorizations namely; high income, middle income and low income countries.

Happiness is in most cases used to mean "wellbeing" or quality of life (Veenhoven, 2012). It is synonymous with life satisfaction; which refers to an individual's satisfaction with his/her life as a whole. This implies that it is the extent to which one judges his life favourably (Veenhoven, 2012). Happiness is also an ultimate target outcome of the Sustainable Development Goals. The pursuit of the pillars of sustainable development namely; attainment of the MDG targets of ending extreme poverty by 2030, ensuring environmental sustainability, ensuring social inclusion of development interventions and, ensuring good governance is aimed at leading to happiness for all (United Nations, 2013). Happiness is a vital measurement indicator for the attainment of sustainable development goals. Unlike Gross Domestic product (GDP), which measures the quantitative increase in goods and services, happiness is vital for the measurement of the qualitative improvement in citizens' satisfaction with goods and services (United Nations, 2013, Costanza, Hart, et al., 2009). This is vital because happiness is everyone's need and every citizen desires to be happy in life (Frey and Stutzer, 2002). The United Nations (UN) General Assembly Resolution of July 2011 recognises happiness as a universal goal for the attainment of the Millennium Development Goals (MDGs). It also invites member states to pursue elaboration of additional measures that better capture the importance of happiness and wellbeing in development to guiding their public policy, and to share views with the UN on the pursuit of happiness and wellbeing (United Nations General Assembly, 19th July, 2011). All these developments signal that governments need to ensure that their programs and policies are targeted to leading to happiness for every citizen because happiness is a major life goal and every body's target (Frey and Stutzer, 2002).

FDI on the other hand, refers to the investment in real or physical assets, such as factories and distribution facilities by one country in another or other countries mainly through Multinational Enterprises (MNE) or companies (Shenkar, 2007). FDI is classified into horizontal and vertical categories. Horizontal FDI is whereby the MNE engages in the production of products in a foreign country that are the same as those it produces in the country of origin. Vertical FDI takes place when the MNE goes to a foreign country for production of Intermediate goods that are intended for use as inputs in its home country or in its other subsidiaries. Such goods can be for assembling into sophiscated end products like

electronics and automobiles and it leads to increased intra firm trade (Cohen, 2007). While vertical FDI is advantageous in providing inputs and market to the mother country, horizontal FDI is considered the best way to enter a foreign country as it makes possible the sharing of experience and infrastructure between the foreign country and the home country (Shenkar, 2007). Also FDI can be categorized according to the type of sector of investment, Industry of investment and selected type of investor. Under sector of investment are primary, manufacturing and service FDIs. The classifications under type of industry could for example include oil and Gas, Pharmaceutical and Retail FDI, while private equity firms, Small Medium Enterprises and state owned enterprises FDIs are types according to the selected investor (United Nations Conference on Trade and Development, 2014) . In other cases, FDI is categorized into inward and outward investments.

Various studies point out that FDI has impacts on both the home country and host countries. FDI is believed to have an impact on both the investing country which in this case will be referred to as the home country and the recipient country that will in this research be referred to as the host country. These impacts are in the areas of factor of production cost and productivity (Baldwin and Alan, 2004), capital gain and capital transfer (Hanousek, Kocenda, et al., 2011), knowledge and technology exchange(Baldwin and Alan, 2004), employment and unemployment creation (Shenkar, 2007, Cohen, 2007), levels of productivity and growth, business competiveness and enterprise development(Baldwin and Alan, 2004, Hanousek, Kocenda, et al., 2011, OECD, 2002) , environmental protection and degradation (Sikka, 2011a) and (Environmental Fund, 1999, p.2) cited in (Sikka, 2011a) , gains from international trade(Baldwin and Alan, 2004, OECD, 2002), governance, rule of law and state sovereignty (Ott, 2010, Sikka, 2011b), human and children rights protection (Sikka, 2011b), national GDP per capita (Cohen, 2007, OECD, 2002), wage levels at firm and national level (Cohen, 2007, Baldwin and Alan, 2004), income and income distributions and regional wealth equality (Sikka, 2011a) as well as consumers tastes and preferences through alteration in availability, quality and cost of consumer goods and services (Baldwin and Alan, 2004)

Given the multi-typology nature of FDI as well as its effects stipulated above, there is likelihood that FDI can affect the happiness of the citizens of the home and host countries either positively or negatively. This is signaled by the fact that happiness is affected by the same indicators that are impacted upon by FDI. Happiness has been considered to have a relationship with FDI- influenced indicators of employment (Frey and Stutzer, 2002, Ballas, 2013, Van Praag and Ferrer-i-Carbonell, 2010) and (Ervasti & Venetoklis, 2010; Pittau, Zelli, & Gelman, 2010; Winefield, Winefield, Tiggemann, & Goldney, 1991) cited in (Erdogan, Bauer, et al., 2012), income and income inequalities (Frey and Stutzer, 2002, Ballas, 2013), GDP (Deaton, 2008b), environment degradation and pollution (Ballas, 2013, Veenhoven, 2009, Luechinger, 2010), good governance and quality of governments (Frey and Stutzer, 2002), and human rights. National governments being driven by the need to improve wellbeing and pursue sustainable development goals that result in happiness for all, need to know such effects in order to make the right policy decisions that simultaneously promote FDI led economic growth and the happiness of all the citizens. Also looking at FDI with "glasses of happiness" would enable countries to put in place policies and institutions to combat the negative impacts of FDI that compromise citizen's happiness.

FDI flow is considered as one of the measures of international competiveness of a country. In this context, nations' competitiveness will take President Reagan's definition that it is the degree to which a state can under free market conditions, produce goods and services that

meet the tests of international markets while simultaneously expanding the real incomes of its citizens (Fougner, 2006). The research is inspired by such scenarios as where a rise in FDI inflow has not attracted proportionate rise in happiness of countries in some regions, keeping other factors constant. For example, FDI inflows to Africa rose by 4 per cent to $57 billion, driven by international and regional market-seeking and infrastructure investments in 2013 (United Nations Conference on Trade and Development, 2014). Despite the improvement in FDI flow into Africa, countries in this continent continue to dominate the list of unhappy countries in the world. For example as per 2013 World Happiness Report, out of the 156 countries studied, the most unhappy six countries were African such as; Togo, Togo, Benin, Central African Republic, Burundi, Rwanda, Tanzania and Guinea in the 156, 155, 154, 153,152,151 and 150 positions respectively. On the same note, the happiest countries were from the developed countries namely Denmark, Norway, Switzerland, Netherlands, Sweden and Canada in the 1st, 2nd, 3rd, 4th, 5th and 6th positions respectively (United Nations, 2013). This implies that though there might be other factors contributing to this trend, disparities in happiness ranking could also be addressed from the angle of mainstreaming happiness in FDI.

1.1.2 Statement of research problem

Following from the background above, FDI is an important factor for the development of countries (Adams, 2009). Given the fact that happiness is potentially the target result of development programmes (United Nations, 2013, United Nations General Assembly, 19th July, 2011), the main life goal and everyone's desire (Frey and Stutzer, 2002), there is unquestionable need to assess all development phenomena to ensure that they do not compromise possibility of ensuring maximum happiness for the majority (Veenhoven, 2010). This research will work towards providing an explanation of the effect of FDI; one of the key development phenomena on happiness and proposing recommendations to inform policy in relation to the nature, and direction of affects that shall be established. While literature exists on FDI and its effects on different micro and macroeconomic indicators as international trade and balance of payments, capital flows and revenues from the investments (Hanousek, Kocenda, et al., 2011), employment (Shenkar, 2007, Cohen, 2007), economic growth and GDP (Cohen, 2007), state sovereignty, governance and democracy (Sikka, 2011b), factor of production productivity (Baldwin and Alan, 2004), there is limited if not, no research on the effect of FDI on happiness of the investing and host countries.

The current realization that happiness is a universal goal, a good measurement of development as compared to GDP and the call upon states to embrace happiness as the ultimate outcome of sustainable development goals (United Nations General Assembly, 19th July, 2011), creates dire need to subject all development phenomena or activities to an assessment to determine as whether they lead to or compromise countries capacity to provide happiness to all their citizens as well as individuals status of well-being. This would form a step towards mainstreaming of "happiness for a greater number of people" (Veenhoven, 2010) in national governments and global development policy. Following effects on countries as highlighted in the background above, FDI qualifies as one of such development phenomena in which happiness needs to be mainstreamed. This would only be possible when the impact of FDI on happiness at national, regional and global levels is known. It is on this basis that this research seeks to test as to whether FDI impacts on happiness of countries in different regions of the world, and in the end to make conclusions and recommendations that can inform policy on how countries can pursue economic growth and development through

FDI, while ensuring happiness for all or without compromising happiness for a great number of their citizens, as well as to trigger future research in the area of FDI and happiness.

1.1.3 General Research objective

To explain the impact of FDI on the happiness of countries, and how such impact varies across geographical regions and FDI type.

1.1.4 Main Research Question

To what degree does inward and outward Foreign Direct Investment (FDI) influence Happiness of countries?

1.1.4.1Specific Questions

1. Does FDI directly influence happiness of countries?
2. Does inward and outward FDI influence indicators of happiness implying an indirect influence of FDI on happiness?
3. To what degree does the indirect and direct influence on happiness vary across regions?

1.1.5 Significance of the Study

From the scientific perspective, this research has added to existing knowledge on the factors influencing happiness of countries in the study sample as well as the world as a whole. It is also an addition to the scope of knowledge existing on the importance of FDI to the happiness of countries. Apparently, most of the existing literature brings out the impact of FDI from the perspective of quantitative growth in terms of goods and services, balance of trade of countries and local industries' growth. Although these can in one away or the other explain happiness, little if not nothing has been written targeted to explaining how FDI affects happiness of citizens of any given host and home country. The findings of this study are anticipated to trigger future research on FDI and Happiness.

In the context of policy making, this research has analysed and presented the positive and negative impacts of FDI on happiness, as well as made related recommendations to this effect. This will to inform national governments and other policy making bodies on legislation and mainstreaming of happiness in FDI related policies.

1.1.6 Scope and Limitation of the study

The research covered inward and outward FDI, covering 78 countries whose specifications are specified in annex 2.

In terms of strategy, given its wider geographical scope, secondary quantitative data was used. Quantitative techniques of excel and regression analysis were employed to prepare and derive descriptive findings and statistical significance of FDI impact on happiness.

The study will not cover the impact of FDI in a sector disaggregated way due to failure to access FDI data by sectors. In this context, FDI sectors refer to primary, services and

manufacturing FDI. Also the research will not make analysis at individual country level but rather at defined regional levels namely; Europe, North America, Asia and Africa. Also countries will be aggregated into high income OECD, high income none-OECD, upper middle, lower middle and low income countries. This is because the observations per country are not enough to enable such analysis using stata program.

Chapter 2: Literature review

2.1 Introduction

Under this chapter, existing literature on the FDI and happiness will be reviewed. The review is aimed at establishing the existing knowledge on the concepts as identified by other scholars that can be taken on for provision of a basis of the linkage between FDI and Happiness. As pointed out in the background, there are no studies that have related happiness and FDI, which this research seeks to address. This is possibly because there is seems to be no direct relationship between happiness and FDI. However, though there seems to be no direct relationship between happiness and FDI, the indicators that are intersecting in a wide range of literature on the effects of FDI on home and host countries are the very indicators that have been proven by scholars to affect happiness of individuals and groups of people in countries across the globe. Cross cutting in most literature is that FDI affects level of wages, production factor productivity, prices and nature of production systems; shift between labour and capital intensive production, change in aggregate wage, improvement in levels of productivity of production factors, introduction of new industries and change in production composition, transfer of technology, knowledge and skill transfer, competitiveness of local firms , financial and human capital transfer and economic growth (Cohen, 2007, Baldwin and Alan, 2004, Hanousek, Kocenda, et al., 2011), environmental protection , cultural heritage, state sovereignly and independence in making policies, human rights (Sikka, 2011a) and child rights protection and wellbeing (Doytch, Thelen, et al., 2014b) as well as employment (Shenkar, 2007, Cohen, 2007). Also pointed out of the literature is the spatial variation of the effects of FDI across countries and regions (Hanousek, Kocenda, et al., 2011).

Like FDI, academic literature exists on happiness as well. The existing literature relays the theories of happiness namely; affect, cognitive and set point theories (Veenhoven, 2009); they help to lay a foundation for the definition and essence of happiness in development arena. These theories will farther be elaborated later in this chapter. Also important in the literature to inform the content of this research, are the four qualities of life (Veenhoven, 2010) that are vital not only in understanding what happiness is, but also in enabling individuals and national governments to know key conditions and phenomena they need to focus on, in order to ensure their actions and policies improve the quality of life of the target groups. These qualities of life will also be elucidated later in this chapter but they include liveability of the environment, life-ability, utility of life and satisfaction with life. Also such concepts as income and income inequality (Frey and Stutzer, 2002, Ballas, 2013), environment (Veenhoven, 2012, Veenhoven, 2009, Luechinger, 2010), employment (Frey and Stutzer, 2002, Ballas, 2013, Deaton, 2008b), GDP per capita(Deaton, 2008b) and governance and democracy(Frey and Stutzer, 2002, Sikka, 2011a) seem to be intersecting factors that influence happiness across a range of academic literature. Also important in the literature is the growing prioritization of happiness by global and national institutions as a measure of performance of development programs and on policy agendas (United Nations

General Assembly, 19th July, 2011) as well as the assertion that it is possible to create happiness to the big majority (Veenhoven, 2010).

Therefore this defines the need being addressed in this chapter of a deeper review of theory on FDI, happiness and the link between the two in the context of social, political and economic perspectives.

This research will take the following theoretical review framework;

1. Definition of FDI
2. FDI types and related concepts
3. Definition of happiness and related concepts/theories
4. Effects of FDI on home and host countries' happiness (effects of inward and outward FDI)
5. Spatial variation of FDI impacts on happiness across regions

2.2 Definition of FDI

FDI refers to a condition whereby a firm makes an investment in direct production or other facilities and services while the investing firm has effective control over the investment (Shenkar, 2007). It has also been considered to refer to a financial condition that occurs in an instance of acquisition of 10% or above in of voting stock in an overseas country incorporated commercial entity (Cohen, 2007).

2.3 Types of FDI and related concepts:

Under this section, types of FDI will be reviewed and discussed. It is vital for this research to understand the categories of FDI given the fact that different categories of FDI have varying impacts on host and home countries, as well as varying effects on the countries' happiness. It is believed that the nature and magnitude of impact of FDI on happiness varies with the type and strategic intentions of the MNE.

FDI can take the form of extractive FDI, manufacturing FDI or services FDI (Shenkar, 2007, Cohen, 2007, Alfaro, 2003). The manufacturing FDI involves the establishment of production equipment in the host country, while the Service FDI involves the establishment of services or facilities or acquisition of local firms in the host country through capital contribution. In the latter case, the MNE establishes units in the host country called subsidiaries or affiliates (Shenkar, 2007). The extractive FDI, also known as primary FDI, is one involving the extraction or production of primary products in the host country. This category of FDI takes the form of MNCs extracting such resources as minerals and metals or engaged in agricultural crop production such as tropical cash crop production. Location of primary FDI is normally dependent on natural factors as mineral rich geology and agricultural favouring climate as well as on secondary factors of good transport and raw material access, rule of law, policy and governance environment of the host country(Cohen, 2007),

FDI can also be differentiated into vertical and horizontal FDI (Shenkar, 2007, Cohen, 2007, Iammarino and McCann, 2013, Aizenman and Marion, 2004). Horizontal FDI involves an MNE producing same products or services in the foreign country as it does in the home country (Shenkar, 2007, Iammarino and McCann, 2013). This type of FDI helps MNCs to

share the physical and knowledge resources with the mother company back home. However, some MNCs set up subsidiaries to produce goods that are not at all produced by the mother company in the home country. This is mainly done to utilize FDI as an opportunity to tap into market for the other company products. This is called a conglomerate (Shenkar, 2007). It can result into production of substandard goods as the MNC can utilize the opportunity to experiment on the host country, and can result poor quality products since the company will have no proven experience in the products and in the long run compromise the wellbeing of the citizens. Vertical FDI on the other hand, is where by a foreign enterprise engages in the production of intermediate goods in a foreign country for use as inputs in the home country production. Vertical FDI is classified into backward vertical FDI and forward vertical FDI (Shenkar, 2007, Iammarino and McCann, 2013). Under backward vertical FDI, the MNC produces goods in the host country for use as in puts in the home country, while forward vertical FDI involves use of intermediate goods produced in the home country to produce goods in the host country. Examples can be sales outlets and car assembling plants in host countries for car manufacturing MNE in home countries (Shenkar, 2007).

FDI can also be categorised according to the strategic logic behind MNC's investment in a foreign country, which varies from one MNC to another. There are those that choose to operate in a foreign country because they are looking out for specific resources at lower costs than they would acquire them in home country. They include those looking out for cheap skilled or unskilled labour, those looking out for physical resources and those searching for technological, organizational and managerial skills. All these MNCs are generally referred to as resource seeking FDI (Shenkar, 2007, Iammarino and McCann, 2013) . Resource seeking FDI are mainly comprised of MNCs engaged in the extraction of natural resources such as oil and also in agricultural production mainly of plantation tropical crops like rubber, cocoa, sugarcanes and tea (Cohen, 2007). If such MNCs looking out for cheaper labour and physical resources are not well regulated by the host country policies, they can cause externalities such as environmental degradation and, use of child labour (Doytch, Thelen, et al., 2014b). Those seeking for managerial and organization skills could probably be related with employment creation for the local people in the host country**.** There are those MNCs that aim at tapping into opportunities of diversity in factor endowments, cultures, economic systems and policies for gains maximization. They are referred to as efficiency-seeking FDI (Shenkar, 2007, Iammarino and McCann, 2013). These position themselves in few locations in order to supply diverse markets (Shenkar, 2007). Strategic seeking is another category under this classification; they invest abroad by acquiring foreign firms, in a bid to advance their long term strategic goals (Shenkar, 2007). Such main strategic goals are geared to long term objectives of enhancing the MNCs' global power and competiveness (Iammarino and McCann, 2013). Efficiency seeking FDI is out of the desire to cut costs of production and to enjoy economies of scale. This type of FDI is also motivated by variations in factor endowments between home and host countries (Cohen, 2007). They have a preference of subsidiary establishment in low wage countries in pursuit of these objectives (Cohen, 2007). There is also FDI that it is targeted at foreign subsidiaries in order to create an extended market for the MNCs products. This is known as market seeking FDI. This type of FDI is driven by the fact that it is more rewarding to the company by establishing production facilities in the host country to bring the products nearer to customers than exporting them from a distant home country (Cohen, 2007). This is often done to avoid high costs of transportation especially in a situation whereby the products in question are bulky, and to guard against being out competed by local firms and third countries' companies that could potentially establish business in the host country. The need to adjust the products to suit the

tastes and preferences of the population, and the existence of tariff barriers like in the case of regional economic integrations where products of non-member countries are taxed highly or protected against, are key factors that drive market seeking FDI or MNCs to locate in host countries (Iammarino and McCann, 2013). The importance of tariff barriers and regional integration are confirmed by the behaviour of U.S MNCs upon creation of the European Union;

Box 1: Role of regional economic integration in driving FDI

"The largest single source of new FDI flows in the 1960s and 1970s was American manufacturing companies opening factories in Western Europe. They began arriving in response in 1958 of the European Union (originally called the European Economic Community). The movement to regional economic integration in Western Europe presented foreign companies with classic good news/bad news situation. On the one hand, the move to internal free trade held great promise for above-average economic growth rates in member countries. On the other hand, the largest regional U.S. export market was at risk: It was about to be surrounded by a common external tariff that would put exports from nonmembers at a potentially serious price disadvantage. One phase of a two-pronged U.S. response to this potential financial hit was to negotiate deep reciprocal tariff reductions beginning with the Kennedy Round of trade negotiations. The second was a private sector initiative: history's largest surge of FDI designed to leapfrog newly introduced trade barriers. A foreign owned factory had the same status as a European firm: It could produce in any EU country and freely ship its output to all other member countries. Many U.S MNCs in important sectors like computers, electronics, motor vehicles, pharmaceuticals and machinery established commercially successful—in terms of rising market shares and profits—subsidiaries in the countries of the so-called Common Market."

(Cohen, 2007) pg. 60

Like FDI, MNCs, the entities through which Countries invest in others, also have classification. They are classified in accordance to the sectors of investment overseas. From a broad perspective they include primary sector MNC, Secondary and Tertiary MNCs. Primary sector MNCs are those that invest in the extractive kink of investment, Secondary Sector MNCs are those with investments in manufacturing while Tertiary are MNCs whose investments are in services (Cohen, 2007). The services MNCs are counted for by the need of MNCs from the home countries to provide supporting services to their Manufacturing and extractive MNCs from same country in an overseas market. This is due to the fact that they follow their clients abroad with such services as in banking, insurance, communication, advertising and legal and utilities like electricity. Also key to the growing Services FDI or MNCs is the on-going trend of liberalization of service provision by the governments through privatization. This prompted corporations to take on a multinational role in order to invest in service provision in overseas countries for provision of such as water and power supply, banking and telecommunication (Cohen, 2007). Manufacturing MNC/FDI relative to their extractive counterparts, have been considered better by most host governments as they are considered to stimulate competition among local firms and lead to improved productivity as

well as increase employment due to their willingness to reinvest in the host country and set up production points (Cohen, 2007)

2.4 Definition of happiness and related concepts/theories

Happiness from a broader sense is a term that encompasses all that is good. It is in most cases used to mean "wellbeing" or quality of life (Veenhoven, 2012). It is synonymous with life satisfaction; which refers to an individual's satisfaction with his/her life as a whole. This implies that it is the extent to which one judges his life favourably (Veenhoven 1984) cited in (Veenhoven, 2012).

Veenhoven (2009), in his article "How do we assess how happy we are" identified four qualities of qualities that are important to understanding the different situations which are regarded to mean happiness (Veenhoven, 2009). As explained below, though the qualities of life are not happiness themselves, they are important to be understood, because they are vital to informing policies on what aspects to address in order to create happiness for all the citizens. These qualities of life which depict the different ways people regard happiness are demonstrated in table 1 below:

Table 1: Four qualities of life

	External	**Internal**
Chances	Liveability	Life-ability
Outcomes	Utility	Satisfaction

Source: (Veenhoven, 2009)

Chances depict the chances to have a good life while outcomes imply the outcomes of life. The table also depicts the differences between external and internal qualities of life.

Liveability refers to the environmental characteristics which do not mean happiness themselves but rather provide conditions that can influence one's happiness. Life-ability on the other hand, is the extent to which one is able to cope with the many conditions that determine happiness or environmental conditions. This ability is a precondition for happiness. Utility of life is the extent to which one considers his life useful and it is subjective appreciation of life; it implies life needs to be good for something else other than itself. Satisfaction refers to satisfaction with one's life and it implies subjective appreciation of one's life and it denotes happiness (Veenhoven, 2009, Veenhoven, 2010). While it is important that most governments' policies aim at improving life chances by providing such better services as education, infrastructure, and housing or jobs, there is need to put much emphasis on the outcomes of life and how they transform into happiness. Therefore, national governments need to ensure that the policies they put in place aim at creating happiness for majority if not all their citizens. According to (Veenhoven, 2010), creating "enduring happiness for a great number of people is possible".

2.5 Theories of happiness

Happiness is explained by three sets of theories namely; set point theories of happiness, cognitive theories of happiness and affective theories of happiness (Veenhoven, 2009). It is important to understand these theories prior to analysis of impact of or relationship between any phenomena and happiness. This is vital because it is the theories that help to understand the different contextual meanings of happiness which enables the researcher to easily customise the topic understudy in the rightful context of happiness. Different phenomena fit in different theories and variants of happiness. Below the research has given an overview of the happiness theories in order to facilitate understanding of how FDI impacts and related policy that this research will explain later in upcoming chapters, fit in.

2.5.1 Set point theories of happiness

These theories have it that human beings are predestined to a given level of happiness regardless of whichever wellbeing conditions they are exposed to. There are different variants under these theories including the classic religious version, the genetic predisposition, and personality trait and homeostatic maintenance. The classic religious version assumes that some people are born to be happy while others are meant to be unhappy, and that God predetermined it that some people would be happy and others unhappy. The genetic predisposition variants of Set point theories assert that the biggest percentage of happiness is inheritable; homeostatic maintenance variants believe that happiness is dependent on personality characteristics, while other variants believe that happiness has a scale at which it is maintained. It is believed that happiness like body temperature is maintained at a given defined temperature; even happiness is maintained at a scale of 7 and 8 (Veenhoven, 2009).

2.5.2 Cognitive theories of happiness

These are a function of human thinking and are a reflection of variations between what life is meant to be and what it exactly is. These theories assume happiness is dependent on standard based comparisons. The comparisons can take the form of comparing ones performance at present and the past moments, as to whether they are doing better than in the past or they are worse. Comparison can also take the form of social aspects where we compare how one is fairing in relation to others or on multiple discrepancies which involves comparison of what we want and that others have as well as our needs and what we consider is fair for us. Also these theories assert that happiness is a social construction and it can take on different meanings across different cultures (Veenhoven, 2009).

2.5.3 Affective theories of happiness

These point to the fact that happiness is about how one feels generally and it has no specific measurement but it can rather be determined by inference such as people can be considered happy or unhappy depending on whether they feel good or bad all the time respectively. It involves taking account of people's affective experience and all things that make them feel god or bad. The affect theories consider happiness in the context of meeting ones needs which are more universal than wants which are implied in cognitive theories (Veenhoven, 2009).

Of the three categories of theories of happiness, it's the cognitive and affective theories that are more relevant and fitting the context of this research. This is because the affective theories signal that it is possible to create happiness for a great number of people given the fact that according to these theories, happiness is about meeting of human needs and people coping capabilities. This fits well in this research since it aims at establishing how FDI affects the liveability and life-ability of people and also to propose recommendations for policy on improving the happiness consequent of FDI. Cognitive theories resonate well with this research given the fact that, it is about FDI impacts on happiness in different regions and or countries as well as the comparison between these regions following the different indicators as standards of comparison.

Based on the qualities of life which are precursors for happiness, it is likely that unless development interventions are fully scrutinized for benefits and costs on society, they would compromise such conditions as liveability of the environment, societies' capacity to coupe or adapt to the socio economic challenges, as well national and regional governments' efforts to improve citizens' chances to have a good life. Also given the fact that happiness according to cognitive theories is a result of comparison between individuals based on certain standards, development programs especially those of international or bilateral nature, whose form and magnitude of impact varies from one region to another are likely to either widen or narrow differences between countries. This would mean that by creating differences, such programs can influence happiness negatively or positively depending on which of the countries takes a higher or lower rank in the comparison ladder or criteria. FDI being one of such development interventions with a bilateral or multi-lateral nature, and with capacity to affect the social, economic and political environment of countries has potential to impact on happiness of participating countries. Countries can thus best derive happiness from FDI if its negative and positive impacts are known and mainstreamed in related legislation. It is against this basis therefore that, in the proceeding section, this study reviewed and explained the impact of FDI on happiness of countries as per existing studies.

2.6 Effects of FDI on home and host countries' happiness.

According to different scholars, FDI and related MNCs have both positive and negative impacts on the both the home and host countries. The effects of FDI vary in nature, magnitude and over space depending on the level of development of countries, type, purpose or sector of the FDI. The following is an articulation of the impacts of FDI on happiness of home and host countries. Key to note is that existing literature does not give a link between FDI and happiness in countries. The relationship between FDI and happiness that is to be depicted in this chapter is what this research intends to add to the pool of knowledge on happiness and FDI. The impact of FDI on happiness of countries is deduced from the social, economic and environmental impacts of FDI on home and host country that point to the indicators that influence happiness as will be pointed out from different happiness literature.

One of the impacts of FDI is employment (Cohen, 2007, Lipsey, 2004, Dupasquier and Osakwe, 2006, Denisia, 2010) and unemployment (Shenkar, 2007, Cohen, 2007) creation. FDI is believed to cause changes and movement in the factors and skills of production across countries and regions. It results in changes in the prices and demand of the factors of production. Multinationals from wealthy countries tend to shift the labour intensive production and investment to their subsidiaries in developing countries with perceived cheap

and plentiful labour supply, while resorting to capital intensive production techniques back home. This creates more jobs in the home country as in the areas of supervision, research and development of extensive headquarters to enhance capacity to manage the subsidiaries (Lipsey, 2004). Also the subsidiaries create jobs for the citizens of the host country. However, others have argued that the shifting of production to developing countries in search of cheap labour comes with a shift of jobs to the host country thus causing unemployment in the home country (Braconier and Ekholm, 2000). This has been a criticism of FDI mainly the efficiency seeking ones by the trade unions (Cohen, 2007). Relatedly, takeover of local firms by the MNC has been linked with unemployment in host countries as it leads to takeover of jobs from the local people by the foreigners through restructuring;

Box 2: FDI and unemployment

> *"When FDI takes place in form of an acquisition, wholesale eliminations of jobs may take place due to restructuring by the foreign purchaser"*

(Cohen, 2007) pg. 199

Given the fact that FDI impacts on the employment levels of host and home countries implies that FDI has an impact on the happiness of both countries. Related to home country, foreign companies at times out compete local firms and the employees of the out competed firms are rendered jobless (Cohen, 2007). This is deduced from the fact that according to existing research employment leads to happiness, while unemployment leads to unhappiness (Frey and Stutzer, 2002, Ballas, 2013, Van Praag and Ferrer-i-Carbonell, 2010).*Unemployment is* believed to importantly lower self-reported wellbeing at individual and society level(Frey and Stutzer, 2002). Also it is brought out that unemployment negatively impacts on life satisfaction and wellbeing by (Ervasti & Venetoklis, 2010; Pittau, Zelli, & Gelman, 2010; Winefield, Winefield, Tiggemann, & Goldney, 1991) cited in (Erdogan, Bauer, et al., 2012). This implies that by leading to unemployment, FDI has strong effects on individual citizens' and the whole population's happiness in these countries since well-being is synonymous to life satisfaction which is a measure of happiness according to in (Veenhoven, 2012). It is also pointed out in (Ballas, 2013) that when people are unemployed they tend to compare themselves with their employed peers and feel unhappy.

Wage differences and rise in national aggregate wages is another impact of FDI identified by academic researchers that could be impacting on happiness of the host countries. FDI leads to wage differences in host countries (Cohen, 2007, Baldwin and Alan, 2004). This is attributed to competition of the foreign companies and their local counterparts, and host country policy standards. Due to the desire of the foreign subsidiaries to attract good quality labour force including those that are already employed in the local companies, they tend to pay higher wages than the local firms. This is also aimed at curtailing high staff turnover which foreign subsidiaries fear that it would lead to leakage of their sophisticated and innovative technologies to their local and third country rivals within the host country and consequently render them less competitive (Baldwin and Alan, 2004, Alfaro, 2003). Ignorance of the local labour market of the host country is another reason advanced to account for the higher wages paid by foreign subsidiaries; they do this in order to attract and motivate the best workers as

compared to the local firms who without paying higher wages, can still get quality labour (Baldwin and Alan, 2004). FDI has been considered the most appropriate strategy for countries with the need of high wage establishments (Baldwin and Alan, 2004, Kwok and Tadesse, 2006). FDI can potentially affect average wages in a given sector or whole country because when foreign companies pay higher wages, due to competition, all other local firms might follow suit or even the entire country (Baldwin and Alan, 2004). The rise in wages is vital for enabling workers have fair income to afford meeting their needs. This is a pointer that potentially FDI affects happiness of workers in the host country. This follows assertions in literature that there is a positive relationship between income and life satisfaction (Ballas, 2013, Erdogan, Bauer, et al., 2012, Deaton, 2008b).

FDI can heighten unhappiness of a country by causing income and regional inequalities (Adams, 2009). Through creating wage differentials (Cohen, 2007, Baldwin and Alan, 2004) between the workers of the local firms and those of the foreign subsidiaries, it leads to disparities in the level of earnings and income among the workers in same sectors but different firms. This occurs in a scenario whereby foreign firms pay higher wages than the local firms aimed at avoiding high staff turnover and attracting the best workers. It is also believed that FDI can constrain economic growth of countries involved throughout competition and stagnation of productivity of local industries, increase overdependence and consequently cause and/or widen the inequality gap (Adams, 2009). Such inequality can be amongst countries, regions or individuals. Studies have shown that income is not negatively related to happiness until it involves income inequalities amongst people perceived as equals or peers within the income distribution ladder (Frey and Stutzer, 2002, Ballas, 2013, Easterlin, 1995). This is because people tend to compare themselves with their colleagues within the income distribution, and once there are variations, those with relatively low income consider themselves of low status and their feeling of satisfaction with life goes down (Ballas, 2013). The inequality created by FDI is echoed by (Sikka, 2011a) who notes that;

Box 3: FDI and income inequality

> *" ...it has facilitated economic growth, but also generated vast income and wealth inequalities"*

(Sikka, 2011a) pg. 2

Also because most multinational companies tend to use advanced technology, it is not possible for host countries especially developing ones to adopt or have skills to qualify their citizens to work with such companies. Consequently, these MNCs import staff from home countries. In this case only FDI tends to benefit developed countries because they possess a pool of skills. This unequal distribution of benefits can lead to farther inequalities between the home countries and developing host countries. Given that countries' happiness ranking is in relation to others (United Nations, 2013), the most benefiting countries would do better than those that do not benefit.

Impacting on Human rights enjoyment and protection is another important way in which FDI can affect the happiness of countries. FDI mainly the extractive or primary type has been linked to the abuse of human rights in host countries (Sikka, 2011a). FDI has been identified with exploitation of workers of host country nationality, by making them work for very long

hours with disproportionately low pay, exposing the workers to unsafe, unhealthy and uncomfortable working conditions and environments (Sikka, 2011b). Such ill working environments potentially result in bad physical and mental health issues which are very significant indicators of happiness (United Nations, 2013, Ballas, 2013, Van Praag and Ferrer-i-Carbonell, 2010). A lead smelting Indian Company that exposed its workers to such poor working conditions in Kenya, including sickness and death attests to this impact of FDI (The inside story plague for profit, 26th April 2015).

FDI together with trade have been found to have a negative relationship with child labour (Cohen, 2007, Doytch, Thelen, et al., 2014a). This has been associated with the fact that FDI increase economic development and related incomes and resultantly parents are able to afford keeping their children in school as they have the income to educate them due to FDI. However this varies with the type of FDI and over space. For example in Caribbean and Latin America, FDI and child labour were found to be negatively related while in Europe and central Asia, the relationship between FDI and child labour was positive. In South and East Asia, FDI in Agriculture was positively related with child labour, but in the manufacturing services, child labour had a negative relationship with FDI in the region. In some countries, MNCs have been criticised for inappropriate safety standards that have often resulted in infliction of harm and at times death on the home country local labour force (Sikka, 2011a).

Environmental protection is one of such areas that are impacted on by FDI. Many times the MNCs engage in the reclamation of vital ecosystems as forests and wetlands for establishment of plantations, quarries, manufacturing plants, labour camps, and transportation lines and in some cases threaten the survival of some species and environmental elements with extinction. In some cases, MNCs have been held responsible for air, noise, and water pollution, rendering the quality of the environment inhabitable or a nuisance to live in by the local population. Studies show that MNCs tend to shift production plants that are detrimental to the environment to foreign countries, especially those with no or less enforced environment protection standards (Grimes and Kentor, 2003, Jorgenson and Kick, 2003, Linh and Lin, 2014). Some MNCs displace local people from land and distort their livelihoods. For example, a consortium of MNCs namely ExxonMobile, Chevron Texaco and Petrons a Malaysian oil company, when undertaking the Chad-Cameroon Oil and Pipeline Project are said to have displaced people and compromised their sustainable livelihood, caused losses of farm land, degraded a forest that was home to the pygmies, a minority tribe; destroyed their Social ties and survival mechanisms, polluted drinking water through oil leakages from a pipeline that was constructed underground (Sikka, 2011a).

Box 4: How FDI compromises environmental protection in host countries

> *"….. an ExxonMobil executive was quoted as saying to Wall Street Journal (October 14, 1997) that "Poor developing countries cannot afford environmental protection. If they insist on such measures, foreign investment might go elsewhere" (Environmental Defense Fund, 1999, p. 2)*

(Sikka, 2011a) *pg. 4*

This points to the impact FDI has on the environmental protection policy and standard formulation, implementation and compliance in the host countries. ExxonMobile is a member of a consortium of MNCs that implemented the Chad-Cameroon oil and pipeline project, a project considered to be one of biggest of the kind in Africa. Another example to this effect is provided in (EIA, 2003) cited in (Asiedu, 2006) whereby, foreign oil Companies caused adverse environmental impacts in Nigeria. Also in Owino Uhuru community in Kenya, a lead smelting investment by Indian investors caused poor health and death of community members due to lead poisoning (The inside story plague for profit, 26th April 2015, Factory Poisons Community, June 23, 2014).

The negative impact on the environment has been made possible by the host governments' connivance with the NMCs through corrupt tendencies to bypass the implementation of environmental protection or restoration measures. Also MNCs from developed countries ride on the fact that developing countries are too poor to forego the material gains from foreign subsidiary establishments, for the sake of conserving the environment. It is questionable as to whether the prices paid by the extractive or primary MNCs for the non-renewable resources from host countries are worth it, or as to whether, the MNCs would pay for the cleanup of the environmental damage caused to the host countries during such activities as mineral extraction and drilling, and industrial waste disposal, or take up restoration of the degraded vital ecosystems during the execution of their investment priorities (Cohen, 2007). Natural environment and environmental pollution are important to the quality of life measurement (Ballas, 2013) and given the fact that quality of life is synonymous to happiness (Veenhoven, 2012), it means that compromising environmental quality compromises the country's happiness. In the same line, livability of the environment is a key condition for happiness (Veenhoven, 2009), this means by affecting the natural environmental status, FDI are potentially affecting chances of host countries to be happy. Relatedly, research has shown that high pollutant prevalence in a region negatively affects the area residents' self-reported well-being, and life satisfaction which is indicative of impact on happiness (Luechinger, 2010).

Good governance, rule of law and the quality of state government institutions have gained importance in the field of economics. The ideas have been consequent of happiness research findings that the quality of governance has significant effect on wellbeing of individuals (Frey and Stutzer, 2002)

Box 5: Influence control of corruption and other governance indicators on happiness

> *"research for 49 countries in the 1980s and 1990s suggests that there are substantial wellbeing benefits from factors such as improved accountability, effectiveness and stability of government, the rule of law and control of corruption. The data show that the effects flowing directly from the quality of institutions are often much larger than that which flows through productivity and economic growth" (John Helliwell, 2011)*

(Frey and Stutzer, 2002) *pg 402-pg. 403*

This shows national governments need to pursue good governance and rule of law if they wish to lift their economies to the top positions within the global and/or regional happiness rankings of countries. Research has shown correlation between technical and democratic quality of government and the happiness of countries (Ott, 2010). Also control of corruption

has been considered as important and of positive correlation with happiness (Veenhoven, 2010, Tavits, 2008, Tay, Herian, et al., 2014) . However, FDI in as much as it is beneficial in terms of material benefits; it seems to be interfering with this pre-requisite for happiness. MNCs tend to compromise citizens efforts against corruption by conniving with corrupt government leaders mainly heads of states to sign confidential agreements which leaves the stakeholders and citizens unaware of the financial returns to the country and are isolated from FDI engagement decisions (Sikka, 2011a). The denial of citizens to participate in decisions that affect them affects their happiness, since participation is a very important determinant of happiness (Frey and Stutzer, 2002). This lack of transparency often leaves the resultant revenues to the host country misappropriated, not serving to provide services to the people. At times when the citizens contest against the mistreatment and other negative externalities as human rights abuse and environmental degradation, they are beaten up and manhandled by police; an indicator of lack of rule of law. In areas where this occurs, in order to hold the MNCs accountable for example on accounts of human rights abuse, the cases are adjudicated in the international courts (Sikka, 2011a) which are at times resident in the western countries where the MNCs are headquartered. This farther constrains the host countries opportunity to develop the legal institutional capacities as well as its motivation to those intending to seek such justice. The more reason why this would strongly affects the happiness of developing countries is that, being poorer than western countries from which most of the MNCs are headquartered, they relatively have weak bargaining power to engage the MNCs to ensure mutual benefits are attained from the FDI. Additionally, the MNCs have strong backing of their rich national governments which in the end cascades into unequal gains between the home and host countries. For example it is noted that;

Box 6: Unequal gains from FDI by the host and home countries

"It is worth noting that Exxon's 1996 revenues of $ 134.2 billion were 26 times greater than the GDP of Chad. In 2008, Chad and Cameroon had estimated GDP of $ 6.7 billion and $1.8 billion respectively compared to ExxonMobile sale revenues of $443 billion

(Sikka, 2011a) *pg.11*

Indirectly, the effect of FDI on rule of law and governance can cost the home country, the intended benefits. Studies show that FDI affects control of corruption of host countries; with some suggesting that inward FDI can reduce corruption through coming along with good corruption control practices that get adopted by the host country (Kwok and Tadesse, 2006), and other believe that MNCs tend to worsen corruption by adapting to the host country corrupt systems (Larrain and Tavares, 2004). Due to citizens and stakeholders' such as civil society and parliament's pressure on the government, the foreign investments might be nationalized fully or through concessions to citizens. In such scenarios they could lead to change in anticipated revenues and costs to the MNC and the home country. In some countries due to citizens protests and activism, the foreign investments can be nationalized, assets confiscated and with no, or delayed compensation to the investors. Since this could affect incomes, employment and GDP of home country, it would in one way another impact on its happiness.

GDP increase though contestable as to whether it improves happiness of countries (United Nations, 2013, United Nations General Assembly, 19th July, 2011) is another impact of FDI that can impact on happiness of countries. Also, according to the results of Gallup report in (Deaton, 2008b) countries with high GDP per capita had high levels of life satisfaction range of 7.5-8.5, as compared to low income Sub- Sahara African countries, Cambodia and Haiti which had low reported life satisfaction levels of 3.1-4.5. This means that high GDP is influential for countries' happiness. FDI through its effects on countries imports and exports and improved trade, productivity of local firms and labour and economic growth, technology transfer and improved efficiency influences GDP (Cohen, 2007, Hanousek, Kocenda, et al., 2011, Adams, 2009, Adams, 2009, Alfaro, 2003, Lipsey, 2004, Dupasquier and Osakwe, 2006, Denisia, 2010, Linh and Lin, 2014, Ayanwale, 2007).

2.6.1 Spatial variation of FDI impacts on happiness across regions and types

The impact of FDI is not "the one size fits all" type. It can have different impacts in different regions and countries of the world. This arises from the fact that different areas of the world have different social, economic and political environments that influence how the FDI works.

Box 7: Variation of FDI across countries

> *"FDI into European emerging markets was not uniform. FDI had different effects in different countries due to the variety of policies for attracting FDI (Demekas et al., 2007) and varying initial conditions (Bijterbosch and Colasa, 2012)*

(Hanousek, Kocenda, et al., 2011)*Pg.22*

It is believed that the FDI in the primary sector is much more related with negative effects on host countries than the manufacturing and services FDI (Cohen, 2007, Adams, 2009, Alfaro, 2003). The primary sector FDI has been more associated with such effects as environmental degradation and pollution, child labour and abuse of human rights and triggering of corruption and abuse of rule of law. It is also pointed out by (Hirschman, 1958) cited in (Denisia, 2010) that the primary sector FDI has more negative impacts than positive ones. However, even within the same sector of FDI, the impacts can vary depending on the institutional capacity of the host country (Cohen, 2007, Sikka, 2011a). Such variation in the impact of FDI on country to country basis has also been attributed to variation in countries' policy environment with regard to attracting diversity of FDI as well as ability to harmonise FDI with local investments (Adams, 2009). For example even with the primary FDI or resource seeking FDI, it is likely that the impacts will vary depending on the aggressiveness of the host government; in a case where there is strong civil society and media influence, a fair share of the benefits between the NMCs and the host countries is possible (Sikka, 2011a).

Relatedly, in least corrupt countries, the benefits would be more than in more corrupt countries with dictatorial tendencies and minimum citizen participation. Also the impact of FDI can vary with the type and sector of investment (Cohen, 2007, Chakraborty and Nunnenkamp, 2008); for example, services FDI have been upheld for more job creation than other types of FDI (Cohen, 2007).

Another form of variation of the impact of FDI impacts is between the host and the home country. One type considered good in one aspect to the host country could be considered of negative effects to the home country. For example while the efficiency seeking FDI has faced criticisms of trade unions for shifting jobs abroad and causing unemployment back home, they have been credited for employment creation in the home countries where they establish subsidiaries in search of labour cost minimization. Also market seeking FDI have been proved to be of more significance to host countries in terms of fetching capital, new technologies, skilled jobs, tax revenue, more foreign exchange and improved efficiency of local firms. Market seeking FDI are said to have more advantages for the host country than any other form of FDI (Cohen, 2007).

Also resource seeking FDI negatively impact on host countries by exporting their products abroad or back home and they are considered important for the provision of raw materials to the home country industries; also their payment of very low wages to local workers in the host country could be intended to benefit home countries as they maximize profits for repatriation to home country (Cohen, 2007, Lipsey, 2004).

All in all there is no single impact of FDI on countries that is specifically related to a single sector or type, but rather it depends on country specific conditions (Cohen, 2007) and reasons of investment by the foreign investing company (Driffield and Love.H.James, 2007); This implies that in pursuit of happiness from FDI, countries need to legislate on policies customised to the type specific FDI and impacts that are important in their socio economic contexts.

Box 8: Justification of the need to disaggregate FDI for better analysis of its impact

> "FDI as a process and multinational corporations as corporate entities are heterogeneous phenomena and as such their nature and impact should be assessed on a disaggregated basis. Any individual foreign subsidiary can have a good, bad, neutral or uncertain impact or some combination of the four. Effects will likely differ between host and home country. It all depends on specific circumstances".

(Cohen, 2007) **Pg. 336**

2.7 Main conclusions from the review of literature

1. There are academic researches that explain happiness and the different factors that influence it.
2. There is literature on FDI; its categories and effects on different sectors of both host and home countries.
3. The effects of FDI vary according to types of FDI and from one country to another

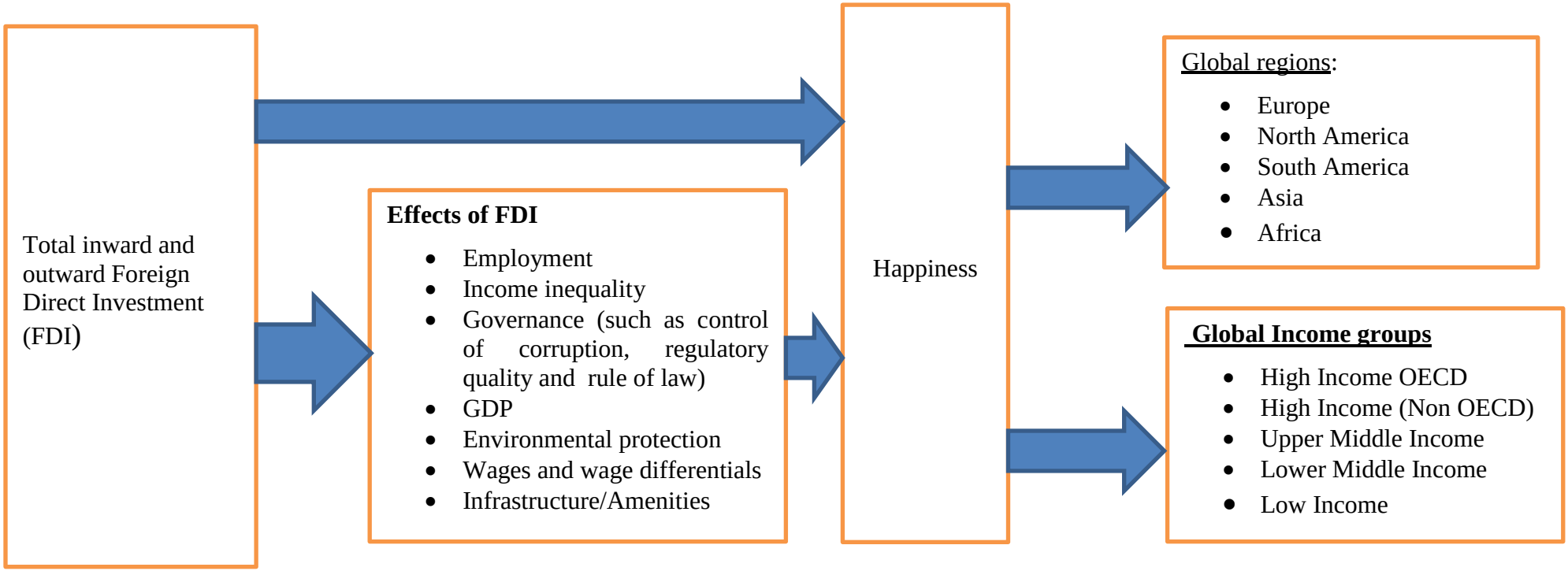
4. No existing research could be found on impact of FDI on happiness.
5. The impact of FDI on happiness of countries is implied within its effects on phenomena that are according to happiness literature considered indicators of happiness. These indicators include employment, income, governance, environment, economic growth GDP.

It was found worthwhile to study through this research the impact of FDI on happiness given the fact that in the literature it came out that FDI indirectly affects happiness; by affecting key indicators of happiness. However, this research worked to find out whether also a direct impact of FDI on happiness existed.

Therefore based on existing, theory, both FDI and happiness are vital for the development of countries. Although the literature FDI and happiness exists independent of each other, there is an implied relationship between the two phenomena. One of such relationships is that they have all been acknowledged as important for the attainment of the development needs of the countries. While FDI has been recognised and taken up as a strategy to lift countries out of poverty, happiness has been recognised as an important measure for ensuring such national and regional poverty reduction targeted programs not only lead to quantitative growth but rather qualitative gains in form of improved quality of life of the citizens.

Therefore, this research conceptualized that inward and outward FDI have both direct and indirect influence on the happiness of countries; of which the indirect one is overriding in the existing literature, while the direct one has least or not been established. The indirect one appears to be through the influence FDI has on major indicators of happiness like GDP, employment and control of corruption. Additionally, the impact of FDI on happiness varies across geographical boundaries. Thus, following existing theory, the study looked at the direct and indirect impact of inward and outward FDI on happiness of countries, as well as the spatial variation of such impact as has been established herein. The conceptual framework that was followed by this research is presented in figure 1 below.

Figure 1: Conceptual Framework



Source: Author (2015) conceptualization of the impact of FDI on countries' happiness (2015)

Chapter 3: Research Design and Methods

3.1 Introduction

This chapter operationalizes the conceptual framework, identifies and defines the main variables of this research as well as define the strategy, data collection and analysis techniques that this research will take in a bid to establish the impact of FDI on happiness.

3.1.1 Revised Research questions

The research questions remained changed.

3.1.1.1 Main Research Question

To what degree does inward and outward Foreign Direct Investment (FDI) influence Happiness of countries?

3.1.1.2 Specific Questions

1. Does FDI directly influence happiness of countries?
2. Does inward and outward FDI influence indicators of happiness implying an indirect influence of FDI on happiness?
3. To what degree does the direct and indirect influence on happiness vary across regions?

3.1.2 Operationalization: Variables and Indicators

In this research, Happiness is dependent variable(y) and FDI independent variable(x). FDI is defined as; a situation that takes place when a Multi-National Corporation (MNC) from one country establishes a business in another country through setting up a new wholly owned affiliate or acquiring a local company or forming a joint venture(Moran, 2012) and the MNC has total control over the investment (Shenkar, 2007), whereas happiness, will take the definition of Veenhoven and will refer to; the extent to which an individual is satisfied with his/her life as a whole and/ or the extent to which one judges his life favourably (Veenhoven, 2012).

The y-variable was the happiness scores of countries also referred to as ladder score at analysis and in the findings. These scores were derived from the World Happiness Report of 2015 (John F.Helliwell, Layard, et al., 2015). However, in order to determine as to whether FDI has an indirect impact on happiness, foreign direct net inflows and foreign direct outflows were also at some point in the analysis used as y-variables.

The x-variables in this study included foreign direct investment (FDI) net inflows, foreign direct investment outflows, carbon emissions, Gross Domestic Product (GDP), Exports as percentage of GDP, Corruption, regulatory quality, unemployment, electric power consumption per capita, total population, urban population and land area. Also, establish as whether the impact of FDI on the happiness of countries, variables of continents and income groups were factored in as x-variables. Dummy of continents namely Europe, North America,

South America, Asia and Africa were created under which countries of analysis were categorised. In the same way a variable of income groups namely; high income OECD, high income non OECD, upper middle income, lower middle income and lower income were created; under which countries were categorized to know how influence of FDI varies across countries with different income status. These classifications were adopted from world development indicators by World Bank (World Bank, 2015). Total population, urban population, electricity power consumption per capita, percentage of total population with access to safe water source and land area were used as control variables. Access to a safe water source and electric power consumption per capita were used as controls in the area of infrastructure.

The data on FDI net inflows, foreign direct investment (FDI) net inflows, carbon emissions, Gross Domestic Product per capita (GDP), Exports as percentage of GDP unemployment, electric power consumption per capita, total population, urban population and land area was derived from the world development indicators; a database by World Bank (World Bank, 2015), while that on Corruption and regulatory quality was extracted from Worldwide Governance Indicators (WGI) (Kaufmann, Kraay, et al., 2011) , and FDI outflows data was got from the United Nations Trade and Investment report (UNCTAD, 2015). Data on both Y and X variables used by this research covered the period of six years running from 2008-2013 for which panel was constructed. (See table in Annex 1).

Model of Data Analysis

This study took the form of panel data analysis and used the random effects model to analyse the relationship between the y and x variables. The random effects model; a model that that is built on an assumption that the inter entity differences are not correlated with the independent variables but rather have an impact on the dependent ones (Torres-Reyna, 2007). It is denoted by the equation below;

$Yit = \beta Xit + \alpha + uit + \varepsilon it$, whereby uit and εit represent the between entity error and within entity error respectively, Yit= the dependent variable; i=entity and t=time, X= independent variable (Torres-Reyna, 2007)

The details on how the indicators and variables of this research were operationalized are summarized in annex 1.

3.1.3 Research Strategy

Since the effect of FDI on happiness seems to be indirect according to the literature, after the analysis of the direct effect of FDI on happiness, another analysis was done to find out whether FDI also influences happiness indirectly through intermediate variables. In this set of analysis, FDI net inflows and FDI out flows were set as the y-variable depending on the x-variables specified above.

Secondary data analysis was used in this research study. This approach was aimed at enabling selection of a larger sample size that would make generalization of the study to many other countries in areas of policy influence viable. It was cost and timeframe friendly given the wide geographical scope of the research and also made available data on the y and x variables for many years that enabled construction of a panel of data from the existing data bases.

3.1.4 Data preparation

Data on the y and x variables was down loaded from different databases and integrated into one, to ensure it was in marching formats' analysable by the analysis software (stata). The integration was also aimed at harmonizing the data from different sources for it to be in same units of measurements and style. The data was prepared and integrated in an excel file and later exported to stata, a program that was used for the analysis.

3.1.5 Validity and Variability

The data bases used have proven to be authentic and reliable given the fact that they have been used in other academic and policy related publications. For example the Gallup happiness database has been used in the publication of the world happiness report for the year 2015 (John F.Helliwell, Layard, et al., 2015), which report has not only been adopted by the countries, but by renowned organizations as the United Nations. Also the data on X- variables was from the database by World Bank whose credibility as an institution is not questionable and has stood the test of time. Validity of the analysis results was ensured by eliminating any anomalies in the data, through descriptive statistics like tabulation and summarizing in order to check for outliers and missing data before regression. VIF test was done on the variables aimed at eliminating those that exhibited multicolliniality; at the onset of analysis VIF test was done and all variables with a VIF of more than 10 were left out of the analysis. Still aimed at ensuring validity of the findings, a hausman test was done to enable the rightful choice of panel data analysis model for this study. It was done to determine as to whether the ideal model was fixed effects or random effects; and consequently the random effects was found appropriate (Torres-Reyna, 2007). On the same note, log versions of the variables that proved not to be evenly distributed were created in order create a normal distribution of the variables in question. Also control variables were factored in, in order to effectively understand the extent to which change in y -variables is attributable to x-variables.

Chapter 4: Research Findings

4.1 Introduction

This chapter is a presentation of the findings of analysis done seeking to explain the impact of FDI on the happiness of countries in general as well as the spatial differentiation of such impacts in the context of continents and income groups to which the studied countries are categorised (World Bank, 2015). The study included the analysis of the direct impact of FDI on happiness as well as whether FDI indirectly impacts on countries happiness through such factors as employment, good governance which looked at from the angle of corruption and regulatory quality, GDP, trade and export and carbon emissions. The analysis took into consideration the two categories of FDI namely inward and outward FDI and how they influence happiness directly and indirectly as well as generally and also in different regions of the world. The descriptive statistics on the indicators studied are summarized in Annex 2.

4.2 Study sample description and procedure of analysis

The study sample included 78 countries of which 20 from Europe, 10 from North America, 9 from South America, 24 from Asia and 14 from Africa and 1 from Australia (Maps of World,

8/3/2013). In the context of income groups, of the 78; 16 are High income OECD countries, 4 are High Income None OECD countries, 21 are Upper middle Income countries, 25 are Lower middle Income countries and 12 are low income countries (World Bank, 2015). The full list of the 78 countries and details of which country belongs to each of the groups is detailed in the Annex 3.

The analysis of data whose findings are presented in this chapter followed a procedure that is presented in Anne 4.

4.3 Findings from the analysis

Table 2: Direct impact of FDI on Happiness of countries (world level)

	(1) Life ladder (Happiness)	(2) Life ladder (Happiness)	(3) Life ladder (Happiness)	(4) Life ladder (Happiness)	(5) Life ladder (Happiness)	(6) Life ladder (Happiness)	(7) Life ladder (Happiness)	(8) Life ladder (Happiness)	(9) Life ladder(Happiness)	(10) Life ladder (Happiness)
LogFDI outflows (Outward FDI)	-0.00 (0.02)	-0.03** (0.02)	0.01 (0.02)	0.01 (0.02)	0.02 (0.03)	-0.00 (0.03)	-0.03 (0.03)	-0.04 (0.03)	-0.04 (0.03)	-0.05 (0.03)
logFDI net inflows (Inward FDI)	0.04 (0.03)	-0.03 (0.03)	0.06* (0.03)	0.06** (0.03)	0.01 (0.04)	-0.01 (0.04)	-0.03 (0.04)	-0.01 (0.04)	-0.01 (0.04)	-0.02 (0.04)
logGDP		0.60*** (0.06)								
Log Land Area (Country size)			0.01* (0.00)	0.01* (0.00)	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)
logTotal population (Population size)			-0.17** (0.08)	-0.17** (0.08)	-0.11 (0.08)	-0.06 (0.07)	0.00 (0.08)	-0.00 (0.08)	0.00 (0.08)	0.09 (0.08)
Unemployment				0.00 (0.01)	-0.00 (0.01)	-0.02 (0.01)	-0.01 (0.02)	-0.01 (0.02)	-0.01 (0.02)	-0.02 (0.02)
logCO2 emissions					0.43*** (0.08)	0.31*** (0.08)	0.21* (0.11)	0.09 (0.14)	0.10 (0.14)	-0.01 (0.14)

corruption (Control of corruption)						0.02*** (0.00)	0.01*** (0.00)	0.01** (0.00)	0.01* (0.01)	0.01 (0.01)
Electric power consumption							0.00** (0.00)	0.00** (0.00)	0.00** (0.00)	0.00* (0.00)
Water source								0.02 (0.01)	0.02 (0.01)	0.01 (0.01)
Regulatory quality									0.00 (0.01)	0.00 (0.01)
Urban population										0.02*** (0.01)
Constant	5.29*** (0.31)	8.73*** (0.45)	5.66*** (0.38)	5.67*** (0.41)	11.78*** (1.16)	9.44*** (1.17)	7.66*** (1.67)	4.35 (2.93)	4.31 (2.93)	2.34 (2.90)
Observations	354	353	348	348	174	174	160	154	154	154

Standard errors in parentheses
* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Source: Author (2015) results from regression analysis using Stata (2015)

4.3.1 Influence of FDI on happiness at Global level

When inward FDI and outward FDI were analyzed with happiness, both were insignificant for happiness of countries. When GDP was added as a control variable, outward FDI were found significant for happiness with a negative correlation. GDP was also very significant and positively correlated with happiness of countries implying an increase in countries' GDP leads to an increase in happiness and the reverse is true. The significant negative correlation of outward FDI with happiness denotes that, the more investments countries have outside their territories, the unhappier it becomes.

An analysis of inward FDI and outward FDI while controlling for land area, total population and unemployment, established that both outward FDI and inward FDI have a positive correlation with countries happiness. However, only inward FDI was significant, implying that the higher the inward FDI a country gets, the happier it becomes and also a reduction in a country's inward FDI would lead to a reduction in its happiness. Land area and total population were also significantly correlated with happiness of countries. Land area and population size was of positive and negative correlation with countries happiness. This means that the bigger the size, the happier the countries are, but the higher the countries' population, the unhappier they become.

Also the fact that inclusion of country and population size in the model changed the nature of outward FDI correlation from negative and significant to positive and insignificant, could mean that the impact of FDI on happiness of countries is very much influenced by the land area and population size.

Additional analyses that included other variables of carbon emissions (CO2), control of corruption, electric power consumption per capita, protected water source access, regulatory quality and percentage of urban population found both outward and inward FDI insignificant. Of these, CO2 emissions, corruption, electric power consumption per capita and urban population were found to be significantly correlated with countries' happiness. Electric power consumption was positively correlated with happiness implying that the higher the electricity power consumption by the citizens, the happier the countries become. Also there was a positive correlation of control of corruption with happiness implying that the higher the control of corruption, the happier the countries. It is important to note that control of corruption is in the unit measure of zero to a hundred (0-100), whereby zero and one hundred scores imply the most and least corrupt countries respectively. Relatedly, urban population which was controlled for in the analysis was found to have positive correlation with countries' happiness. This means that, countries' happiness increases with an increase in the percentage of its population living in urban areas. In other words, urbanization makes countries happy; an increase in a countries' level of urbanization would attract an increase their happiness. It implies that highly urbanized countries are happier than less urbanized countries whose majority of population lives in rural areas.

Although polluted environments have been linked to unhappiness of people (Luechinger, 2010), CO2 emissions, which are considered a form of pollution was significant for and positively correlated with happiness. This literally means the higher the emissions of carbon, the happier countries are; this could be attributed to the fact that some countries prioritize the quantitative gains like GDP over the costs of environmental pollution. Therefore in such a scenario as long as FDI leads to high incomes, countries would be happy despite the related increase in CO2 emissions. There is also likely that the high carbon emissions are positively

correlated with happiness out of the fact that in some countries especially developing ones there is lack of or inadequate awareness about the implications of carbon emissions and related effects on ozone layer depletion or global warming. Thus since CO2 emissions are a consequence of production processes that lead to high GDP, countries are happy amidst such costs. Countries' concern about O'zone layer depletion and related pollution has been established to be of negative correlation with subjective well-being, which well-being is synonymous with happiness. However this could also form a study on its own in future research.

The analysis also shows that unemployment has negative correlation with countries' happiness. This means that countries happiness increases with reduction in unemployment. This shows that employment makes countries happy and the opposite is true with an employment. However, the analysis at global level where the countries of study were aggregated together, unemployment was insignificant for happiness; it could have been due to the fact that, the extent and nature of the impact of unemployment varies across countries and combining all of them together underscores the significance. Later when countries were disaggregated into respective groups of levels of development, unemployment was significant.

Findings on the direct impact of FDI on happiness at an aggregated global level are summarized in table 2 above.

Table 3: Direct impact of FDI across countries of different wealth (income) levels

	(1) All countries	(2) High income OECD	(3) High Income non-OECD	(4) Upper middle Income	(5) Lower middle Income	(6) Low Income
	Life ladder (Happiness)	**Life ladder (Happiness)**	**Life ladder (Happiness)**	**Life ladder (Happiness)**	**Life ladder (Happiness)**	**Life ladder (Happiness)**
Log land area	0.01*	0.01***	-0.01***	0.01	0.01	-0.01
	(0.00)	(0.00)	(0.00)	(0.01)	(0.03)	(0.02)
logTotal population (country size)	-0.17**	-0.34***	0.37***	-0.07	-0.02	0.20*
	(0.08)	(0.08)	(0.09)	(0.25)	(0.14)	(0.11)
LogFDI outflows (Outward FDI)	0.01	0.09**	0.15***	-0.03	-0.04	-0.00
	(0.02)	(0.04)	(0.05)	(0.04)	(0.02)	(0.05)
logFDI net inflows (Inward FDI)	0.06*	-0.05	0.02	0.01	-0.01	0.08
	(0.03)	(0.04)	(0.05)	(0.06)	(0.07)	(0.08)
Constant	5.66***	8.77***	6.25***	5.60***	4.80***	3.23***
	(0.38)	(0.56)	(0.69)	(0.90)	(0.59)	(0.75)
Observations	348	69	23	110	104	42

Standard errors in parentheses
* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Source: Author (2015) results from regression analysis using Stata (2015)

4.3.2 Direct impact of FDI on happiness of countries of different wealth/Income levels

While controlling for land area and total population of the countries, and all countries in the study sample considered together, inward FDI was found to be significant for happiness, with positive correlation. This implies that an increase in a countries' inward FDI leads an increase their happiness. The outward FDI was also positively correlated with countries happiness but was not significant. Also significant were the control variables of land area and total population, with the former and the latter having positive and negative correlation with happiness respectively. (See table 3 above).

When disaggregated according to their levels of income namely; high income OECD, high income non OECD, upper middle income, lower middle income and lower income countries, the impact of FDI was observed to vary from one category of countries to another.

Outward FDI was found significant and positively correlated with happiness for the high income OECD countries, while for the same category of countries, inward FDI was negatively correlated with happiness and insignificant. This implies that happiness of these countries increases with an increase and decreases with a decrease in outward FDI. Also significant for this group of countries was land area and total population; land area was positively and total population negatively correlated with happiness.

For the high income non OECD countries, both inward and outward FDI were positively correlated with happiness. However, outward FDI was significant and outward FDI was insignificant. The significance of outward FDI implies that an in increase these countries' outward FDI would lead to an increase in their happiness and the reverse is true. However for this category of countries, land area was negatively while total population was positively correlated with happiness and both were significant. (See table 3).

FDI was found to have no direct correlation with, and insignificant for happiness of the countries in the upper middle income, lower middle income and low categories. The control variables of land area and total population were equally insignificant for these countries happiness, except for the low income category for which total population was positively correlated with as well as significant for happiness. Outward FDI was of negative correlation with and insignificant for happiness for upper middle, lower middle and low income countries. Inward FDI was found to be positively correlated with happiness but insignificant for the upper middle and low income countries, and negatively correlated with happiness and insignificant for the lower middle income countries. (See table 3).

Another analysis aimed at establishing the spatial variation of the impact of FDI across continents was done and the findings to this effect are summarized in table 4 below.

Table 4: Direct impact of FDI across countries in different continents

	(1)All countries **Life ladder (Happiness)**	(2)Europe **Life ladder (Happiness)**	(3)North America **Life ladder (Happiness)**	(4)South America **Life ladder (Happiness)**	(5)Asia **Life ladder (Happiness)**	(6)Africa **Life ladder (Happiness)**
LogLand area	0.01*	-0.01	0.01	0.01	-0.00	-0.03*
(Country size)	(0.00)	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)
logTotal population	-0.17**	0.19	-0.03	0.06	-0.18*	-0.10
(Population size)	(0.08)	(0.16)	(0.30)	(0.27)	(0.10)	(0.10)
logFDI outflows	0.01	0.03	-0.06**	-0.03	0.10***	-0.02
(Outward FDI)	(0.02)	(0.04)	(0.03)	(0.06)	(0.04)	(0.03)
logFDI net inflows	0.06*	-0.00	0.11	0.02	0.04	0.18***
(Inward FDI)	(0.03)	(0.04)	(0.14)	(0.08)	(0.05)	(0.06)
Constant	5.66***	5.69***	4.82***	5.54***	6.38***	3.55***
	(0.38)	(0.67)	(1.25)	(0.98)	(0.65)	(0.63)
Observations	348	93	44	35	119	54

Standard errors in parentheses
* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Source: Author (2015) results from regression analysis using Stata (2015)

4.3.3 Direct impact of FDI on happiness of countries in different continents

Inward and outward FDI were found to be insignificant for the happiness of countries in Europe and South America. However, outward FDI was negatively correlated with happiness for countries of South America, and of positive correlation with happiness for the European ones. Inward FDI on the other hand, was of positive correlation with happiness for South American countries, but negatively correlated with happiness of European countries. (See table 4 above).

Unlike for European and South American countries, FDI was significant and correlated with happiness for the North American, Asian and African countries. Outward FDI, though was negative and insignificant for Africa, it was found to be positively correlated with and significant for happiness of Asian countries as well negatively correlated with and significant for happiness of North American ones. This implies that for Asian countries, an increase in outward FDI leads to an increase in happiness, and a decrease in outward FDI leads to a decrease happiness. On the other hand, an increase in outward FDI leads to a reduction in the happiness of North American countries and vise versa. Inward FDI was positively correlated with happiness in North American, South American, African and Asian countries, but only significant for the African ones. This means for African countries, an increase in inward FDI leads to an increase in happiness and a decrease in inward FDI leads to a decrease in happiness. In other words, as African countries receive investments from other countries, their happiness grows positively. Unlike for the rest of the continents, inward FDI was negatively correlated with happiness of countries of Europe. (See table 4 above).

Also found significant for countries of the Asian and African continents was population and country size. Country and population size were of negative correlation with happiness of African countries and Asian countries respectively. (See table 4 above). This denotes that the bigger the country size the unhappier, and the smaller the country size the happier the African countries are. This meaning the size of the countries in African has a magnitude on their happiness. Relatedly, the negative significance of population size for the happiness of Asian countries is an indication that, the countries happiness dwindles with a growth in population size. This has an implication that for Asian continent, the smaller the population size, the happier the countries.

Country size was found to be insignificant for the happiness of European, North American, South American and Asian countries. This means, that for these continents, country size does not influence happiness. However, there were variations in the nature of relationship of country size and happiness in the continents where it was insignificant. It was positive for North America and South America, and negative for Europe and Asia. (See table 4 above).

Also for the continents of Europe, North America, South America and Africa, population size was found to insignificant for the countries happiness. Like country size, population exhibited variation in the nature of correlation with happiness despite the insignificance; it was of positive correlation for Europe and South America, but of a negative one for North America and Africa. (See anlysis results in table 4 above). The insignificance of population size for these continents signals that it does not influence happiness of the constituent countries.

Table 5: Indirect impact of FDI happiness of upper middle income countries

	(1)Upper middle income countries **Life ladder Happiness**	(2) Upper middle income countries **logGDP**	(3) Upper middle income countries **Unemployment**	(4) Upper middle income countries **logco2 emissions**	(6) Upper middle income countries **Electric power consumption**
Log land area (Country size)	0.01 (0.01)	-0.00 (0.01)	0.00 (0.07)	0.00 (0.01)	2.16 (18.30)
logTotal population (Population size)	-0.07 (0.25)	-0.03 (0.13)	-0.61 (1.28)	0.05 (0.21)	58.77 (340.56)
LogFDI outflows (outward FDI)	-0.03 (0.04)	0.04* (0.02)	0.20*** (0.07)	0.00 (0.02)	50.00 (38.84)
LogFDI net inflows (Inward FDI)	0.01 (0.06)	0.11*** (0.03)	-0.21** (0.11)	0.01 (0.02)	29.52 (40.44)
Constant	5.60*** (0.90)	-5.54*** (0.47)	13.03*** (3.71)	-12.85*** (0.63)	2186.60** (1095.27)
Observations	110	110	110	56	74

Standard errors in parentheses
* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Source: Author (2015) results from regression analysis using Stata (2015)

4.3.5 Indirect impact of FDI on happiness of regions disaggregated by level of development/income of countries

For the categories of countries for which FDI was found not directly significant for happiness, farther analysis was done to establish as to whether an indirect impact of FDI on happiness existed for such regions. These included upper middle income, lower middle income and low income countries as well as countries of the European, North American and South American continents. This was done by analysing the influence of those variables that were found to be significant for countries happiness at world level, in order know as to whether by influencing these variables; FDI was indirectly impacting on the happiness of these countries.

While controlling for country size and population, inward and outward FDI was found to have an impact on GDP and unemployment in the upper middle income countries (See table 5 above). Inward FDI and outward FDI was of positive correlation with GDP; meaning that an increase in inward FDI and outward FDI leads to an increase in GDP of these countries. Inward FDI was also negatively significant for unemployment in this classification of countries; an implication that an increase in inward FDI increases employment and reduces the percentage of the countries unemployed labour force. On the other hand, outward FDI was of positive correlation with unemployment, and it implies that unemployment increases with an increase outward FDI in the upper middle income countries. Relatedly, analysis in table 2 established that, there is a positive significant relationship between GDP, and happiness. Therefore FDI has an indirect correlation with happiness of upper middle income countries.

Outward FDI was also of positive significance for GDP and unemployment. Its positive significance on GDP and unemployment means that GDP and unemployment in these countries increases with an increase and decreases with an increase and decrease in outward FDI respectively. This implies that outward investments lead to high national incomes, but increase unemployment in the upper middle income countries. This could be due to fact that outward FDI causes the exportation of jobs abroad, leaving people unemployed in home country.

Both inward and outward FDI were found to have no significant influence on CO2 emissions and control of corruption in the upper middle income countries. However, their correlation with CO2 emissions and control of corruption was positive (see table 5 above). Also, when analysed with happiness, corruption was of positive correlation, meaning that as control of corruption increases, happiness also increases (see table 2).

Therefore, even if inward and outward FDI were found to have no significant direct correlation with happiness in the upper middle income countries, it was established that this correlation exists in an indirect way, through GDP and unemployment.

Table 6: Indirect impact of FDI on happiness of lower middle income countries

	(1)Lower middle income countries **Life ladder Happiness**	(2) Lower middle income countries **logGDP**	(3) Lower middle income countries **Unemployment**	(4) Lower middle income countries **logco2 emissions**	(6) Lower middle income countries **Corruption (control of Corruption)**	(7) Lower middle income countries **Electric power consumption**
Log land area (Country size)	0.01 (0.03)	-0.04 (0.03)	0.43* (0.25)	-0.02 (0.03)	0.16 (0.63)	-32.04 (41.28)
logTotal population (Population Size)	-0.02 (0.14)	0.10 (0.11)	-2.27** (1.07)	0.26* (0.14)	-1.00 (2.85)	64.65 (179.81)
logFDI outflows (Outward FDI)	-0.04 (0.02)	0.01 (0.01)	-0.08 (0.07)	-0.03* (0.02)	-0.30 (0.39)	6.55 (23.01)
logFDI net inflows (Inward FDI)	-0.01 (0.07)	0.09*** (0.03)	-0.63*** (0.20)	0.04 (0.03)	0.12 (1.08)	70.77* (37.39)
Constant	4.80*** (0.59)	-6.71*** (0.37)	17.19*** (3.14)	-14.88*** (0.46)	30.75** (10.63)	624.83 (577.58)
Observations	104	103	104	51	104	62

Standard errors in parentheses
* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$
Source: Author (2015) results from regression analysis using Stata (2015)

Although there was no significant direct relationship found between inward and outward FDI on happiness of countries in the lower middle income category, farther analysis found out that, there was an indirect relationship in this context. In these countries, inward FDI was found to influence happiness by impacting on GDP, unemployment, CO2 emissions and electric power consumption per capita. Inward FDI was found to have a positive and significant correlation with GDP and electric power consumption per capita, which means that as inward FDI increases, the countries' GDP and electric power consumption per capita increases. Also inward FDI was of negative significance on unemployment, meaning that an increase in the inward FDI results in a reduction in unemployment or an increase in employment. Unemployment was negatively correlated with happiness in earlier analysis. (See table 2).

Outward FDI was negatively correlated with CO2 emissions for the lower middle income countries (See table 6). This means an increase in the lower middle income countries' outward FDI, leads to a reduction in CO2 emissions and related pollution. Additionally, the control variables of country and population size were found significant for unemployment. The reduction in CO2 emissions as a result of outward FDI in these countries, could be due to the fact that countries establish production plants that are of potential high CO2 or environmental degradation nature in other countries to avoid the related adverse effects (Grimes and Kentor, 2003, Jorgenson and Kick, 2003).

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Summarily, there was no direct significant correlation of outward and inward FDI on the happiness of lower middle income countries (See table 6). However, findings show that there is such a correlation through GDP, unemployment, CO2 emissions and electric power consumption.

Table 7: Indirect impact of FDI on Low Income countries

	(1)Low income countries **Life ladder (Happiness)**	(2) Low income countries **logGDP**	(3) Low income countries **Unemployment**	(4) Low income countries **Corruption (control of corruption)**
Log land area (Country size)	-0.01 (0.02)	0.01 (0.04)	0.36*** (0.13)	1.71*** (0.34)
logTotal population (Population size)	0.20 (0.11)	0.14 (0.22)	0.77 (0.58)	3.12 (1.90)
LogFDI outflows (Outward FDI)	-0.00 (0.05)	0.04 (0.03)	-0.03 (0.03)	-1.56* (0.67)
LogFDI net inflows (Inward FDI)	0.08 (0.08)	0.22*** (0.05)	-0.14*** (0.07)	4.71*** (1.23)
Constant	3.23*** (0.75)	-8.68*** (0.89)	1.57 (2.27)	-50.42*** (11.88)
Observations	42	42	42	42

Standard errors in parentheses
* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Source: Author (2015) results from regression analysis using Stata (2015).

Analysis found no direct impact of inward and outward FDI on happiness of low income countries. Upon carrying out farther analysis, it was established that such an impact exists but in an indirect way. Analysis of inward and outward FDI influence on GDP, unemployment, CO2 emissions and control of corruption was done for these countries, while controlling for population and country size.

Outward FDI was found insignificant for GDP, unemployment and CO2 emissions, but was of negative significance for control of corruption in the low income countries (See table 7). This means that an increase in outward FDI by low income countries, comes with an increase in corruption or reduction in the control of corruption (note: control of corruption is measured on a scale of 0-100; with zero being the least level of control of corruption or most corrupt and 100 the best level of corruption control or least corrupt). On the other hand, Outward FDI was of an insignificant positive correlation with GDP and CO2 emissions, and of insignificant negative correlation with unemployment.

Inward FDI was found to be significant and of positive correlation with GDP and control of corruption, as well of negative and significant correlation with unemployment (see table 7). This means that an increase in inward FDI into low income countries comes with an increase in GDP, control of corruption and employment. This affirms that, despite FDI showing no direct significant correlation with happiness, it has an indirect correlation with low income countries' happiness through its correlation with GDP, employment creation and control of corruption.

Table 8: Indirect Impact of FDI on happiness of European countries

	(1) Europe **Life ladder (Happiness)**	(2) Europe **logGDP**	(3) Europe **Unemployment**	(4)Europe **logCo2 emissions**	(5)Europe **Control of corruption**	(6) Europe **Regulatory quality**
LogLand area (Country size)	-0.01	-0.01*	-0.01	0.00	-0.39***	-0.23**
	(0.01)	(0.00)	(0.03)	(0.00)	(0.12)	(0.11)
logTotal population (Population size)	0.19	0.22**	0.57	0.19*	4.98	2.28
	(0.16)	(0.11)	(1.04)	(0.10)	(3.39)	(3.08)
logFDI outflows (Outward FDI)	0.03	0.08***	-0.35	0.03	0.81	0.05
	(0.04)	(0.02)	(0.25)	(0.02)	(0.53)	(0.36)
logFDI net inflows (Inward FDI)	-0.00	0.05*	-0.48	0.02	0.21	0.22
	(0.04)	(0.03)	(0.30)	(0.02)	(0.61)	(0.41)
Constant	5.69***	-4.73***	10.50**	-12.81***	53.88***	63.27***
	(0.67)	(0.45)	(4.57)	(0.41)	(12.20)	(10.26)
Observations	93	93	93	46	93	93

Standard errors in parentheses
* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Source: Author (2015) results from regression analysis using Stata (2015)

At continent level, inward and outward FDI were found to have no significant direct correlation with happiness of European and South American countries. More analysis was done to see if FDI had an indirect form of influence on happiness in these countries. This was aimed at enabling appropriate conclusions and recommendations in the area of FDI and happiness.

For European countries, outward FDI had positive and significant correlation with GDP (See table 8 above); implying that the higher the outward foreign investments these countries make, the more GDP they have. Although the significance was not as strong as for the outward FDI, the FDI inflows were also of positive significant correlation with GDP of European countries. This implies that, although European countries' GDP could be much more attributable to outward FDI, the increase in inward FDI also leads to an increase in these countries' national incomes, and a related decrease leads to a reduction in their GDP. Comparatively, GDP was found to be significant for happiness of countries (see results in table 2), meaning the higher the GDP countries have, the happier they become and the lower the GDP, the unhappier they get. In the absence of a direct correlation of with happiness, FDI has such a correlation through its influence on GDP, which was found to be strongly correlated with happiness.

Both FDI inflows and outflows were found insignificant for unemployment, Co2 emissions, control of corruption and regulatory quality in countries of the European continent. (See summary findings in table 8). This means that FDI does not influence the happiness of the European countries through such factors as employment creation, increased carbon emissions and related pollution, and corruption control. However, both FDI inflows and outflows were of negative correlation with unemployment, and of positive one with CO2 emissions, control of corruption and regulatory quality. (See table 8). This insignificance could have been as a result of aggregation of countries of different levels of development at continent level, as well as aggregation of the inward and outward FDI as total. It is likely that the influence of FDI on employment creation, carbon emission levels and control of corruption would vary depending on the level of development of the countries and with the sector of FDI. As pointed out under the scope and limitations of this research, this disaggregation in this context was not possible due to lack of data on FDI by sectors. Also disaggregation of countries under the continent into matching income level groups was impossible due to the fact that the number of countries and related observations in the study sample was not enough to effect such disaggregation; it would lead to insufficient observations and compromise reliability of the statistical findings.

While analyzing the indirect impact of FDI on happiness for the countries of the continent of Europe, total population and land area were controlled for. Land area was significant and negatively correlated with GDP, corruption and regulatory quality (See table 8). This means GDP reduces with the increase in size of the countries, the bigger the country size the less the control of corruption and regulatory quality. Population size was positively correlated with and significant for CO2 emissions, implying that for European countries, CO2 emissions would increase with an increase in population size.

Therefore when considered from a general perspective, FDI has no correlation with happiness, but rather an indirect one through its correlation with the European countries' GDP, which is significantly correlated with happiness (See table 2 above).

Table 9: Indirect impact of FDI on happiness of South American countries

	(1) South America **Life ladder (Happiness)**	(2) South America **logGDP**	(3) South America **Unemployment**	(4) South America **Corruption (Control of corruption)**
Logland area (Country size)	0.01 (0.01)	-0.02 (0.02)	-0.01 (0.05)	0.69** (0.33)
logTotal population (Population size)	0.06 (0.27)	0.63 (0.43)	1.11 (1.23)	-11.59 (7.70)
logFDI outflows (Outward FDI)	-0.03 (0.06)	-0.06 (0.05)	0.20 (0.21)	-1.12 (1.39)
logFDI net inflows (Inward FDI)	0.02 (0.08)	0.16*** (0.05)	-0.43* (0.23)	1.30 (1.57)
Constant	5.54*** (0.98)	-8.38*** (1.18)	8.33* (3.81)	44.02* (24.68)
Observations	35	35	35	35

Standard errors in parentheses
* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Source: Author (2015) results from regression analysis using Stata (2015)

As it was the case with Europe, there was no significant direct impact of FDI on happiness of South American countries. However, this was not left that, farther analysis was done to ascertain whether FDI had an influence on other indicators important for the happiness of countries. This involved analysis of the impact of inward and outward FDI on these countries' GDP, unemployment and control of corruption. Inward FDI was significant for and positively correlated with GDP (see table 9). It implies that for this continent, the more investments they receive from other countries, the higher the GDP. Also the inward FDI was negatively and significantly correlated with unemployment (see table 9); an implication that for the South American countries, inward FDI comes with employment creation given that an increase in inward FDI would lead to a reduction in unemployment. Analysis did not find significant correlation of inward FDI with countries control of corruption. All considered together, inward FDI was found indirectly correlated with happiness of South American countries through GDP and employment.

Outward FDI on the other hand, was of found insignificant correlation with GDP, unemployment and control of corruption for the South American countries. Its correlation was negative with GDP and control of corruption, and positive for unemployment.

Country and population size were controlled for in this analysis. Country size was significant and of positive correlation with control of corruption, and insignificant negative correlation with GDP and unemployment.

Population size was insignificantly correlated with GDP, unemployment and control of corruption. However, it was of negative relationship with control of corruption and positive for GDP and unemployment.

Generally, the analysis unearthed that despite lack of direct correlation of FDI with happiness of the South American countries, there is still a far reaching indirect correlation to this effect, through the influence it exerts on GDP and unemployment. GDP was proven to be of strong direct significance for happiness of countries in the earlier analysis. (See table 2). Although unemployment doesn't appear to be significant for happiness in table 2, it is negatively correlated with happiness; meaning a reduction in unemployment would lead to reduction in unemployment. This rhymes with the nature of correlation of inward FDI and unemployment in South America, since it was also of negative correlation. This finding also resonates with existing theory that positively associate employment with happiness (Frey and Stutzer, 2002, Ballas, 2013, Erdogan, Bauer, et al., 2012, Clark and Oswald, 1994).

Chapter 5: Conclusions and recommendations

5.1 Introduction

This chapter is a presentation of the discussion of the findings of this research in the context of the existing theory on happiness and FDI as well as the objectives and questions that this research set out to answer.

This research aimed at explaining the impact of FDI on the happiness of countries. The need arose from the growing need at both global institutions and national governments to make an effort to measure performance of development programs based on their contribution to quality of life other than use of only quantitative means that emphasize use of GDP.

It set out to find out whether FDI has direct and indirect influence on happiness of countries, and as to whether such influence varied over space and with inward and out ward FDI.

5.2 Direct impact of FDI on happiness of countries

The study established that there exists a direct influence of FDI on happiness of countries, generally at world level whereby all the 78 countries in the study sample were considered together in the analysis, and also in a regional disaggregated context.

5.2.1 Direct impact at world level

At world level, inward FDI was found impactful for the happiness of countries with a positive correlation. The outward FDI was not significant though positively correlated with happiness. This means from a general global perspective, countries derive more happiness from FDI inflows than from the FDI outflows. In other outwards, FDI was found not important for and of no influence on countries' happiness when considered in an aggregated way at a global level.

5.2.2 Direct impact of FDI on happiness of countries of different wealth/income level

Outward FDI was found to be directly impactful on the happiness of high- income- OECD and high income-non-OECD countries. This was deduced from the fact outward FDI was significant and positively correlated with happiness of these countries. This means for these countries, investing or establishing subsidiaries in other countries outside their territory, makes them happy. Also it is important to note that the happiness of these countries is not influenced by inward FDI; inward FDI was insignificant for the happiness of these high income countries. Therefore, this means only outward FDI makes the high income countries happy. It is believed that high income countries tend to use outward investments as an alternative outlet for their highly polluting and environmental degrading enterprises; they tend to establish such businesses or production plants in low income countries with minimal or no strict environmental controls (Grimes and Kentor, 2003, Jorgenson and Kick, 2003). This could be the reason why outward FDI makes high income countries happy; it earns them income alongside relieving them of pollutants.

For the upper middle, lower middle and low income countries, neither outward nor inward proved to be of influence on their happiness. Possibly it could have been as a result of the fact that within of these categorizations, there are variations at individual country level, in terms of level of development and income. It could also be that looking at FDI in an aggregated form is not ideal to bring out its actual impact in these regions, since such impact is believed to vary with variation in FDI sectors; namely primary, manufacturing and services FDI (Cohen, 2007, Sikka, 2011a, Denisia, 2010, Chakraborty and Nunnenkamp, 2008). While for this research effort was made to disaggregate countries per continent into high, middle and low income, it was not possible to effect the disaggregation of FDI into component sectors, due to inability to find data to this effect. For any related future research, this needs to be done as it would possibly add value to the findings.

5.2.3 Direct impact of FDI impact on different continents

With countries aggregated at respective continent level, both inward and outward FDI were not of significant impact on happiness of countries in the continents of Europe and South America. With consideration of the analysis findings at this level, it is evident that FDI does not have a direct impact on happiness of European and South American countries. However, it could be due to the fact that for any given continent, the constituent countries are at different levels of development and when they are aggregated together, the significance ceases to be. It could also have been due to the fact that the impact of FDI on happiness in these continents is more of an indirect than a direct one. However, at a later stage in this chapter it will be noticed that, the analysis of the effect of FDI on key indicators that influence happiness like GDP, control of corruption and unemployment was done for European and South American countries; it made a difference in the results by unearthing an indirect impact to this effect.

FDI was found to be with a direct impact on the happiness of North American, Asian and African countries (see table 4). This follows the fact that outward FDI was of positive correlation with happiness of Asian continent; meaning outward FDI makes Asian countries happy. It implies that Asian countries are happier investing in other countries than receiving or hosting investments of MNCs from other countries. Conversely, for the North American countries, outward FDI was significant and negatively correlated with happiness of countries. This means that unlike for Asian countries, an increase in outward FDI comes with a reduction in the happiness of North American countries. It signals establishing and operating investments beyond their sovereign territories, makes countries of the North American continent unhappy. However, the situation was the reverse for the countries of the African continent, as their happiness was found to be positively impacted on by inward FDI. This denotes that African countries become happier with hosting or receiving investments by MNCs from countries outside their territories, than when they invest in other countries.

5.3 Indirect impact of FDI on happiness of countries

For some categories of regions, analysis did not find direct correlation and related impact of both inward and outward FDI on happiness of the constituent countries. The categories of countries for which there was no direct impact of FDI on happiness include: the continents of Europe and South America and also, the upper middle income, Lower middle income and Low income countries. Farther analysis was done for these regions to find out whether there existed an indirect impact of FDI on happiness of member countries. This was motivated by the fact that existing studies indicate that FDI influences such factors as employment (Cohen, 2007, Dupasquier and Osakwe, 2006, Denisia, 2010, Braconier and Ekholm, 2000), GDP (Linh and Lin, 2014), governance factors namely corruption and quality of government, and environmental pollution (Asiedu, 2006, Factory Poisons Community, June 23, 2014) in the host and home countries of FDI by MNCs. At the same time, existing studies on happiness indicate that GDP (Deaton, 2008b), employment, control of corruption (Frey and Stutzer, 2002, Veenhoven, 2010, Tavits, 2008, Tay, Herian, et al., 2014) and pollution (Luechinger, 2010) influence happiness. Therefore, effort was made to find out as to whether FDI influences happiness through these factors in each of the regions where a direct relationship was not found between FDI and happiness.

5.3.1 Indirect impact of FDI on happiness of European countries

When analysis of the impact of direct impact of FDI on European countries was done, findings showed that neither in ward nor outward FDI was significant for the countries' happiness. In response, another analysis was done to find out as to whether FDI impact in this context was indirect (see table 8). It was done by analyzing the impact of inward and outward FDI on GDP, unemployment, CO2 emissions, control of corruption and regulatory quality; which have been proven to have an influence on happiness. Outward and inward FDI were found to be of positive correlation with GDP (as shown in table 8). This means that outward and inward FDI positively influences GDP of European countries. Relatedly, other studies have also shown correlation of FDI with GDP (Cohen, 2007, Doytch, Thelen, et al., 2014a, Linh and Lin, 2014) . The more European countries invest in other countries, the higher their GDP and also, the more the investments by MNCs from outside, European countries receive, the happier they become. This matched with existing studies that show positive correlation of GDP with happiness of countries (Deaton, 2008a, Oishi, Diener, et al., 1999). Also an earlier analysis done by this study (table 2 in chapter 4**),** established that there is a strong positive correlation between countries' GDP and their happiness. It can be concluded from this therefore that for the European countries, outward and inward FDI have an indirect impact on and influences happiness. This indirect influence is through impacting on the countries' GDP. However, it was importantly noted that the significance of outward FDI on GDP of countries of the European continent was far more stronger than that of inward FDI; meaning that these countries derive more GDP and resultant happiness from outward investments than from inward ones. Also noted for Europe is that FDI did not exhibit any significant correlation with unemployment, CO2 emissions, corruption and regulatory quality. Therefore based on this study, unless proved otherwise, any unhappiness arising from these factors cannot be attributed to FDI.

5.3.2 Indirect impact of FDI on the happiness of South American countries

While FDI did not show a direct impact on happiness of South American countries, it exhibited an indirect one in a later analysis. Inward FDI was found significant and positively correlated with GDP and, negatively correlated with unemployment. This implies that, the inward FDI is related with increase in GDP and employment in South American countries. It is also supported by existing researches that link GDP (Deaton, 2008b, Easterlin, 1995, Oishi, Diener, et al., 1999) and employment to happiness (Frey and Stutzer, 2002, Ballas, 2013, Clark and Oswald, 1994) . This is also supported by the analysis by this research that found GDP of positive correlation with happiness (see table 2). Despite its insignificance, Outward FDI was found positively correlated with unemployment, meaning that outward FDI creates unemployment. This fits into existing studies that present outward FDI as a cause of unemployment for the host countries (Cohen, 2007, Sikka, 2011a, Lipsey, 2004, Dupasquier and Osakwe, 2006, Braconier and Ekholm, 2000). Also different scholars have linked unemployment to unhappiness (Frey and Stutzer, 2002, Ballas, 2013, Van Praag and Ferrer-i-Carbonell, 2010, Erdogan, Bauer, et al., 2012, Clark and Oswald, 1994). Based on these findings, it can be concluded that FDI influences happiness of countries of the South American continent through the influence it exerts on their GDP and employment creation which in turn affect the citizens' happiness.

5.3.3 Indirect impact of FDI on the happiness of upper middle income countries

Both inward and outward FDI were found to be significantly correlated with GDP; meaning that in this set of countries, FDI leads to an increase in GDP, which in turn leads to

happiness. The negative correlation of inward FDI with unemployment means that FDI creates employment in the upper middle income countries. Outward FDI was also positively correlated with GDP and unemployment (see table 5 in chapter 4 above). This means, outward FDI also leads to an increase in the countries' GDP, and increases unemployment. By influencing GDP and unemployment positively, outward is thus influencing happiness. In conclusion, therefore, it is true that FDI influences happiness of countries under this category through influencing GDP and unemployment. This fits in analysis done by this research that happiness increases with an increase in GDP and employment and reduces with an increase in unemployment. (See table 3 in chapter 4).

5.3.4 Indirect impact of FDI on the happiness of FDI on happiness of lower middle and low income countries

For the lower middle income countries, inward FDI was found to be positively correlated with GDP and electric power consumption, but negatively correlated with unemployment. On the other hand, outward FDI was found to be correlated with CO2 emissions. (See table 6 in chapter 4).This means inward FDI leads to increase in these countries' GDP and electric power consumption per capita and creates employment. It can be deduced from here that inward FDI makes lower middle countries happy by increasing GDP, employment and electric power consumption per capita.

For low income countries, inward FDI was found to be positively with GDP and control of corruption, and negatively correlated with unemployment. This means inward FDI makes low income countries happy by creating employment, increasing GDP and improving control of corruption (see table 7 in chapter 4). Kwok (2006), also brings it out that inward FDI can reduce corruption as the it leads to institutional development and bringing to the host country good practices from MNCs' home countries (Kwok and Tadesse, 2006). Control of corruption has been believed to have positive correlation with happiness (Veenhoven, 2010, Tavits, 2008, Tay, Herian, et al., 2014). Also according to the analysis by this research (see table 2 in chapter 4), GDP and control of corruption are positively correlated with happiness, while unemployment is negatively correlated with happiness. Outward FDI was instead negatively correlated with control of corruption (see table 7). This means that outward FDI increases corruption, and makes low income countries unhappy. However, on the contrary, existing studies instead link corruption to inward FDI (Sikka, 2011a, Kwok and Tadesse, 2006) . The variation of the finding of this research from existing studies could be due to the fact that foreign investments from low income or developing countries are allegedly owned by corrupt government officials or their allies who accumulate capital out of embezzlement of public funds. They invest abroad as a strategy to avoid declaring their wealth, being exposed and prosecuted. However, this could also be investigated and confirmed by an independent research.

5.4 Variation of FDI indirect and direct influence on happiness across regions

According to the findings of this study, the nature scope of the direct and direct impact of FDI on happiness varies from one region to another. Variation was also exhibited in the influence of inward and outward FDI on happiness across regions. Also existing studies indicate that the impact of FDI vary from one region to another and also based on the type of

FDI as well from host to investing country (Cohen, 2007, Sikka, 2011a, Adams, 2009, Alfaro, 2003).

Findings presented in chapter 4 show that the direct impact of FDI on happiness varies from one continent to another. While FDI was insignificant for happiness of countries of Europe, North America and South America, it was found significant for the happiness of Asian countries for which outward FDI was of positive correlation with happiness, and for Africa where by inward FDI was positively correlated with happiness (see table 4 in chapter 4). Even for North America, Africa and Asia where FDI was significant for happiness, the nature of correlation was different across the three continents.

Even where the impact of FDI on happiness was indirect, there were differences in the nature and spatial distribution of the impact. The indirect impact of FDI on the happiness of European countries is through GDP; FDI was found to have no significant correlation with unemployment, CO2 emissions, corruption and regulatory quality (refer to table 8). For South American continent, inward FDI was found to be impacting on happiness through positive correlation with GDP, and negative correlation with unemployment. Outward FDI was found to be insignificant for the happiness of South American countries and was of negative insignificant correlation with GDP.

However, despite the differences, there are some similarities in the impact of FDI on happiness of countries. For both European and South American countries, FDI was influential for happiness through significant positive correlation with GDP.

5.5 Conclusions

This research set out to explain the impact of FDI on the happiness of countries, which in itself included finding out as to whether FDI has direct and indirect influence on countries happiness, as well as establish whether such influence varies across regions and between inward and outward FDI. Based on the findings presented herein chapter 4, it is possible to answer the main research question of this study: To what degree does inward and outward Foreign Direct Investment (FDI) influence Happiness of countries? This section gives a reflection on, and makes a link of the research findings to the three sub research questions which in turn provide an answer to the main research question.

Sub question 1: Does FDI directly influence happiness of countries?

FDI has direct impact on countries' happiness both at an aggregate global level and at regional level. At global level, whereby all countries are aggregated together, inward FDI is significantly correlated with happiness of countries and outward FDI is not. This means for the world majority, inward FDI is associated with more happiness than FDI outward FDI. At specific region level, both types of FDI have been confirmed to have a direct impact on happiness, although such impact varies from one region to another in terms of the nature of the impact of inward and outward FDI. FDI was found to be directly impactful on happiness for countries of North American, African and Asian continents. When the impact was considered at world level classifications of countries according to the level of income (World Bank, 2015), still FDI had direct correlation with happiness, whereby outward FDI was found

significantly correlated with the happiness of high income OECD countries and high income non-OECD countries.

Sub research question 2: Does inward and outward FDI influence indicators of happiness implying an indirect influence of FDI on happiness?

FDI can also have an indirect impact on happiness of countries. This was deduced from the fact that regions where a significant direct correlation of FDI and happiness could not be found, and for which additional analysis was done to find out as to whether FDI influences such indicators like unemployment, control of corruption, GDP and Co2 emissions. These indicators were proved to be directly correlated with happiness (see table 2 in chapter 4). These regions included; upper middle income, lower middle and low income countries as well as the continents of Europe and South America. Out ward FDI was found to influence happiness of the middle income countries happiness through increasing GDP and increasing unemployment. For example, inward FDI was found to influence happiness of upper middle income countries through positive correlation with GDP and negative correlation with unemployment. In the low income countries, inward FDI was found to be impacting on happiness through its positive correlation with GDP and control of corruption. Equally so, FDI was found to impact on the happiness of European and South American countries by leading to increases in GDP. All in FDI was confirmed to have an indirect influence on happiness of the continents of Europe and South America as well as the upper middle, lower middle and low income countries. Results showing indirect impact of FDI on happiness are summarized in tables 5-9, in chapter 4 which are compared with the correlation of these indicators with happiness in table 2 (chapter 4).

Sub research question 3: To what degree does the indirect and direct influence on happiness vary across regions?

The direct and indirect impact of FDI varies over space and in nature depending on whether it is inward or outward, as also pointed out in existing literature (Cohen, 2007, Adams, 2009). This was found to be true with the impact of FDI on happiness of countries as from the analysis; it exhibited variation from one region to other. While FDI was found to be of no direct correlation with the happiness of European and South American continent, it was significant and correlated with happiness of North American, African and Asian continents. But even then, the nature of the direct impact on Asia and Africa was not uniform; the happiness of Asia was found to be influenced by outward FDI while for the African countries, it was positively correlated with inward FDI (see table 4, in chapter 4). Relatedly, outward FDI was significant and positively correlated with the happiness of high income OECD and high income non OECD countries, while it was insignificant and of negative correlation with happiness of the upper middle, lower middle and low income countries (see table 3). Even the indirect impact of FDI on countries' happiness portrayed variation across and within regions. While inward FDI was significant and positively correlated with GDP for South American countries and thus of positive influence on happiness through GDP, outward FDI was insignificant and negatively related with GDP of the same continent. Also inward FDI was found to be significant and negatively correlated with unemployment (See table 9), meaning that it creates employment which leads to happiness, outward FDI on the other hand was insignificant and positively correlated with unemployment, meaning that it creates unemployment (see table 9 in chapter 4), which is believed to reduce happiness (Ballas, 2013, Clark and Oswald, 1994, Winkelmann, 2014**).** Outward FDI was found significant and

influencing happiness of European countries through the positive significant correlation with GDP (see table 8 in chapter 4); while on the other hand outward FDI was not significant for GDP for the South American countries.

It is generally befitting to affirm that, based on the findings of this study, that inward and outward FDI to a greater degree influence happiness of countries across the globe. This influence has proven to vary in nature and across regions; in some countries it is direct and in others it is indirect, while in others it is positive and in some it is negative. Any country that embraces FDI not only embraces quantitative gains, but also qualitative gains that come in form of happiness for the citizens. However, for better gains in terms of enhancing happiness through FDI, countries need to appreciate the spatial differences of the impact of FDI on happiness and to customize such differences to their country or regional specific situations.

5.6 Recommendations

5.6.1 Recommendations for policy on FDI and Happiness

Countries need to subject all inward FDI into their territories to an impact assessment if such investments are to boost and not compromise the happiness of the citizens. This will reduce such effects of FDI on happiness, like pollution by integrating costs of cleanup and compensation to those directly affected by activities of MNCs, in the contractual engagements. This will have far reaching advantage in as far as mainstreaming environmental aspects in FDI is concerned, since MNCs activities have been established to have consequential adverse effects on the environment through increased CO2 emissions and pollution (Grimes and Kentor, 2003, Linh and Lin, 2014, Asiedu, 2006) , and depletion of species through degradation of vital ecosystems like clearing of forests (Sikka, 2011a, Jorgenson and Kick, 2003). More so, this will give multiple benefits to those countries that have earmarked FDI as a strategy for speeding up economic growth and reducing poverty such as those in Africa (Adams, 2009, Asiedu, 2006). In this regard FDI will not only lead to increase in national incomes, but also increased happiness, environmental sustainability, as well as narrow the gap between low income countries and their counterparts in the developed world in these thematic areas.

Also, while for developing or low income countries inward FDI is considered as a potential for accelerating economic growth (Cohen, 2007, Adams, 2009, Linh and Lin, 2014, Ayanwale, 2007)**,** as well as proven to be correlated with happiness like the case was with Asian and African countries (see table 4 in chapter), they need to be conscious of the fact that; some MNCs from rich or core countries establish investments or production units considered to be detrimental to society and the environment outside their territories, mainly in developing or periphery countries as a remedy to avoid harm (Grimes and Kentor, 2003, Jorgenson and Kick, 2003). Therefore, countries targeting to attract FDI to boost their economies should put in place environment and social protection laws and standards, in order not to fall victims of such disastrous FDI. Without such laws in place, the resultant quantitative economic gains will be offset by the costs to society, among which is depriving citizens of their happiness. Also studies attest to this that countries with less strict or no environment legislation and standards, tend to be destinations of environmentally detrimental FDI (Linh and Lin, 2014)**.**

As established by this study, FDI benefits both the high income and low income countries, even though with variations in the nature of the impact. It is important to note that streamlining FDI to a sustainable intervention, as well a national happiness enhancing venture needs an effort of both host and home countries. Unilateral decisions to this effect by either home or host countries alone, would either inflict unhappiness on both or one of the parties. For example, if the low income countries put in place stringent quality control standards, and most of MNCs from high income countries that are perceived to be sources of problematic FDI are locked out, the low income countries will miss out on the income, and in the same way the MNCs will lose out on the revenues that would accrue to the home country. This would mean the happiness of both the host and home country accruing from FDI would be compromised. Setting up of standards and controls for FDI needs to be bi-directional; bringing together both the host and recipient countries' priorities and differences for agreement on common controls that reduce the negative and increase or maintain the positive gains from the investments for both countries. For example, the home countries can consider making sure that the production plants they establish in the host countries are energy efficient, and also employ the local people from the home country. However, these efforts to harmonize the interests of the foreign investors and the recipient countries need coordination by neutral and reputable international and multi-lateral bodies such as the World Bank, the United Nations and International Monetary Fund. This would also help to bring about the participation of low income countries in the formulation of trade and investment policies that affect them.

Also, given the existing inequalities between the developed and low income countries in terms of financial and institutional capacities, putting in place controls alone might not fully solve the FDI driven happiness disparities amongst countries. This is because the low income countries that are in most cases destinations of happiness depriving FDI will continues to fall victims; unless they build strong bargaining power to engage into negotiations for fair deals with MNCs from more economically powerful and empowered countries of the world. The resource constrained countries mainly those from the less developed continents like Africa, Asia and South America need to enhance their capacity through building strong regional economic integration blocks. This will give them strong bargaining and negation capacity. The import quality controls that come along with economic integration will compel MNCs to establish themselves in countries to which they were formerly importing their products, in order not to be locked out of business. Consequently, the foreign subsidiaries will lead to high productivity, employment and possibly come along with good corruption control practices to the host countries. This way, exports of the host countries will increase, coming along with increase in GDP and happiness. Also the home countries will benefit through overcoming such vices like corruption that comes along with being in business with individual countries that have weak institutional frameworks, thus enhancing their happiness from outward FDI related gains such as high GDP. A leaf can be borrowed from Europe, whereby it is believed that in the 1960 and 1970s, the creation of the European Economic Community (the current European Union) compelled popular U.S firms to establish subsidiaries in the region (Cohen, 2007).

In some cases MNCs fall victims of the dictatorial tendencies of host country leaders; their businesses and assets get confiscated or nationalized with no, little or delayed compensation (Sikka, 2011a)**.** This is a setback to the happiness of the home countries as they are deemed to lose revenues, thus get denied the marginal GDP and marginal happiness that come along

with increases in outward FDI. Strong regional economic integration blocks would overcome this threat as it reduces the risk of MNCs dealing with individual countries with an established organization with a clear institutional framework, as well as provide strong platforms from which to seek redress in case of such encounters with unilateral decisions and dictatorial tendencies.

Also ensuring that there is cross boarder learning in form of best operational and best policy practice sharing, and knowledge brokering in the area of sustainable FDI would enrich the happiness countries derive from foreign investments. This can best be facilitated by the supra national and international organizations like OECD, World Bank and the United Nations to whom most countries subscribe. This would enable unhappy or unhappiest countries to learn from the happiest ones. It is through this that the effectiveness of FDI quality controls and compliance of states can be reviewed and workable strategies set. Still economic integration blocks are important in providing effective cross boarder learning avenues or platforms. This would also go a long way in facilitating the operationalization and scale up of such happiness promotion measures like the UN Resolution on Happiness (United Nations General Assembly, 19th July, 2011) and the adoption of Gross National Happiness as a measure of economic development (Costanza, Hart, et al., 2009) including the area of FD**.**

Since cognitive theories have it that happiness is a function of comparisons amongst individuals or between levels at which individuals want to be, and where they are (Veenhoven, 2009)**,** sharing of good practices across board would minimize comparative gaps amongst the happy and unhappy countries. This is because it would reduce disparities in both FDI benefits and resultant happiness gains, since good practices by best performing nations would be adopted by the poorly performing ones. For shared learning to be effective, countries need to establish strong reliable data collection and information management systems. Data on such development indicators that are influenced by FDI needs to be in place to enable evaluation of costs and benefits of foreign investments on happiness. It is based on reliable and up to date data that the response of countries' happiness to FDI can be fast tracked and progress shared. Vibrant civil society and the media are important in whistle blowing and advocating for people friendly and happiness responsive development interventions in any given country; including FDI programs. This voices out the citizens' views on any negative aspects arising from MNCs' activities such as on environmental degradation, and engagement in bribery tendencies that compromise control of corruption. Up to date and authentic data needs to be ensured to enable evidence based advocacy and informed policy formulation and decision making in the area of FDI, and to enable both host and home countries to comply to set controls and symbiotically benefit in terms of deriving both quantitative and qualitative gains that uplift their happiness.

In some countries the negotiation and contractual engagements with MNCs are done confidentially between the home and host government leaders or heads of states and or their allies, without the involvement of the citizens or their representatives (Sikka, 2011a). At worse, the contracts signed, terms and conditions including the financial benefits accruing to the host country are kept classified. This breeds corruption and puts both the host and home countries at a disadvantage; the home countries stand a risk in case the host governments went against the terms, as MNCs would not be bound out or protected by such formal bodies as the judiciary and the national parliaments. On the other hand, host countries lose out on the

income that could have gone to service provision. In such a scenario, the happiness of both home and host countries suffer a decline. To mitigate against this, there is need for integrated FDI policies, whereby the citizens are able to participate and demarcate the form of foreign investments that suit their socio-economic needs and enhance their sense of happiness. Both inward and outward FDI should be part of the National or regional government plans. The choice of FDI to be allowed into or established outside any countries' or regions' territories needs to be informed by the national development priorities as set out in the national or regional development plans. This would help to protect the host and home countries or and regions from haphazard FDI, that tend to jeopardize efforts of providing happiness for all the citizens, as Veenhoven (2010) established that ensuring of happiness for majority is achievable (Veenhoven, 2010).

World over, countries have set out to pursue the proposed Sustainable Development Goals (SDGs) also referred to as Global Goals, that are yet to be adopted by the UN member states on the 25th of September. There are six essential elements that have been put in place for ensuring the attainment of the SDGs. These are summarized under people, dignity, prosperity, justice, partnerships and planet. The elements will involve ensuring healthy lives, knowledge and social inclusion; alleviating poverty and overcoming inequality; an inclusive strong economy, safety, peace and strong institution building; and speeding up global solidarity in pursuing development and protecting environment society and children respectively (United Nations General Assembly, 2014). Countries need to embrace FDI among key strategies for operationalization of these elements of SDGs. FDI impacts on development seem to be cutting across all the six elements for the delivery of the SDGs. Its strong correlation with GDP means it can foster prosperity as well as improve people's livelihoods; its influence on corruption control implies that it can influence justice; while the effects it has on the environment imply that it has far reaching influence on the planet element, and the fact that it impacts on every world region and involves transboundary transactions resonates well with the need for speeding up partnerships. Most importantly, FDI influences happiness of countries which implies that it has the potential to influence the outcomes of the SDG targeted programs; this is because happiness has been preferred to GDP as measure of economic development arising from development interventions (Costanza, Hart, et al., 2009, United Nations General Assembly, 19th July, 2011).

Additionally, following the fact that the impact of FDI tends to vary across countries and regions, the multi-lateral institutions and supra organizations like the world bank, United national and OECD, as they legislate or facilitate member countries to develop policies on FDI, they need not have same policy for all the regions or member countries, but rather support development of policies that are customized to specific countries or smaller regions to overcome regional and country specific setbacks of FDI on the happiness.

Furthermore, poor countries need to prioritize legislation mechanisms on attracting FDI to their countries, as it has proved to be positively correlated with GDP which influence happiness for most countries. This means it will pull them from the lower ladder of economic growth and of happiness to a higher one at the same time. It is also very appropriate because it has been associated with such advantages of employment creation, which these countries are in dire need of.

5.6.2 Recommendations for future research

FDI impact on host and home countries is believed to vary according to sectors of MNCs investment (Cohen, 2007, Doytch, Thelen, et al., 2014b). This means that even its impact on happiness is likely to vary with sectors, namely primary, manufacturing and services FDI. If future research on FDI and happiness is to be conducted, it would be commendable to consider explaining the impact of sector specific FDI on the happiness of countries.

Additionally, given the fact that this research has established that there is variation of FDI impact on happiness at regional level, it is also likely that such impact can vary at individual country level. This is because impact of FDI is believed to vary depending on individual country policy environment and the general social, economic and political circumstances (Adams, 2009). Also FDI impact has said to vary with MNCs reason for investment (Driffield and Love.H.James, 2007); MNCs in different countries might be driven by different objectives. This causes the need that future research on the impact of FDI on happiness at individual country level is done in order to inform country specific policies would be handy. Such a research would relay findings on individual country level.

Also there is need to establish intra continent variation of the impact of FDI on happiness. This is because within any continent, countries are at different levels of grow or income. Disaggregating constituent countries per continent would come in handy in establishing as to whether FDI impacts on countries in a given continent differently depending on the variation in the level of wealth. Such a research would disaggregate each continent into; high income, middle income and low income countries in order to inform policy about the intra-continent FDI impacts on happiness. This would enable national governments to make appropriate policies in case such research established that there are significant variations to this effect. This research was unable to address this given the insufficiency of observations that would come about as a result of the subdivision of countries per continent into those intra-continent wealth level based group.

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Annex 1: Indicators and Variables

Source: Author (2015); Operationalization table (2015)

Research Questions	Indicator	Variable	Variable description	Unit of measurement	Type of variable	Timeframe	Source of data	Analysis
1. Does FDI directly influence happiness?	Happiness	Ladder Score	Average life evaluations, where 0 represents the worst possible life and 10 the best possible		continuous	2008-2013	Wold Happiness Report	Regression/ panel data Analysis using the Random Effects Model
2. Does inward FDI and outward FDI influence indicators of happiness implying an indirect influence FDI on happiness?	Foreign Direct Investment	Foreign Direct Investment inflows	Total inward foreign direct investment into a country	current US$	continuous	2008-2013	World Development Indicators (WDI)-World Bank Data Base	
		Foreign Direct Investment outflows	Total total outward foreign direct investment of a country	current US$	continuous	2008-2013	United Nations Trade and Investment Report	
	Environmental degradation/pollution	Carbon Emissions	carbon emissions per capita	Metric tonnes	continuous	2008-2013	World Development Indicators (WDI)-World Bank Data Base	

3. To what degree does the influence of inward and outward FDI indirect and direct influence on happiness differ across regions?	Employment	Unemployment	% of total labour force	Percentage		2008-2013	World Development Indicators (WDI)-World Bank Data Base	
	Governance	control of Corruption	perceptions of the extent to which public power is exercised for private gain	Scale	The Worldwide Governance Indicators (WGI)	2008-2013	World Development Indicators (WDI)-World Bank Data Base	
		Regulatory Quality		Scale	The Worldwide Governance Indicators (WGI)	2008-2013	World Development Indicators (WDI)-World Bank Data Base	
	Income	GDP		current US$	Continuous	2008-2013	World Development Indicators (WDI)-World Bank Data Base	
	International trade and Balance of Payments	Exports		Percentage	Continuous	2008-2013	World Development Indicators (WDI)-World Bank Data Base	
	Control Variables							

	Level of Urbanization	Urban Population	% of total of total population living in urban areas	Percentage	Continuous	2008-2013	World Development Indicators (WDI)-World Bank Data Base	
	Country Size	Land area		Square Kilometers	Continuous	2008-2013	World Development Indicators (WDI)-World Bank Data Base	
	Infrastructure development	Electricity Consumption Per capita	the production of power plants and combined heat and power plants less transmission, distribution, and transformation losses and own use by heat and power plants	(kWh per capita)	Continuous	2008-2013	World Development Indicators (WDI)-World Bank Data Base	
		Improved water source	percentage of the population using an improved drinking water source	(% of population with access)		2008-2014	World Development Indicators (WDI)-World Bank Data Base	

	Population Size	Total Population	all residents regardless of legal status or citizenship-- except for refugees not permanently settled in the country of asylum, who are generally considered part of the population of their country of origin.	midyear estimates	Continuous	2008-2015	World Development Indicators (WDI)-World Bank Data Base	
	Regional differences	continents	Europe, North America, South America, Asia, Africa		dummy variable		World Development Indicators (WDI)-World Bank Data Base	
		Income groups	High Income-OECD, High Income-none OECD, Upper Middle Income, Lower Middle Income, Low Income		dummy variable		World Development Indicators (WDI)-World Bank Data Base	

Annex 2: Descriptive statistics

Variable	Observations	Mean	Standard Deviation.	Minimum	Maximum
Unemployment (percentage of total labour force without jobs)	438	7.95274	5.145706	0	31.2
Urban population (percentage of total population living in urban areas)	438	60.04237	21.87484	13.892	100
Electric power consumption per capita	268	3258.991	3460.704	81.34785	16485.52
Protected Water source (percentage of total population with access)	420	88.23524	14.03236	48.6	100
Life ladder (Happiness)	444	5.554068	1.101467	2.687553	7.970892
Income group-world bank classification	444	3.135135	1.309707	1	5
Income group (After merging some)	444	2.202703	.8225885	1	3
Continent	444	3.094595	1.464422	1	5
Intra -continent country groupings according the levels of wealth/Income)	444	8.486486	4.858011	1	15
Control of corruption	444	44.37414	28.61709	.95	100
Regulatory Quality	444	51.24829	26.33148	1.91	100
logGDP	438	-5.268114	1.389835	-7.970786	-2.746039
logTotal population (Population Size)	438	3.182308	1.373241	1.084408	7.213312
LogFDI net inflows(inward FDI)	429	8.103725	1.874887	2.950773	12.75952
logFDI outflows (outward FDI)	364	-7.262415	3.172327	-16.1181	-.9249052
logCo2 emissions	219	-13.12141	1.45028	-17.0592	-10.89223
Logland area (country size)	438	12.67999	26.98286	.007	163.7687

Source: Author (2015); Descriptive statistics derived calculated using stata (2015)

Annex 3: Grouping of countries according to continents and Level of wealth (Income)

Country Id	Country Name	Continent	Income group	Country Id	Country Name	Continent	Income group
1	Afghanistan	Asia	Low Income	40	Sri Lanka	Asia	Lower Middle Income
2	Argentina	South America	Higher Middle Income	41	Lithuania	Europe	High Income, None-OECD
3	Armenia	Europe	Lower Middle Income	42	Moldova	Europe	Lower Middle Income
4	Azerbaijan	Europe	Higher Middle Income	43	Mexico	North America	Higher Middle Income
5	Bangladesh	Asia	Low Income	44	Mali	Africa	Low Income
6	Belarus	Europe	Higher Middle Income	45	Mauritania	Africa	Lower Middle Income
7	Bolivia	South America	Lower Middle Income	46	Malaysia	Asia	Higher Middle Income
8	Brazil	South America	Higher Middle Income	47	Niger	Africa	Low Income
9	Canada	North America	High Income OECD	48	Nicaragua	North America	Lower Middle Income

10	China	Asia	Higher Middle Income	49	Nepal	Asia	Low Income
11	Cameroon	Africa	Lower Middle Income	50	New Zealand	Australia	High Income OECD
12	Colombia	South America	Higher Middle Income	51	Pakistan	Asia	Lower Middle Income
13	Costa Rica	North America	Higher Middle Income	52	Panama	North America	Higher Middle Income
14	Germany	Europe	High Income OECD	53	Peru	South America	Higher Middle Income
5	Denmark	Europe	High Income OECD	54	Philippines	Asia	Lower Middle Income
16	Dominican Republic	North America	Higher Middle Income	55	Poland	Europe	High Income OECD
17	Ecuador	South America	Higher Middle Income	56	Paraguay	South America	Lower Middle Income
18	Egypt	Africa	Lower Middle Income	57	Russia	Europe	High Income, None-OECD
19	Spain	Europe	High Income OECD	58	Saudi Arabia	Asia	High Income, None-OECD
20	France	Europe	High Income	59	Senegal	Africa	Lower Middle Income

			OECD				
21	United Kingdom	Europe	High Income OECD	60	Singapore	Asia	High Income, None-OECD
22	Georgia	Europe	Lower Middle Income	61	El Salvador	North America	Lower Middle Income
23	Ghana	Africa	Higher Middle Income	62	Sweden	Europe	High Income OECD
24	Greece	Europe	High Income OECD	63	Syria	Asia	Lower Middle Income
25	Guatemala	North America	Lower Middle Income	64	Chad	Africa	Low Income
26	Honduras	North America	Lower Middle Income	65	Thailand	Asia	Higher Middle Income
27	Indonesia	Asia	Lower Middle Income	66	Tajikistan	Asia	Low Income
28	India	Asia	Lower Middle Income	67	Turkey	Europe	Lower Middle Income
29	Ireland	Europe	High Income OECD	68	Tanzania	Africa	Low Income
30	Iraq	Asia	Higher Middle Income	69	Uganda	Africa	Low Income

31	Israel	Asia	High Income OECD	70	Ukraine	Europe	Lower Middle Income
32	Italy	Europe	High Income OECD	71	Uruguay	South America	High Income OECD
33	Jordan	Asia	Higher Middle Income	72	United States	North America	High Income OECD
34	Japan	Asia	High Income OECD	73	Uzbekistan	Asia	Lower Middle Income
35	Kazakhstan	Asia	Higher Middle Income	74	Venezuela	South America	Higher Middle Income
36	Kenya	Africa	Low Income	75	Vietnam	Asia	Lower Middle Income
37	Cambodia	Asia	Low Income	76	South Africa	Africa	Higher Middle Income
38	Kosovo	Europe	Lower Middle Income	77	Zambia	Africa	Lower Middle Income
39	Lebanon	Asia	Higher Middle Income	78	Zimbabwe	Africa	Low Income

Source: Author (2015); Countries and respective regions and continents (2015)

Annex 4: Procedure/steps of data Analysis

The first step involved regression of life ladder (happiness) with all the variables in the dataset (as in Annex 1) minus the dummies of income groups and continents. This was aimed at finding out the correlation of FDI (inward and outward) with happiness at world level. In addition to the FDI, all the other variables were included in a step by step way as control variables. They were also aimed at establishing their correlation with happiness, such that it could later on provide a basis for explaining the indirect influence of inward and outward FDI on happiness. It is important to note that at this level, countries were all aggregated together regardless of their level of income or continent. This step was used to explain the direct impact of FDI at a general world or global level. (Findings in table 2 in chapter 4).

Secondly, an analysis of the direct impact of inward and outward FDI on happiness was done at countries' income level based groups as provided by the World Bank; namely high income OECD, high Income none OECD, Upper middle, Lower middle and Low income groups of countries (World Bank, 2015). This was done out of the appreciation that not all countries in the study sample were at the same level of development and wealth. The disaggregation of countries into these categories was aimed at taking care of these differences and to see how the impact under analysis responded to differences in levels of income of countries. This classification by world ban was considered ideal because it is standard and it has been used for popular publications including, the World Happiness Report (John F.Helliwell, Layard, et al., 2015) and World Investment report (UNCTAD, 2015) among others. This makes the findings easily generalizable and universally accepted as valid. At this step happiness was analyzed with inward FDI and outward FDI, controlling for country and population size. Under this direct correlation of happiness and FDI was only found for the high Income OECD and none high Income OECD countries. (Findings in table 4, in chapter 4).

However, the World Bank based groupings of countries in step 2, did not put into consideration continent specific differences. The third step was regression of happiness (dependent variable) with inward and outward FDI and controlling for population and land area. Countries were disaggregated into respective continents namely; Europe, North America, South America, Asia and Africa. At analysis at continent level, Australia having one country; New Zealand in the sample, was not included as it would have insufficient observations and would statistically not be viable. The grouping of countries into respective continents was based on the Map of the World (Maps of World, 8/3/2013). Out of these, only North American, African and Asian countries had FDI being of direct impact on happiness. It was all insignificant for European and South American countries. (Findings in table 4, in chapter 4).

The 4th step was to establish as to whether inward and outward FDI were of indirect impact on happiness of regions for which a direct positive one was not found in steps 2 and 3. These were the upper middle income, lower middle and low income countries and, Europe, North America and South America. This was done aimed at understanding the nature of impact of FDI on regions where FDI did not significantly directly correlate with happiness. At this step, other variables included in step one and found of direct significant correlation with happiness were used as dependent variables and the inward and outward FDI, and the control variables

population and country size as independent ones. The dependent ones included GDP, unemployment, control of corruption, electric power consumption per capita and urban population. The results of the analysis at this step were compared with those in step one in order to determine whether an indirect impact or correlation of inward and outward FDI on happiness existed. (Findings on this step are in tables 5-9 in chapter 4).