



The Effect of Government Spending and Investment on the Happiness Level Mediated by the Inequality Level

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ABSTRACT

This study aims to examine the role of inequality in mediating the relationship between government spending and investment at the happiness level. Inequality is the mediating variable while happiness is the dependent variable. This study uses data from 2013 to 2022. The results showed that investment has a direct and positive relationship with inequality. Government spending does not correlate with the inequality level. The inequality level has no direct influence on the level of happiness. The results of the indirect analysis suggest that inequality cannot mediate the relationship between government spending and investment on the level of happiness. Inequality cannot mediate even though the inequality level tends to decrease. It is because one of the indicators in measuring happiness that has a worsening value, even though other indicators have increased and directly impacted public welfare, is the increasing level of corruption in Indonesia. So, even though inequality tends to improve, corruption is still rampant in this country, and public happiness is decreasing. Limitation from this research use annual data so that analysis for each province cannot be carried out.

Keywords: happiness level, government spending, investment, inequality

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INTRODUCTION

Reflecting on the fifth principle of Pancasila, namely, social justice for the people of Indonesia, is the goal achieved by a country. Becoming a country that provides community justice can be done in various ways. Fiscal policy is one of the policies implemented to realize the level of public welfare (Sujai, 2011). The level of public welfare in a country can be reflected in public happiness (Pratama et al., 2020). The following data is Indonesia happiness index based on the world happiness index.

support, trust and low levels of corruption, freedom, and generosity (Abdelaty Hasan Esmail & Shili, 2018).

The luctation of happiness index is due some indicator in Indonesia fluctuations and have big impact, corruptin. In-Indonesia corruption index tend to decrease during 2018-2023 although this index increase in 2019. In 2018 Indonesia’s corruption index wa 30/100, in 2019 40/100, in 2020 37/100, in 2021 38/100, 34/100 (transparency international,2023). The deacline of Indonesia corruption index re-

Table 1.
World Happiness Index

Year	Indonesia World Happiness Index
2013	5,348
2014	5,374
2015	5,399
2016	5,314
2017	5,262
2018	5,093
2019	5,192
2020	5,286
2021	5,345
2022	5,240

Source: World Happiness Report 2013-2022

Based on Table 1, in 2013 - 2022, Indonesia happiness index tends to fluctuate. In 2013 - 2015, Indonesia happiness level tended to increase. In 2015 - 2016, the happiness index decreased by 0.085 points. In 2016-2018, the happiness level tended to decrease. In 2016-2017, the happiness index decreased by 0.052 points. In 2019 - 2022, Indonesia happiness level tended to experience an average increase of 0.084 points, then a decrease of 0.105 points. In 2022, the happiness index is 5.240 points. The compilation of this happiness index is based on six factors: gross domestic product per capita, health, social

flects the increasing number of people’s rights that are not getting so level of welfare decrease and society happiness decrease. This situation according by (Malla & Pathranarakul, 2022) ; (Li and An (2020) level community welfare will decrease by 0,23 if the level corruption of government increase 10 points.

Based on the above criteria; GDP per capita, health levels, and social security are related to fiscal policy. This fiscal policy can be seen from the allocation of expenditures set by the government. The allocation of government spending in 2023 focuses on improving the quality of human

resources, infrastructure, bureaucratic reform, industrial revitalization, and the green economy. Based on this information, it can be seen that government spending is focused on supporting economic growth and development. Improving the quality of human resources can be done by improving the quality of education and health. Improving the quality of health and education can increase a person's productivity, and then supported by good infrastructure development (Dolumbia & Kinda, 2019), it can increase a person's opportunity to contribute to economic activities so that inequality is getting smaller.

The greater the government spending on social safety net activities, the smaller the inequality level. It is because, with social spending that focuses on maintaining the community's income level, inequality will be smaller; this condition can reduce the inequality level in society. (Ilker, 2018), (Sánchez & Pérez-Corral, 2018), inequality decreases as government spending increases and effective government spending is on social activities rather than education. (Malla & Pathranarakul, 2022) stated that government size expenditure on education and health expenditure has an impact on the inequality level getting smaller (Ghifara et al., 2022; Soleh, 2015). Capital expenditure and economic growth have a positive and insignificant effect on inequality and income distribution in Indonesian metropolises. (Alamanda, 2021) Social networks, subsidy levels and grant spending have an insignificant effect on reducing inequality and poverty in Indonesia.

The criterion for measuring happiness level is GDP per capita. GDP per capita can be increased if there is an increase in economic growth. One of the things that affects the level of economic growth is investment. Investment is either in the form of incoming capital or existing technology experts. Economic growth that is greater than the increase in population can affect the happiness level. Investment is capital

used for economic activities. The higher the level of investment in the economy and allocated to potential sectors, the greater the economic growth per capita so that the community's happiness level increases. Teeramungcalanon and Chiu (2020) stated that foreign direct investment in the manufacturing sector influences income inequality due to more equitable levels of knowledge and labour effects. Foreign direct investment tends to reduce expenditure inequality in the agriculture, manufacturing, and services sectors.

Couto (2018) stated that the effect of foreign direct investment cannot be felt directly for countries with low income and has a relatively strong relationship in countries with high-income levels. (Rezk et al., 2022), the level of foreign direct investment and (Mallick et al., 2020), the level of money contributes to reducing inequality. Moreover, investment in labour (Mallick et al., 2020), (Teixeira & Loureiro, 2019) and (Yuldashev et al., 2023) can reduce the inequality level that exists because the increase in labour productivity can increase the income level. (Suanes, 2016) investment in the services and manufacturing sectors has a positive effect on the inequality level, so the higher the investment level in these two sectors, the higher the inequality level. (Sidek, 2021) (Le et al. (2021) the level of foreign investment tends to increase inequality. Therefore, investment policy should focus on education and improving the quality of human resources because this can also attract more foreign direct investment.

The inequality level that exists in society certainly has an impact on the happiness level. When public inequality level decreases, public welfare is inevitably increasing. Increasing public welfare will bring a happiness level to society. This condition follows the research of (Yu & Wang, 2017) that the Gini coefficient has a negative relationship with the public happiness level. If the level of the Gini coef-

ficient is below 0.405, the public happiness level will increase. If inequality increases beyond the critical limit, society will have jealousy. It makes people unhappy because they feel disappointed and uncertain about their future lives and jealous of richer ones (Yu & Wang, 2017). The Gini index is a significant tool in predicting happiness levels (Yu & Wang, 2017). (Ma & Chen, 2020) state that inequality in urban and rural areas impacts happiness, and the current free trade reinforces this condition. The openness of the financial system can control this inequality level.

Based on the explanation, inequality plays a vital role in increasing the public happiness level. Reducing inequality can be done by increasing employment opportunities or securing social networks. The government can create employment opportunities through government spending. Government spending on the public sector and social security, such as health and education, will increase public welfare. This increase in welfare impacts increasing happiness in society (Kasmaoui & Bourhaba, 2017) (Şaşmaz & Şakar, 2020). In government spending that focuses on efforts to increase people life expectancy, build a system that guarantees people make choices supported by the credibility of the government, which can be seen from the index of public trust in the government, the public happiness level can increase happiness (Kasmaoui & Bourhaba, 2017). At the level of government spending on society, about 18% of GDP can achieve the maximum level of public welfare (Sang & Kwang, 2015). (Dao, 2017) the level of government spending only affects the happiness level in the short term if the inequality level, economic growth, and social development are together in the research model. Government spending can increase spending to improve or worsen through public spending while all independent variables are included in the analysis. (Rizkallah, 2023) reveals a differ-

ent thing. There is no link between public expenditure made by the government and the economic happiness of the community, both on public expenditure for productive and non-productive things.

Another factor that affects the amount of happiness is investment. Investment is an essential factor for the economy. The existence of both foreign investment and domestic investment can stimulate economic activity. Investments made by the government by building public facilities to support economic activities can facilitate economic activities. Smooth economic activities create more jobs and can absorb much labour. The higher the absorbed labour, the higher the public welfare level so that the public happiness level increases. In addition to direct investment, indirect investment can also be made. Indirect investment can be made in improving the quality of education and public health. The higher the quality of human resources, the higher the value of human resources reflected in the wages they receive. This increase in wages results in an increase in the ability of the community to meet their needs so that the level of welfare increases, and the community is happier. According to research conducted by (Rizkallah, 2023), investment and life expectancy at birth have a positive and significant effect. It indicates that the higher the level of economic investment and the higher the life expectancy at birth, the happier. Kanweri (2015) stated that the existence of foreign direct investment into the country and abroad affects the level of happiness directly or indirectly. In general, in countries around the world, foreign direct investment in the country positively impacts happiness. Foreign direct investment abroad has a positive but insignificant effect. (Wu & Xiao, 2017) stated that Chinese direct investment has a positive and significant relationship with public happiness. However, the effect of direct investment outside China has a varying influence on public

happiness.

Based on the explanation above, government spending and investment can affect societal inequality. The greater the government spending on activities to improve the quality of education and health government spending to stimulate consumption, the more economic activity will grow, so the lower the inequality level in society. The level of investment in potential economic sectors and public facilities that can increase economic activity can increase economic activity because more jobs are available. This condition causes the inequality level to decrease. A decrease in inequality illustrates the more evenly distributed welfare level and gives the idea that the level of public welfare is increasing. This increased level of welfare can increase the happiness level. In this study, we want to know the relationship between government spending, investment and inequality level mediated by inequality level in society.

In previous research, fiscal policy analysis that influence of happiness are tax and public expenditure, which states that level of non distorting taxes has negative and significant influence on the level of happiness, while public expenditure has no influence on the level of happiness, both in public and non public expenditure (Rizkallah, 2023). Based on previous research wants to know the role of investment and state spending affected the happiness that mediated by level of inequality.

METHODOLOGY

This research is descriptive research by explaining the relationship and testing the hypothesis. This study explains the relationship between the dependent variable, namely the level of public happiness.

The happiness index describe level of happiness felt by society that can seen from the level income, have someone to share, have freedom to make life choice,

generosity, and the absence of corruption (world happiness report, 2023).

The independent variables are government spending and investment. The level of government spending describe the amount of government spending on goods and service for final consumption, including collective spending dan individual consumption. Collective expenditure describe the costs incurred by the government to produce an unlimited number of goods and service that can be accessed by the entire community. Individual consumption expenditure describes all costs incurred by the government to produce a limited amount of goods and service that can be consumed when they can fulfil price level.

Investment are gross fixed capital formation. Gross fixed capital formation as the addition and reduction of fix asset in a production unit. The addition of capital goods includes procurement, manufacture, purchase, including major reapirs, transfer or barter of capital goods, financial leasing and growth of cultivated biological resource asset. Reduction capital goods include sale, transfer or barter of capital goods to other parties.

The mediation variable in this study is the inequality level in society. Inequity discribes the level inequity in society, both in rural and urban communities that can show from gini index. Gini index value close to one indicates a greater level of inequality. In this study, data on government spending, investment and the inequality level were obtained from BPS from 2013 to 2022. The happiness level was obtained from countryeconomy.com from 2013 to 2022. The uses of data for last tean years is used because it can describe better economic condition. The data used in this research is time series data.

Path analysis was used in this study to see the relationship between the independent and dependent variables and how this moderating variable can moderate the relationship between the independent

variable and the dependent variable. To see the relationship between the variables studied, use PLS (Partial Least Square). SEM PLS is a statistical technique used to build and test statistical models, which are usually in the form of causal models. The choice of SEM as an analytical technique is due to consideration of interaction modelling, nonlinearity, correlated independent variables, minimizing measurement errors, disturbing correlated errors, and, in this study, latent variables measured using many indicators (Narimawati et al., 2022). The test stages carried out in the PLS process are convergent validity test, discriminant validity test, construct validity test (AVE), reability test, R square test, testing the relationship between variables both directly and indirectly. The purpose of using PLS is to make predictions. The prediction referred to here is predicting the relationship between constructs (Hussein, 2015). The model in this study is as follows:

$$KT = \beta_0 + \beta_1 BP + \beta_2 INV + \varepsilon_1$$

$$KB = \beta_2 + \beta_3 KT + \beta_4 BP + \beta_4 INV + \varepsilon_2$$

Where KT is inequality, describes the leve; of equality of welfare in society, BP is government spending, describe total final consumption expenditure of the government for both individual and group consumption

expenditure, INV is investment level, describes the amount of total assets owned and can be used to stimulate the economy, KB is happiness, describes the goals a country wants to achive and ε is an error variable.

RESULTS AND DISCUSSION

Data Analysis

Validity Test

Table 2 shows that all indicators in each variable have a loading factor value of more than 0.5, indicating that all indicators have met the convergent validity criteria. In this study, each indicator used can or is feasible to measure each variable used.

Discriminant Validity Test (Fornell Lack-er Criteria)

Table 3 shows that the AVE square root of each variable is greater than the correlation between each latent variable. Each latent variable's square root AVE value is located in the uppermost position in each latent variable. It indicates that all indicators have met the criteria for discriminant validity. When the AVE value is met, the latent variable can explain, on average, more than half of the variance of its indicators.

Construct Validity Test (AVE)

In Table 4, it can be seen that all AVE values of all variables are greater than

Table 2.
Convergent Validity Test

	Government Spending	Investment	Happiness	Inequality
X11	0.974			
X12	0.957			
X21		0.970		
X22		0.812		
X23		0.911		
X24		0.951		
X25		0.923		
X26		0.599		
Y			1.000	
Z				1.000

**Table 3.
Discriminant Validity Test**

	Government Spending	Investment	Happiness	Inequality
Government Spending	0.966			
Investment	0.879	0.870		
Happiness	-0.435	-0.686	1.000	
Inequality	-0.896	-0.936	0.688	1.000

0.5. So, it indicates that all variables have met the criteria for construct validity. Table 4 shows that the AVE square root of each variable is greater in value when compared to the correlation between each latent variable. Each latent variable's AVE square root value is in the uppermost position of each latent variable. It indicates that all indicators have met the criteria for discriminant validity.

R-square value

Based on Table 6, it can be seen that the mediating variable, inequality has an adjusted R square of 0.988 exceeding 0.3 and happiness as an independent variable has an R square of 0.544 exceeding 0.5, so it can be concluded that the two variables are pretty strong. It explains that when inequality has an R square adjusted of 0.870, the mediation variable construct

**Table 4.
Construct Validity Test (AVE)**

	Average Variance Extracted (AVE)
Government Spending	0.932
Investment	0.757
Happiness	1.000
Inequality	1.000

Reliability Test

Table 5 shows that Cronbach's Alpha and composite Reliability values for all variables are reliable because they are > 0.7, so it is said that each variable is feasible or can be used as a measuring instrument.

affects the dependent variable by 87%. Happiness has an R square adjusted value of 0.544, which means that the independent variable construct affects the dependent variable by 54%.

Direct Effect Test Results

The results of the direct test of the relationship between the dependent and

**Table 5.
Validity Test**

	Cronbach's Alpha	Composite Reliability
Government Spending	0.929	0.965
Investment	0.931	0.948
Happiness	1.000	1.000
Inequality	1.000	1.000

independent variables in this study can be seen in Table 7.

Based on table 7 above, it can be seen that:

- a. Government spending on Inequality has a P value > 0.05, which means that government spending on Inequality has an insignificant effect. Therefore, H1 is rejected.
- b. Investment in Inequality has a P value <0.05, meaning that Investment significantly affects Inequality. Therefore, H2 is accepted.
- c. Inequality to happiness has a P value > 0.05, which means that Inequality has an insignificant effect on happiness. Hence, H3 is rejected.
- d. Government spending on happiness has a P value > 0.05, which means that government spending has an insignificant effect on happiness. Therefore, H4 is rejected.
- e. Investment on the happiness level has a P value > 0.05, so it can be interpreted that Investment does not influence the level of happiness. So, H5 is rejected.

Test Results of Indirect Influence

The results of testing indirect effects can be seen in table 8. Based on table 8 above, it can be seen that:

- a. The P value of inequality in mediating the effect of government spending on happiness is greater than 0.05, so it can be said that inequality cannot mediate the effect of government spending on happiness. Therefore, hypothesis 6 is rejected.
- b. The P value of inequality in mediating the effect of investment on happiness is greater than 0.05, so it can be said that inequality cannot mediate the effect of investment on happiness. Therefore, hypothesis 7 is rejected.

Discussion

Effect of Government Spending on Inequality

In this study, government amount spending is divided into collective and individual spending. Collective spending is the amount of all spending incurred by the government to produce goods and services

Table 6.
R-square value

	R Square	R Square Adjusted	Description
Happiness	0.696	0.544	Strong
Inequality	0.899	0.870	Strong

Table 7.
Direct Test Results

	Standard Deviation (STDEV)	T-Statistics (O/STDEV)	P Values
Government Spending → Happiness	0.900	1.184	0.237
Government Spending → Inequality	0.327	0.994	0.321
Investment → Happiness	2.352	0.293	0.770
Investment → Inequality	0.308	2.107	0.036
Inequality → Happiness	2.615	0.382	0.703

that are unlimited in number and can be accessed by the community. For example consumption expenditure for the national defense system, security system and police . Individual spending is expenditure made to produce goods and services that are limited in number and can only be consumed if they have met the requirements. Example of consumption expenditure for health or education. Based on the data in Table 9 below, the amount of collective and individual government spending can be seen.

Based on Table 9, government spending on collective expenditure is greater

than individual expenditure. Where collective expenditure is expenditure incurred for defense and security activities and other expenditures whose benefits cannot be felt directly by the community. In contrast to individual expenditure, the amount can be consumed if it meets certain conditions, for example, health services at health centers and educational services at schools and universities. Therefore, the greater the government expenditure, the less significant the impact on the inequality level as long as the amount of collective expenditure is greater than individual expenditure. It is because it is individual expenditure

**Table 8.
Indirect Effect**

	Standard Deviation (STDEV)	T-Statistics (O/STDEV)	P Values
Government Spending → Happiness	0.833	0.390	0.697
Government Spending → Inequality			
Investment → Happiness	2.360	0.275	0.784
Investment → Inequality			
Inequality → Happiness	0.000		

**Table 9.
Collective and Individual Government Spending**

Year	Government Spending	
	Collective	individual
2013	455,890.10	271,922.00
2014	459,596.20	276,686.90
2015	476,826.10	298,571.90
2016	477,610.80	296,670.80
2017	484,800.40	306,057.90
2018	508,010.60	320,866.00
2019	531,495.20	324,467.80
2020	527,045.90	347,099.70
2021	522,803.60	388,394.50
2022	520,459.10	349,634.10

that directly impacts people's lives. It is consistent with research conducted by (Alamanda, 2021) that total government expenditure does not correlate with income inequality, except for the level of income inequality in urban areas. (Hirmissa et al., 2009) indicate one way causality running from defense spending to income inequality only for the case of Malaysia and bidirectional causality for the case of Singapore. As for the remaining countries are Indonesia, Philippines, India dan South Korea no meaningful relationship could be detected and it can be seen as sign of good governance in this countries.

Effect of Investment on Inequality

Based on the hypothesis testing results, it is known that investment positively significantly influences the inequality level. When investment increase, inequality also. Based on data from the PBS from 2013 to 2022, the amount of investment spending was made in buildings, machinery, vehicles, other equipment, cultivated biological resources, and intellectual property. Of all these sectors, the percentage of the building sector of total investment is 74%, machinery is 11%, vehicles 6%, other equipment 2%, CBR 6% and intellectual property products 2%.

Based on the data above, it is known that the majority of investment is made in the building sector. The increasing number of economic facilities that support economic growth such as increasing length of roads, increasing number of airports, ports and so on, causes economic activity in most parts of Indonesia economic growth. The greater economic growth has an impact on increasing income. People with high skill will have higher incomes than with less skill. This creates a level of inequality in society. In 2021 the number of highly skilled workers will be 14.317.591 people. Those with medium skill amounted to 91.464.561 and with basic skills 24.725.075. therefore a high level of investment can reduce the level of inequality if the majority of invest-

ment is made in the field of improving human resources (Yuldashev et al., 2023).

Result of this research also consist with Le et al (2021) FDI in Vietnam tends to increase income inequality and the existence of non linearity relationship is valid. The effect are different depending on the level of education and institution. Reducing inequality can be done by investment in public education and improving human capital. (Mendoza, 2017) an increase in mass transit ridership of 20 trip per capita annually might be associated with a 1% rise in income inequality after 2 years. (Purba et al., 2019) capital expenditure variable and gross fixed capital formation variable have significant positive effect on income disparity of the west region of north Sumatera.

The Effect of Inequality on Happiness

Based on the results of data processing, it is known that the inequality level does not influence the happiness level. Based on the data on inequality, it is known that over the past five years, the inequality level in Indonesia has tended to move around 0.38, which means that there is no significant change in reducing the inequality level. The happiness level over the last five years has been around 5.2% to 5.3%. The main measures used in measuring happiness levels focus more on looking at income levels, health levels, having someone to rely on, having the freedom to make essential decisions in life, generosity, and the absence of corrupt behavior, which does play an important role in improving the quality of daily life. The three indicators, namely income level, health level, and corruption behavior, can be explained as follows.

The level of per capita income over the last five years can be seen in the figure 1. Based on the national income per capita, the value of Indonesia per capita income tends to increase from year to year. The most significant increase in income occurred between 2020 and 2022.



Figure 1.
National Income Per Capita Level

At the health level, it can be seen from the life expectancy rate, which can be known from BPS data from 2018 to 2022 in Indonesia, namely 73 years in 2018, 73.2 years in 2019, 73.4 years in 2020, 73.5 years in 2021, 73.6 years in 2022. In general, the level of health in Indonesia has also increased.

At the magnitude of the corruption index released by the corruption perception index in 2018, Indonesia CPI was 38/100 countries surveyed. In 2019, Indonesia CPI was 40/100 countries surveyed. In 2020, Indonesia CPI was 37/100 countries surveyed, which showed a decrease of 3 points compared to 2019. In 2021, Indonesia CPI was 38/100 countries surveyed, which showed an increase of 1 point. In 2022, Indonesia CPI reached 34/100 countries surveyed, which showed a decrease of 4 points, which shows that the level of corruption is still high in Indonesia. High levels of corruption have a strong relationship to the happiness level. The greater the level of corruption in a country, the lower the level of public welfare (Efendi, 2019; Li & An, 2020). The level of corruption can also have a negative impact on reducing public happiness levels (Youssef & Diab, 2021).

Based on the explanation above, inequality does not directly influence happiness because one of the indicators that measure happiness is the level of corrup-

tion. Indonesia corruption rate tends to worsen. So, although inequality tends to stagnate, national income per capita tend to increase, and health levels tend to increase, other indicators are quite disappointing, namely the level of corruption that tends to worsen, indirectly affecting the quality of people's lives. Other indicators that measure the happiness level in Indonesia have yet to be found, so further analysis is needed.

The Effect of Government Spending on Happiness

Based on the results of data processing, it is known that government spending has an insignificant effect on the happiness level. Government spending in the study is collective and individual spending. Collective spending is all costs incurred by the government to produce goods and services that are not limited in number and can be accessed by the entire community, for example, defense and security services by the Indonesia National Army / Police. So, this spending is more focused on the security of the State. Meanwhile, the indicators used in measuring the happiness level do not identify State security and State defense as indicators of happiness. Based on this, it can be seen why government spending does not influence the happiness level. Based on the explanation of data above, it can be seen that government collective spending haven't direct

effect on people's happiness. It is because collective spending has more impact on the stability and security of a country.

This result consist with Fambeu et al (2022) the result using generalized method of movement show that public spending has no direct effect on happiness in Africa. Public expenditure spending have positif affect happiness in poorest country in Africa. (Rizkallah, 2023) there is no relationship between public expenditure and economic happiness wheter productive or non productive.

The Effect of Investment on Happiness

Based on the data processing results, it is known that investment does not influence happiness. Investment in this study is projected from the value of Gross Fixed Capital Formation. It is the addition and reduction of fixed assets in a production unit. The investment is in purchasing tools and or capital in production that can stimulate economic activity. This activity has more impact on increasing production activities and economic growth. Suppose the investment is made for things related to improving the public welfare, such as the level of health, the level of education and increasing the community's social safety net. In that case, it will impact the level of public happiness.

The Role of Inequality in Mediating the Relationship Between Government Spending and Investment on Happiness Levels

Based on the results of data processing, it is known that inequality cannot mediate the relationship between government spending and investment on the happiness level. Inequality cannot mediate the relationship between the level of investment and happiness because the investment made is the purchase of tools and capital to support production activities. An increase in capital or assets in production can increase economic output. An increase in output in the economy impacts increasing the use of inputs needed—the

more equitable the level of inputs used in the economy, the smaller the inequality level.

The large proportion of government spending is collective spending. The government incurs collective spending to produce goods and services that are not limited in number and can be accessed by the entire community, such as spending on defense and security. This government expenditure does not directly influence inequality because it does not have an impact on the equitable use of factors of production that can reduce the inequality level.

Inequality does not mediate the relationship between investment and happiness because happiness focuses more on looking at income levels, health levels, having someone to rely on, having the freedom to make important decisions in life, generosity, and the absence of corrupt behavior which does play an essential role in improving the quality of daily life. Inequality does not directly influence happiness because one of the indicators that measure happiness is the level of corruption. Indonesia's corruption level tends to worsen. So, although inequality tends to stagnate, national income per capita, and health levels tend to increase, other indicators are quite disappointing, namely the level of corruption, which tends to worsen, which indirectly affects the quality of people's lives. The greater the level of corruption in a country, the lower the level of public welfare (Efendi, 2019; Li & An, 2020). Other indicators that measure the happiness level in Indonesia have not been found, so further analysis is needed.

In this study, inequality does not mediate the relationship between government spending and happiness levels. It is because Inequality does not mediate the relationship between government spending and happiness because the happiness indicator focuses more on looking at income levels, health levels, having some-

one to rely on, having the freedom to make important decisions in life, generosity, and the absence of corrupt behavior which does play an important role in improving the quality of daily life. Inequality does not directly influence happiness because one of the indicators that measure happiness is the level of corruption. Indonesia corruption rate tends to get worse. So, although inequality tends to stagnate, national income per capita, and health levels tend to increase, other indicators are quite disappointing, namely the level of corruption, which tends to worsen, which indirectly affects the quality of people's lives. Other indicators that measure the happiness level in Indonesia have not been found, so further analysis is needed.

CONCLUSIONS

Based on the research results, it is found that government spending does not influence the inequality level in Indonesia. In addition, the inequality level, government spending and investment also do not influence public happiness. This study found that inequality cannot mediate the relationship between government spending and investment on the level of happiness. The results of this study indicate that the level of investment influences the inequality level. It explains that the greater the government investment in capital or assets that can stimulate economic activity, the more opportunities available to the community, so the inequality level will be smaller. One of the things that must be considered to increase the happiness level is that the level of corruption must be minimized. It is because even though inequality has decreased, if corruption is still high, the public happiness level will be smaller. It is because corruption can reduce welfare and reduce economic potential.

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