Does economic growth improve the human lot? Richard Easterlin, 1974

Fact 1 *(cross-sectional)*
At a point in time **within any society**, richer people are on average happier than poorer people.

Fact 2 *(time-series)*
**Over time** within many societies, the population does not on average become happier when the country’s income rises.
Does economic growth improve the human lot?
Richard Easterlin, 1974

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At a point in time within any society, richer people are on average happier than poorer people.

Fact 2 (time-series)
Over time within many societies, the population does not on average become happier when the country’s income rises.

Newer fact (cross-country)
Across countries, there is a staggering variation in overall satisfaction with life.
Reported happiness over time in the United States

- **Mean happiness in survey (0–10 scale)**
- **Year**: 1950 to 2000

Legend:
- × AIPO (1950–1970)
- ○ NORC (1963–1976)
- ● GSS (1972–2006)

AIPO is the American Institute of Public Opinion (later Gallup).
NORC is the National Opinion Research Center, and administrator of GSS.
GSS is the General Social Survey.
Original questions asked on a 3-point scale.
The Good Life With David Cameron

The prime minister wants Britain to lead the world in measuring happiness.

By JAMIE WHYTE

Jigme Dorji Wangchuck, the former King of Bhutan, declared in 1972 that "gross national happiness is more important than gross national product." The Center for Bhutan Studies dutifully constructed a survey-based happiness index, whose increase is now the goal of Bhutan's five-year plans.

Wangchuckism has slowly caught on outside of the happy kingdom. French President Nicolas Sarkozy recently commissioned economists Joseph Stiglitz and Amartya Sen to construct a measure of French happiness. The United Nations, World Bank, European Commission and Organization for Economic Cooperation and Development also now measure not only wealth but well-being.

Last week, British Prime Minister David Cameron announced that he is unhappy "following meekly behind"; Britain must lead the world in measuring happiness. He has asked the Office of National Statistics to construct a survey-based measure of the country's general well-being.
Nicolas Sarkozy wants 'well-being' measure to replace GDP

Nicolas Sarkozy, the French President, has called on politicians to ditch GDP as a measure of national wealth and replace it with one that quantifies well-being alongside economic strength.

By Philip Aldrick, Banking Editor

Mr Sarkozy claimed the focus on GDP as the main measure of prosperity had helped to trigger the financial crisis. Photo: REUTERS

Speaking at the launch of a report he commissioned from Nobel Prize winning economist Joseph Stiglitz, President Sarkozy said France would pioneer the new technique and urge other countries to follow suit.

"GDP has increasingly become used as a measure of societal well-being, and changes in the structure of the economy and our society have made it an increasingly poor one," Mr Stiglitz said. "It is time for our statistics system to put more emphasis on measuring the well-being of the population than on the size of the economy."
Bernanke to grads: Money can’t buy happiness
‘The thrill quickly wears off,’ says at South Carolina commencement

By JEANNINE AVERSA
AP Economics Writer
AP Associated Press
updated 3/26/10 12:01 AM ET

WASHINGTON — Your parents were right. Money can’t buy you happiness. That was the message from the Federal Reserve chairman on Saturday to graduates of the University of South Carolina.

“We all know that getting a better-paying job is one of the main reasons to go to college. ... But if you are ever tempted to go into a field or take a job only because the pay is high and for no other reason, be careful!” Ben Bernanke said in his commencement address.

“Having a larger income is exciting at first, but as you get used to your new standard of living and as you associate with other people in your new income bracket, the thrill quickly wears off,” he said.

The Fed released his prepared remarks before he gave the speech.

Studies found that just six months after winning a large lottery prize — even in the million of dollars — people reported being not much happier than they were before winning, Bernanke said.

Bernanke’s advice blended what economics and social science have to say about personal happiness. When you boil down all the studies and fancy formulas, it sounds a lot like what your parents told you.

Other findings: Happy people tend to spend time with friends and family. Happy people tend to do what they love for a living or a hobby. Happy people tend to feel in control of their lives.
Prominent policy initiatives focused on subjective well-being (SWB)

- **U.K.** [idea.gov.uk/wellbeing](idea.gov.uk/wellbeing)
- **France** [www.stiglitz-sen-fitoussi.fr](www.stiglitz-sen-fitoussi.fr)
- **Bhutan GNH**
- **OECD** [www.oecd.org/progress](www.oecd.org/progress)
- **E.U.** [www.beyond-gdp.eu](www.beyond-gdp.eu)
- **UN General Assembly Resolution A/65/L.86 (13 July 2011)**
Outline

1. Measuring SWB
2. Homogeneity
3. Gender
4. Social factors
5. Conclusion
Quantifying life quality

Question: **Satisfaction with life (SWL)**

“Taking all things into account, how satisfied are you with your life these days, on a scale from 0 to 10?”

- 0: very dissatisfied
- 10: very satisfied
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→ **not:** “How are you feeling at the moment?”

→ **not:** “What makes for a satisfying life?”
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1:  

10: very satisfied

→ **not:** “How are you feeling at the moment?”

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→ Question is part of comprehensive surveys

- *Gallup World Poll (2006–, 140+ countries),*
- numerous national surveys
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→ **not**: “What makes for a satisfying life?”

→ **Question is part of comprehensive surveys**
  - *World Values Survey*: 5 waves, 1981-2005, \(\sim 50\)
  - *Gallup World Poll* (2006–, 140+ countries),
  - numerous national surveys
Life satisfaction and income

INCOME (LOG) AS FRACTION OF US GDP/CAP

SATISFACTION WITH LIFE (2006-2008)
Outline

1. Measuring SWB
2. Homogeneity
3. Gender
4. Social factors
5. Conclusion
Estimating a well-being function

\[ SWB_{ic} = \alpha + \beta \log(Income_i) + \theta X_i + \gamma Z_c + \varepsilon_i \]

With the Gallup World Poll, \( X_i \) includes:
- short of food?
- friends to count on?
- perception of corruption
- religiosity
- freedom to choose
- demographics (age, gender, marital status, HH size, . . . )
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Measuring SWB
Homogeneity
Gender
Social factors
Conclusion
References
Explaining SWB ($\beta$ coefficients)

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Dependent Variable</th>
<th>Life-evaluation</th>
<th>Positive affect</th>
<th>Negative affect</th>
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Significance Levels: (1 tailed tests)

* .05  ** .01  *** .00
Does the same *individual* model work around the world? (Helliwell et al., 2010)
Actual and predicted subjective well-being

Africa
Actual and predicted subjective well-being

W Europe
Actual and predicted subjective well-being
FSU and E Europe

(mean) lifeToday vs (mean) lifeToday_pred
Actual and predicted subjective well-being

Latin America and Caribbean
Actual and predicted subjective well-being
USA, Canada, Aus, NZ
Outline

1. Measuring SWB
2. Homogeneity
3. Gender
4. Social factors
5. Conclusion
Females are more content?

Raw coefficients (for life evaluation)
C. Barrington-Leigh
McGill
\(\text{ln(HH inc}_{\text{adj}}\) female
household size

\begin{itemize}
  \item Females are more content?
\end{itemize}
Males and marriage: Coefficients explaining SWL

- **In(HH inc<sub>adj</sub>)**
- **household size**
- **(as) married**
- **separated, divorced, or widowed**
- **not enough money (food)**

Raw coefficients (for life evaluation)

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C. Barrington-Leigh
McGill
Females and happiness: Coefficients explaining affect

Raw coefficients (for affect balance)

C. Barrington-Leigh
McGill

\[ \ln(HH \text{ inc}_{\text{adj}}) \]

female

household size

Females and happiness: Coefficients explaining affect
Males and marriage: Coefficients explaining affect

Raw coefficients (for affect balance)

C. Barrington-Leigh
McGill

\[
\begin{align*}
\text{ln}(\text{HH inc}_{\text{adj}}) & \quad \text{household size} & \quad (\text{as}) \text{ married} & \quad \text{separated, divorced, or widowed} \\
-4.0 & -3.5 & -3.0 & -2.5 & -2.0 & -1.5 & -1.0 & -0.5 & 0.0
\end{align*}
\]
Females and marriage: Coefficients explaining affect

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C. Barrington-Leigh
McGill

ln(HH inc_{adj})
household size
(as) married
separated, divorced, or widowed
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1. Measuring SWB
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What explains the difference in well-being between Atlantic Canada and BC?
Why is SWB higher in OECD than non-OECD countries?

- Average household income
- Count on friends
- Freedom
- Not corrupt
- Donated money
- Unexplained difference
Compensating differentials of individual and national levels

- Absence of corruption
- Freedom to choose
- Friends to count on
- Enough money to buy food
Psychological / experimental evidence
Dunn and Aknin, 2008

- the mere thought of having money makes people less likely to help acquaintances, donate to charity, or choose to spend time with others, precisely the kinds of behaviors that are strongly associated with happiness

- in a survey of Americans, personal spending was unrelated to happiness, but higher pro-social spending was associated with significantly greater happiness

- in a study of employees given a profit-sharing bonus (windfall), only pro-social spending was positively related to happiness

- in an experiment on spending a windfall, those instructed to spend on others ended up happier

- in predicting the outcome, other participants were doubly wrong about the impact of money on happiness
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Summary

Collecting a subjective measure of how good life feels provides:

1. a natural single-measure (non-index) of well-being
2. a guide to which other measurements are important, and to their relative importance
3. the ability to measure welfare effects when revealed preferences methods are not feasible available
4. the ability to capture individual-level effects, at the same time as other scales (household, community, national)
5. new insights into the social nature of our preferences
Acknowledgements:
- Gallup Corporation
- Canadian Institute for Advanced Research
- Statistics Canada
- various coauthors
Suggested reading I

(Helliwell and Barrington-Leigh, 2010; Layard, 2010; Graham and Felton, 2006; U.N. 2012; MacKerron, 2011; Deaton, 2008; Helliwell, 2008; Barrington-Leigh, 2010a; Hall, Barrington-Leigh, and Helliwell, 2011; Barrington-Leigh, 2010b; Dunn, Aknin, and Norton, 2008)


Suggested reading III


