

What makes people happy? Sociability vs. GDP

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Happiness questions (World Values Survey)

Taking all things together, would you say you are:

- 1 'Very happy'
- 2 'Quite happy'
- 3 'Not very happy'
- 4 'Not at all happy'

Reliability of Happiness

Happiness is well correlated to:

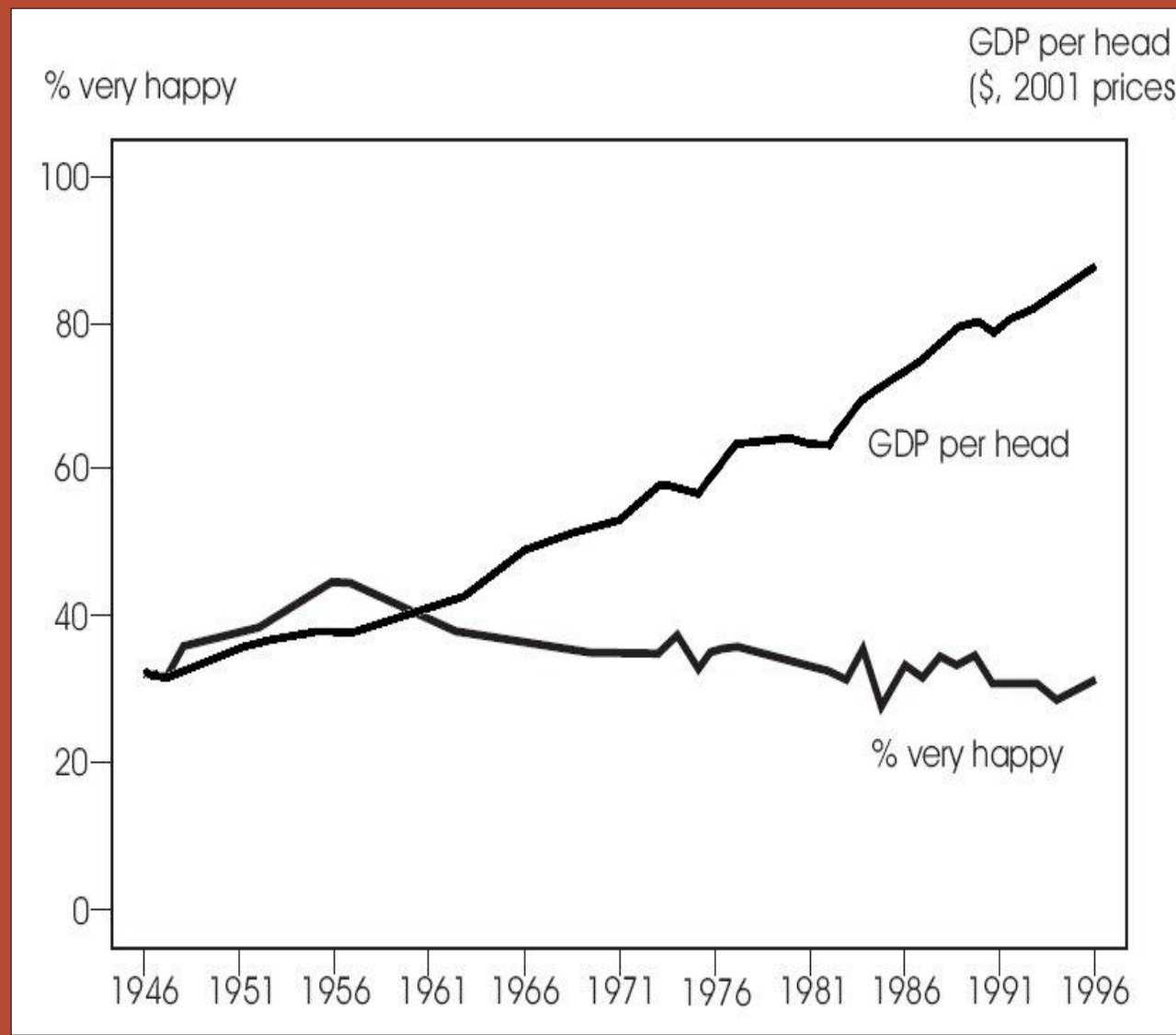
- Authentic smiles (so called Duchenne smiles: this latter occur when the zygomatic major and orbicularis oris facial muscles fire, and humans identify this as 'genuine smiles').
- Heart rate
- Blood pressure
- Psychosomatic illnesses such as digestive disorders and headaches
- Electroencephalogram measures of pre-frontal brain activity
- Suicides
- Assessment of the person's happiness by friends and family members
- Assessment of the person's happiness by her/his spouse

The evolution over time of subjective well-being

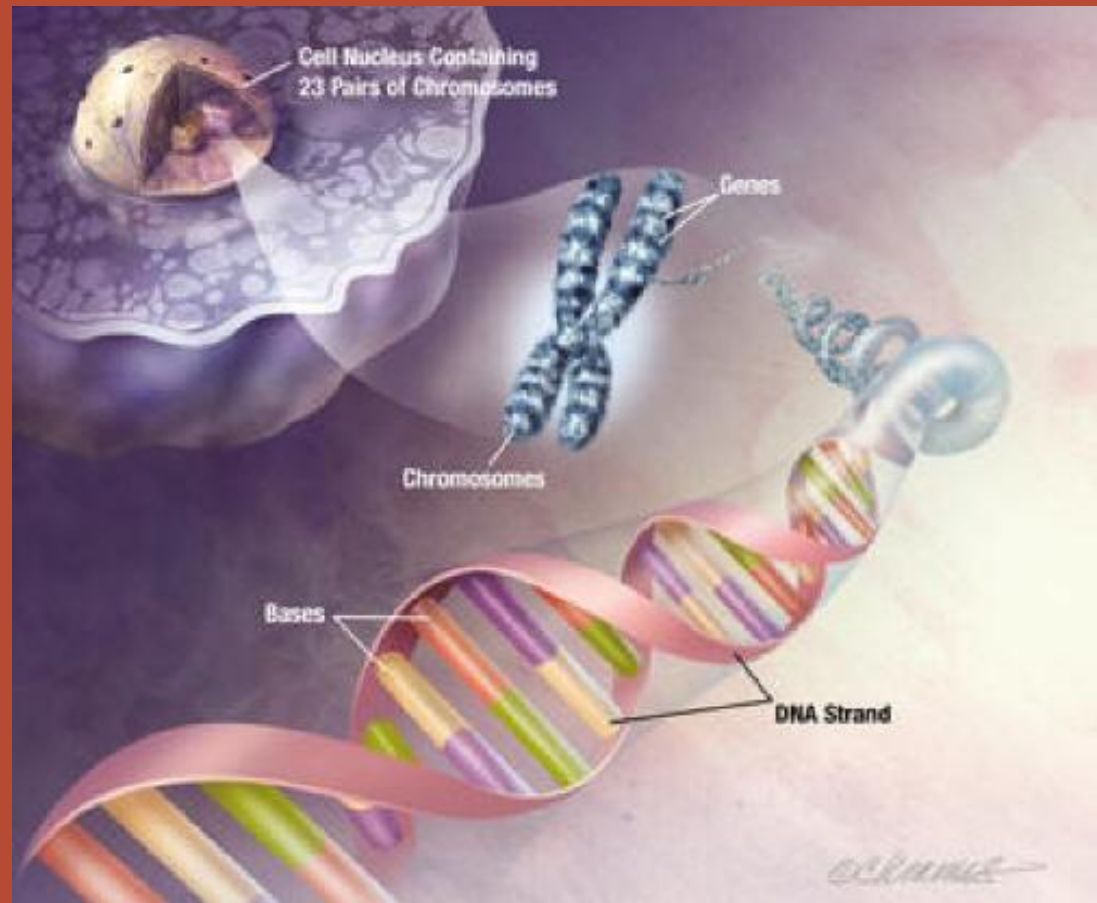
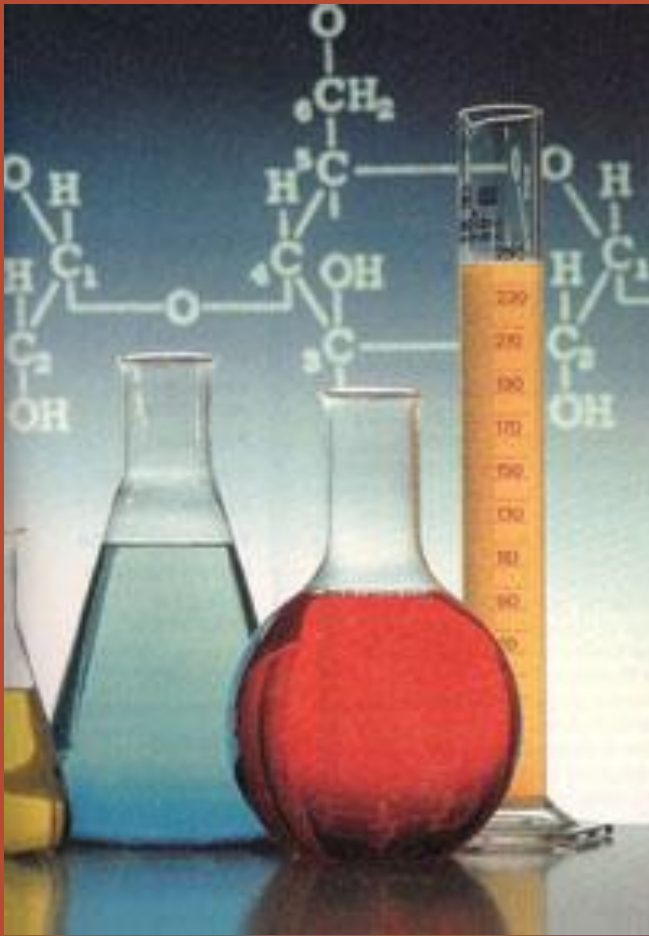
- How far is general income growth likely to increase average happiness?
- This is a question about time series relationships

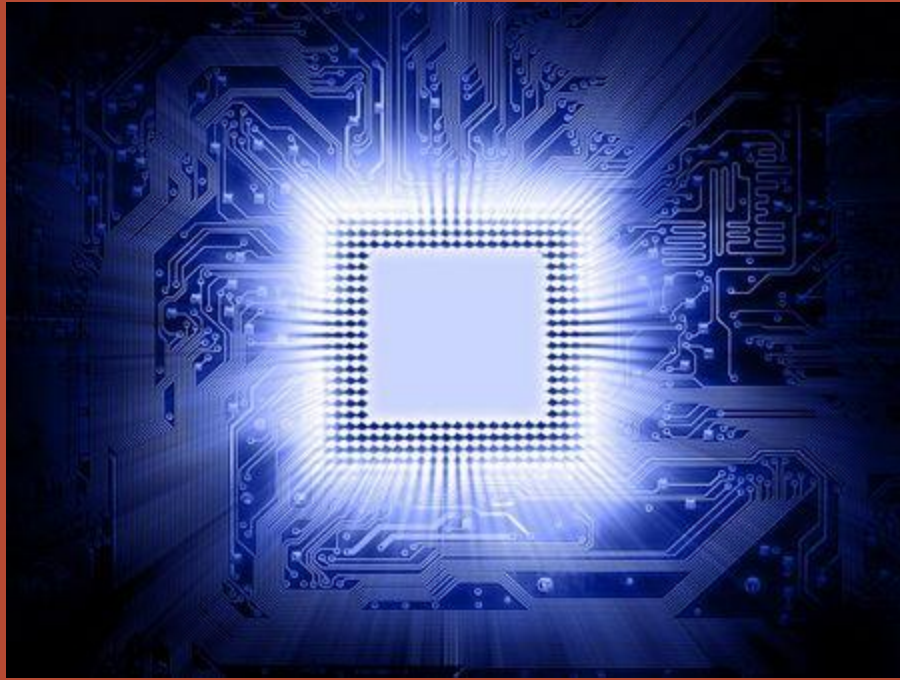
GDP and happiness, US, 1946-1996

The Easterlin paradox



Health





Information technologies





Travels



But...



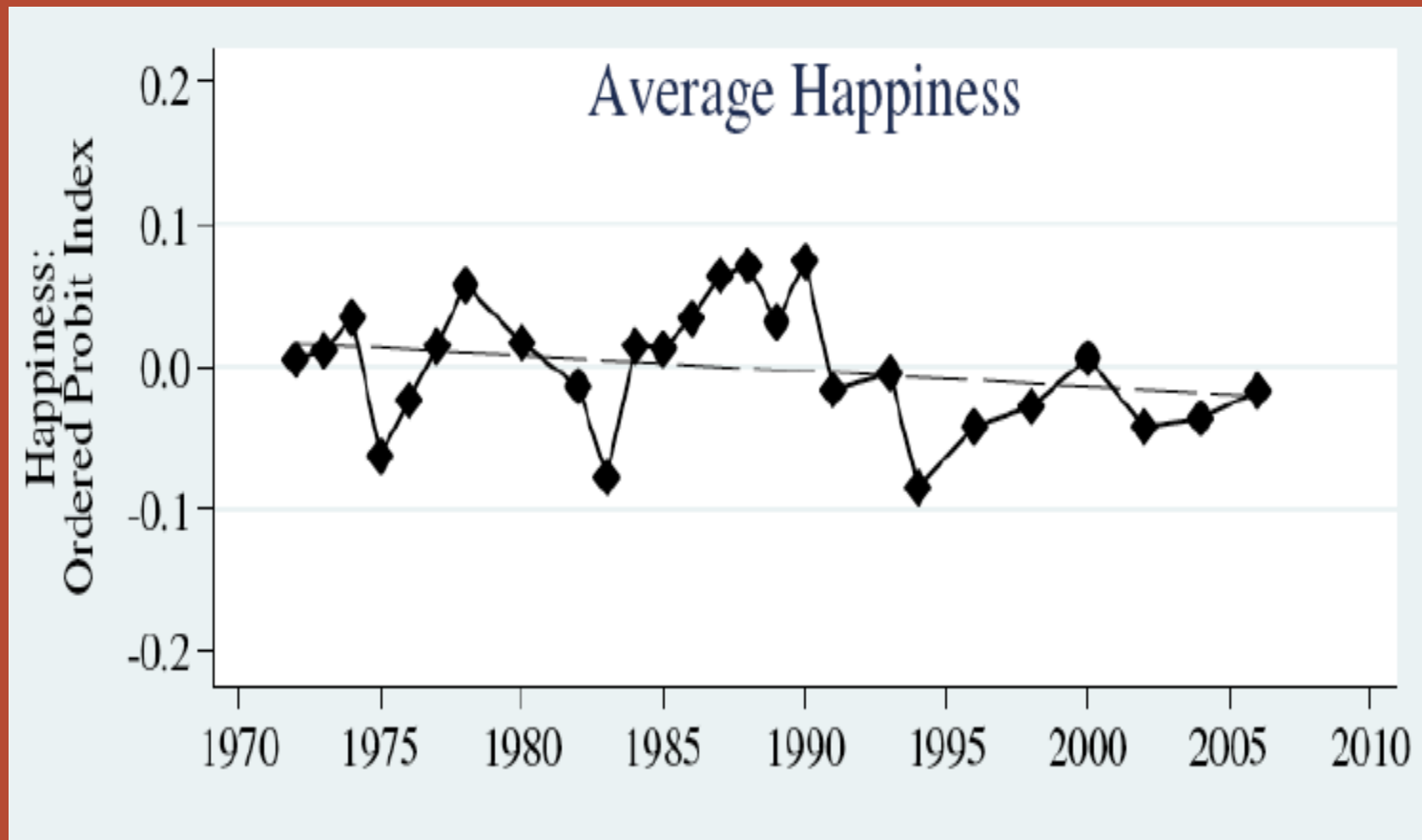


.....economic growth seems to be associated to undesirable side-effects on well-being

Well-being trends across countries

- There are international differences in long-term trends of subjective well-being (SWB)
- For instance: SWB slightly increased in several EU countries and decreased in the US in the last 30 years

Declining Trend in US happiness

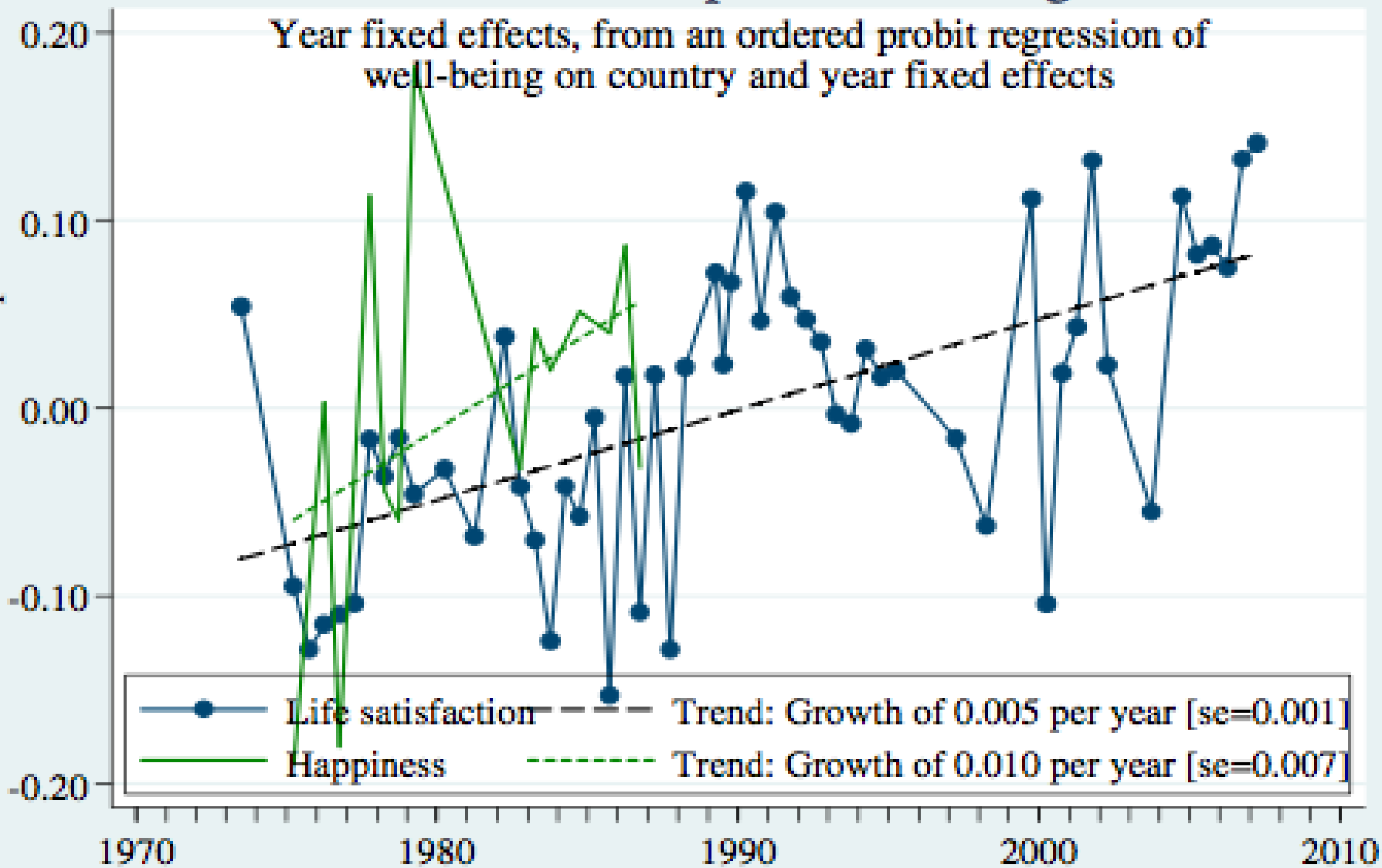


Source: Stevenson and Wolfers 2008, GSS data

Trend in European Well-Being

Year fixed effects, from an ordered probit regression of well-being on country and year fixed effects

Life Satisfaction: Ordered probit index



Source: Eurobarometer, 1973-2007.

Source: Stevenson and Wolfers 2008

What does predict the international differences in the trends of well-being?

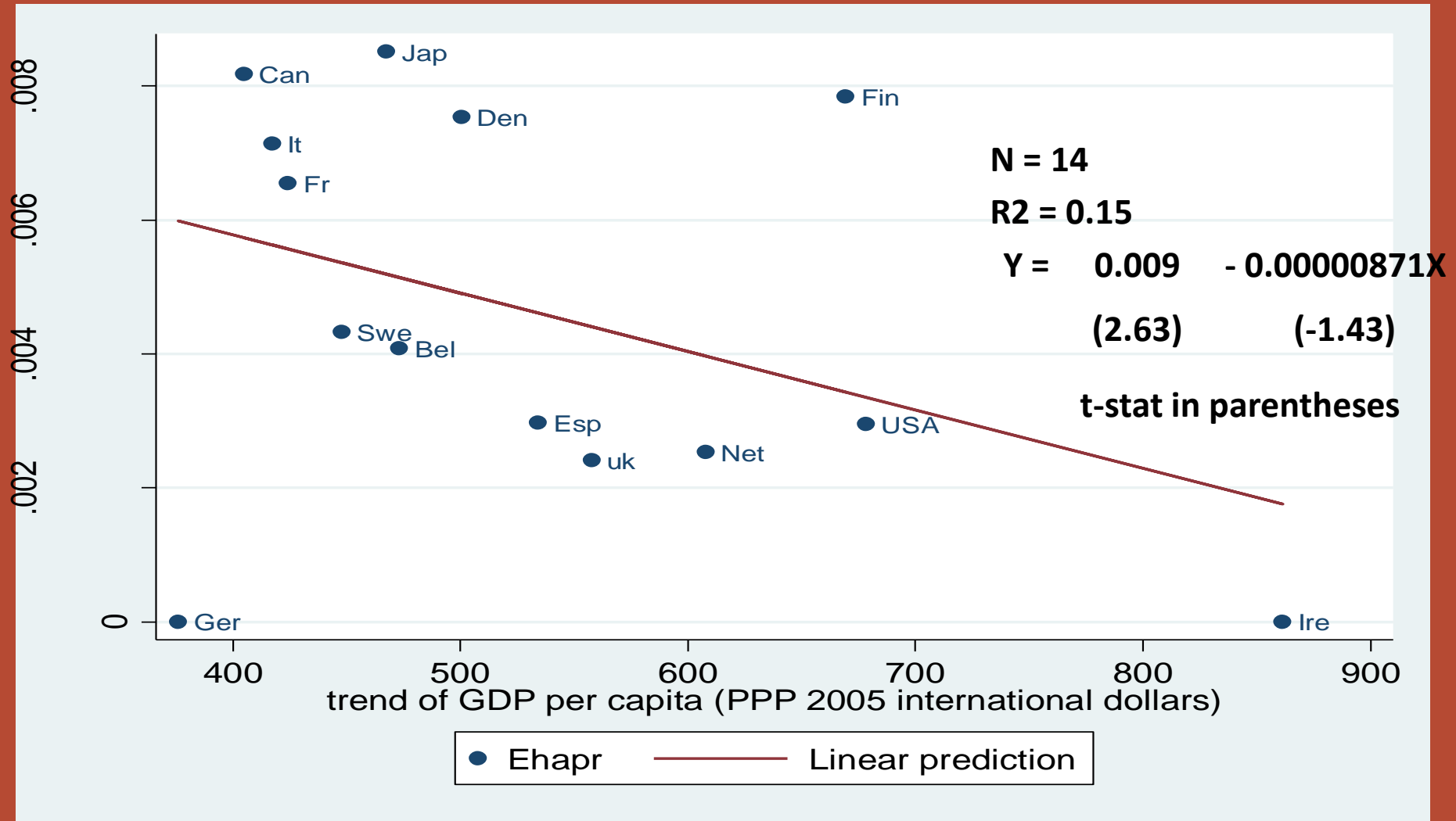
- Income trends do not
- People do not become happier when a country's income increases.

The Easterlin paradox

- The trends of happiness and income are unrelated in the long run in:
 - developed countries
 - developing countries
 - all countries together

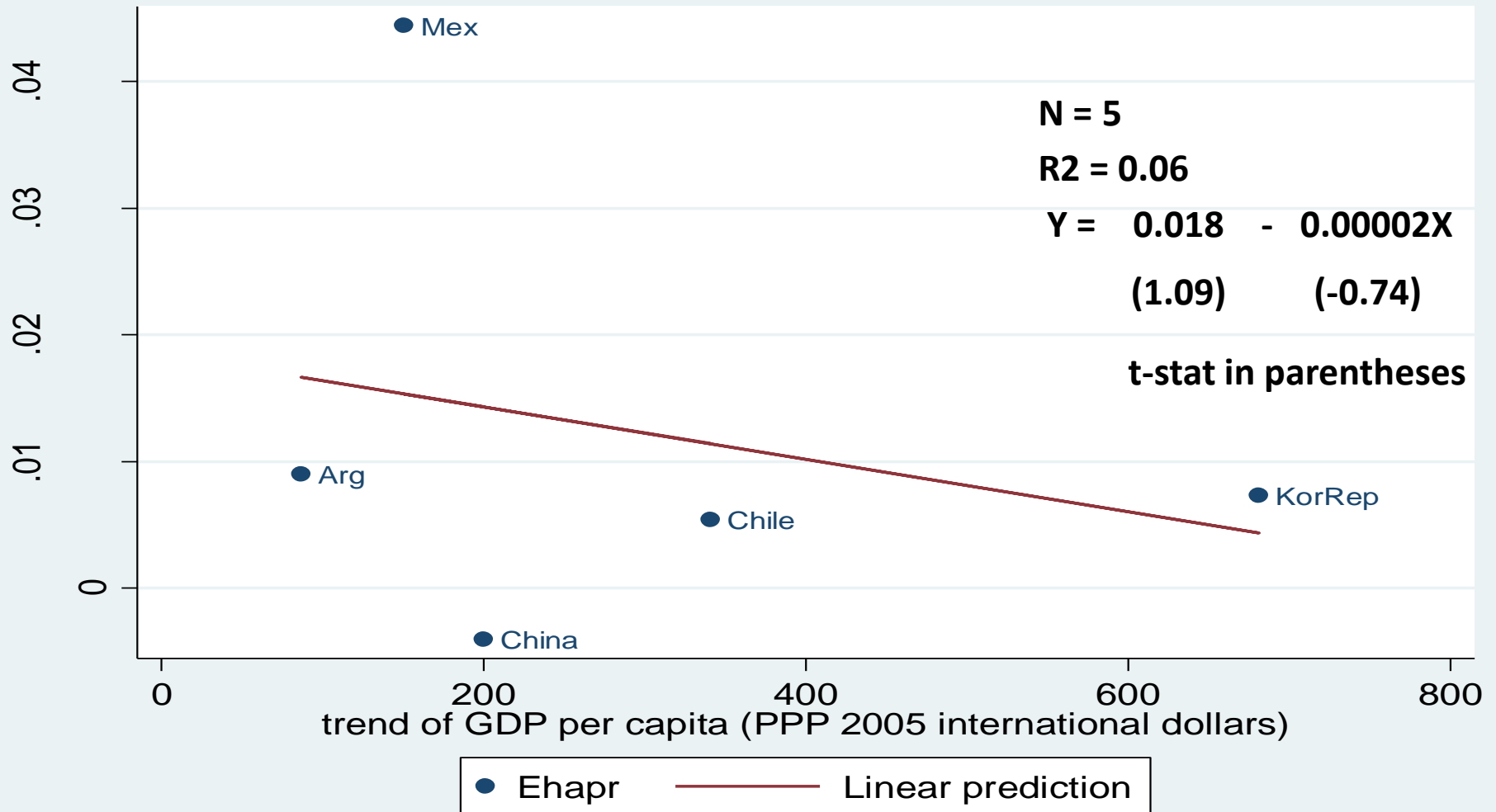
(Easterlin and Angelescu 2009)

Happiness & GDP in Developed Countries



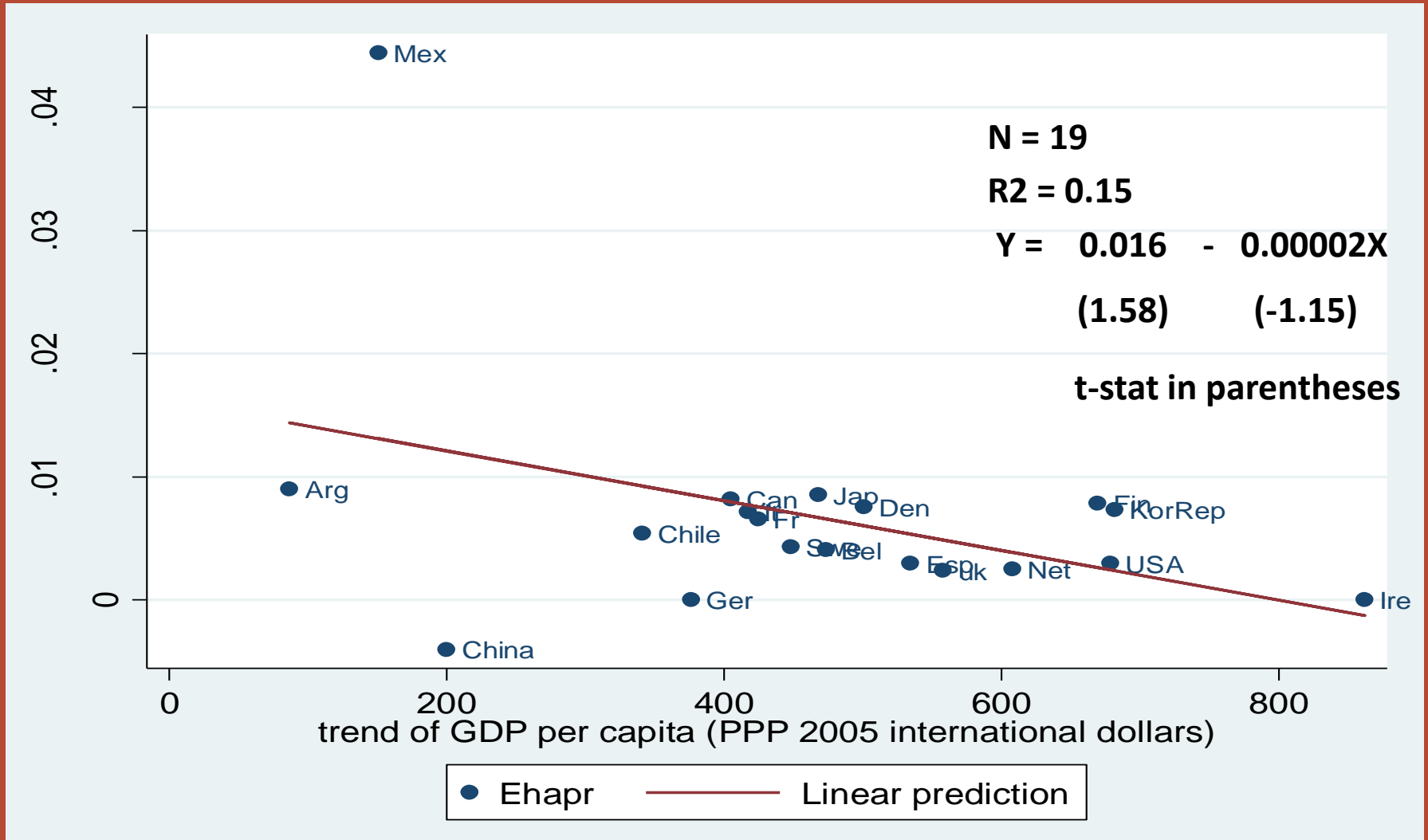
Correlation between trends (15 years)

Happiness & GDP in Developing Countries



Correlation between trends (15 years)

Happiness & GDP in all countries



Correlation between trends (15 years)

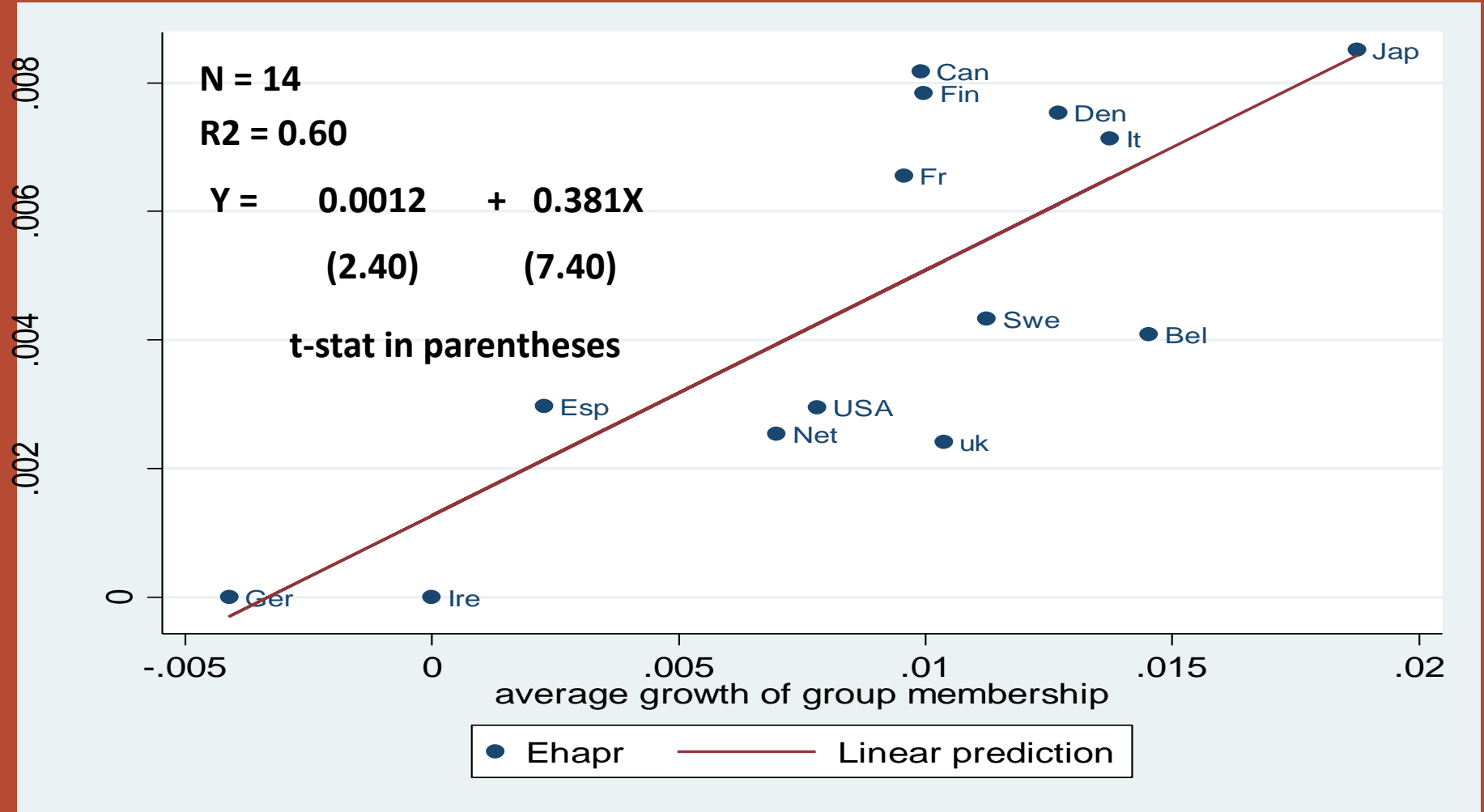
What predicts happiness over the long-run: social capital does

- **What happens** in this kind of regressions **when income is substituted by social capital** as the independent variable? (Bartolini, Bilancini and Sarracino (2009))
- The measure of social capital: share of the population **member in at least one group or association**
- Data: World Values Survey, waves 1-5 (1980-2005)

Groups and associations

- Social welfare service for elderly
- Religious organizations
- Education, arts, or cultural activities
- Labour unions
- Political parties
- Human rights
- Conservation, the environment, ecology, animal rights
- Youth work
- Professional associations
- Sports or recreation
- Women's group
- Peace movement
- Organizations concerned with health
- Consumer groups
- Other groups

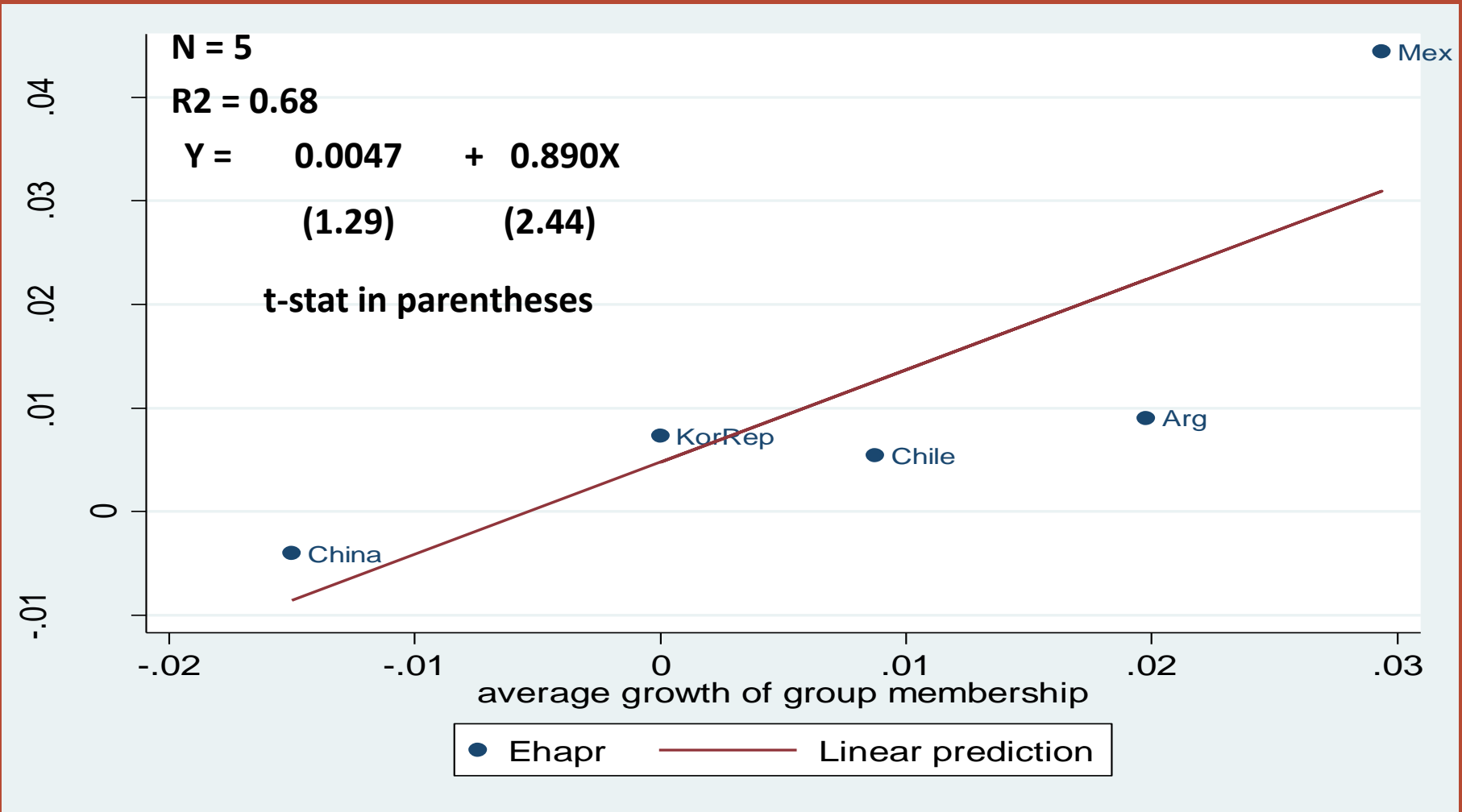
Happiness & Social Capital Developed countries (15 years)



Correlation between trends

Happiness & Social Capital

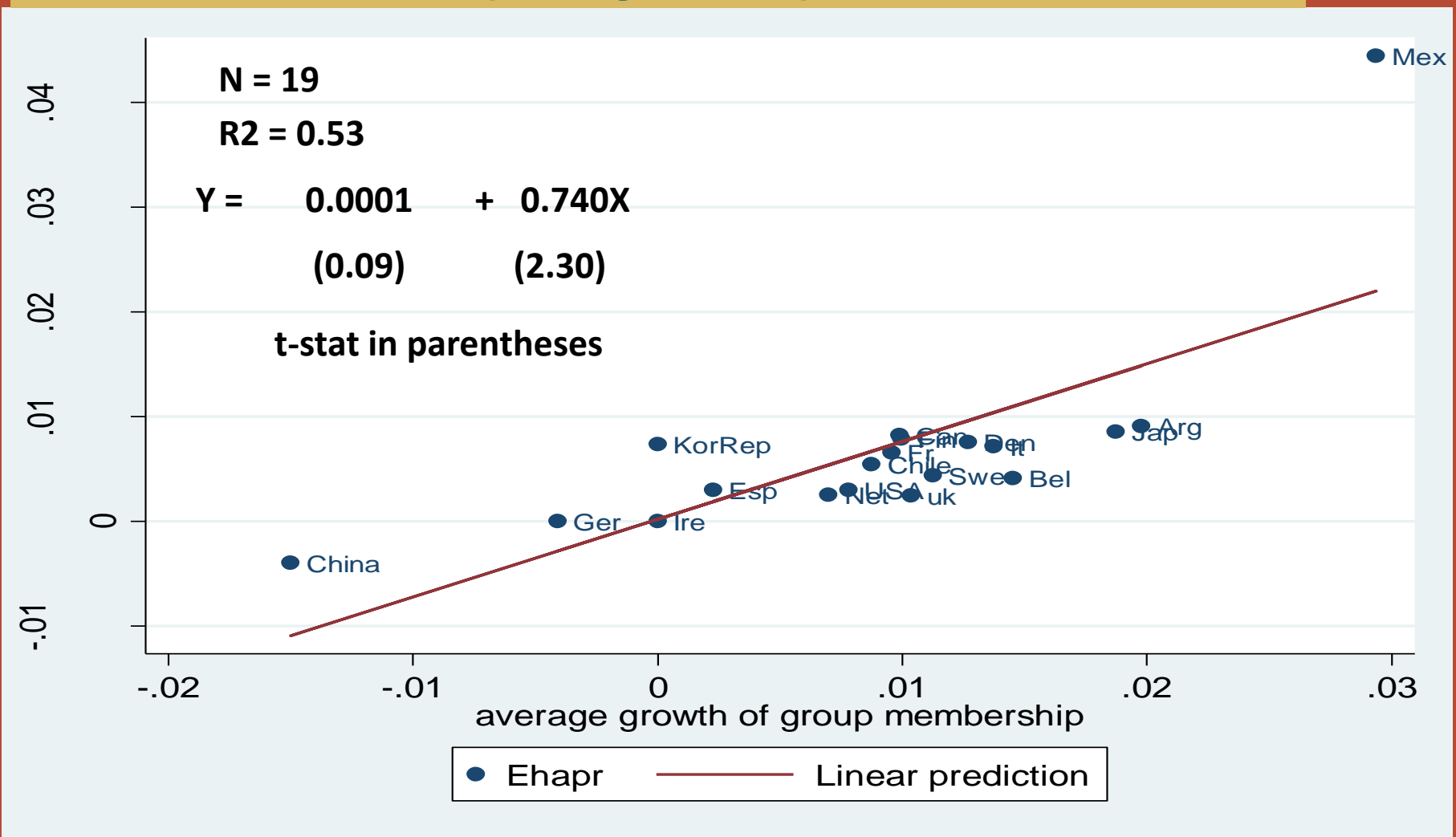
Developing countries (15 years)



Correlation between trends

Happiness & Social Capital

All countries (15 years)



Correlation between trends

Results

- World-wide evidence: Happiness and GDP are unrelated in the long run while happiness and sociability are strongly and positively related

Evidence from within-countries data

Can within-countries data give us a more detailed picture of what determines the changes in well-being over time ?

Declining Trend

in US happiness (1975-2004): Why?

The trend of US happiness is predicted by 4 forces that drive such a trend in opposite directions (Bartolini, Bilancini and Pugno 2008, GSS data)

- Increase in income
- Social comparisons
- Decline of relational goods
- Decline of trust in institutions

Relational goods and trust in institutions:
components of social capital

Social comparisons

- Mrs. Jones compares what she owns with what is owned by other persons, said reference groups
- Having a lot may seem little to Mrs. Jones if those she compares herself to, have more
- An increase in income has a positive impact on the well-being of Mrs. Jones but an increase of the same size in the income of her reference group, offsets about $2/3$ of such an impact
- Growth raises happiness if what matters for happiness is to have a bigger car, not if what matters is to have a bigger car than your neighbour

The decline in relational goods

The trends of the various indicators document:

- An increase in: loneliness, sense of isolation, instability of families, generational cleavages, mistrust
- A decrease in: social contacts, honesty, solidarity, social participation, civic engagement

Predictors of the decline in US happiness

The predicted negative impact of:

- Social comparisons
- Decline of relational goods
- Decline of trust in institutions

more than offset the predicted positive impact of the increase in income

Relational goods matter

- If relational goods had remained at its 1975 level, happiness might have substantially increased

About 10% !

This is the growth rate of household income needed to compensate for the happiness loss due to the decline in relational measures





Private
wealth



Common poverty





Common
poverty



Lessons for measuring well-being

- The purchasing power, measured by GDP, is one component of well-being but is not all that matters

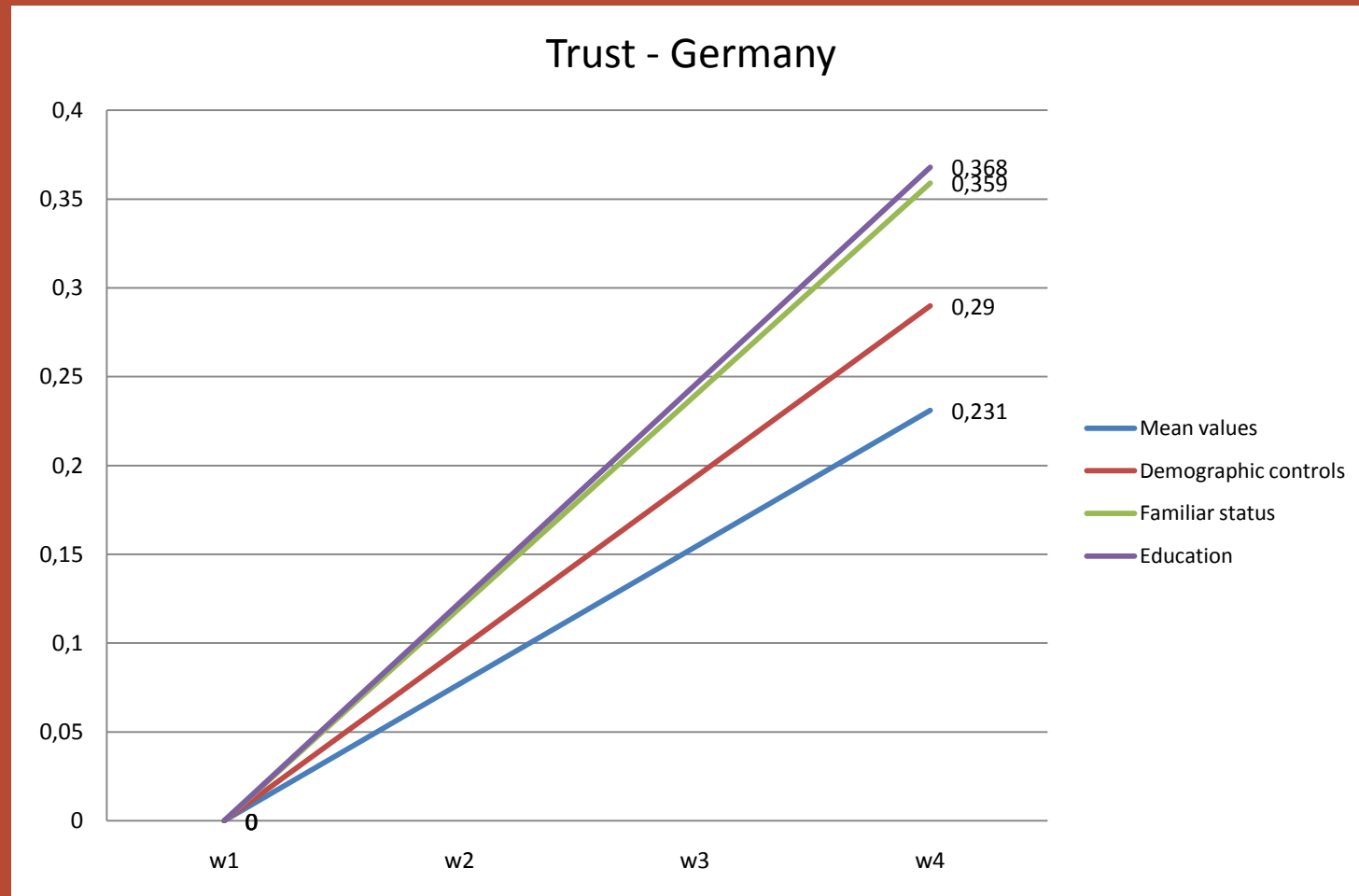
- The quality of relational experience cannot be purchased but is important for well-being

- A credible indicator of well-being must also take into account social capital

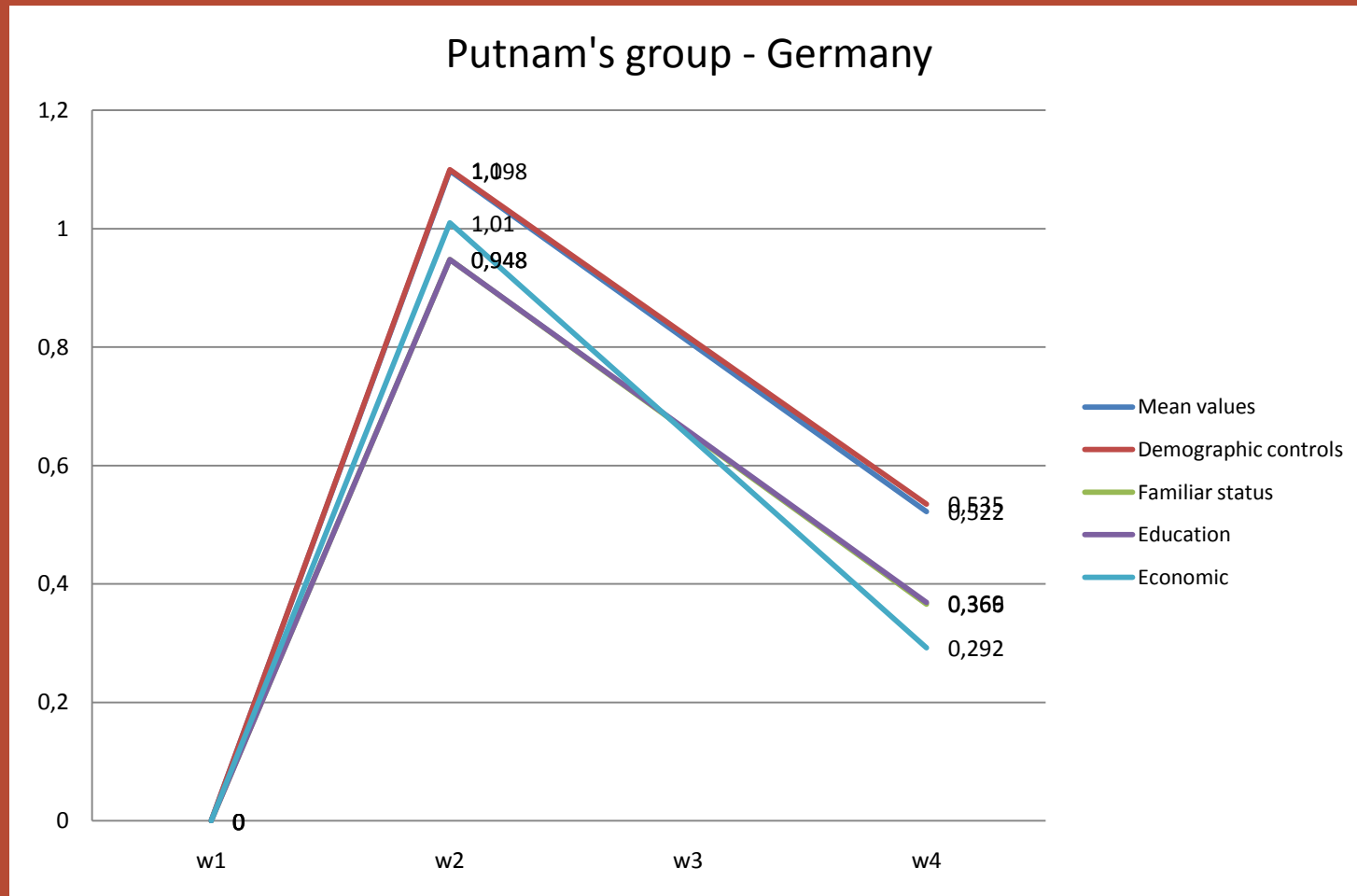
Social capital and happiness in European countries

- In many European countries happiness and social capital increased in 1980-2000 (Sarracino 2008, WVS data)

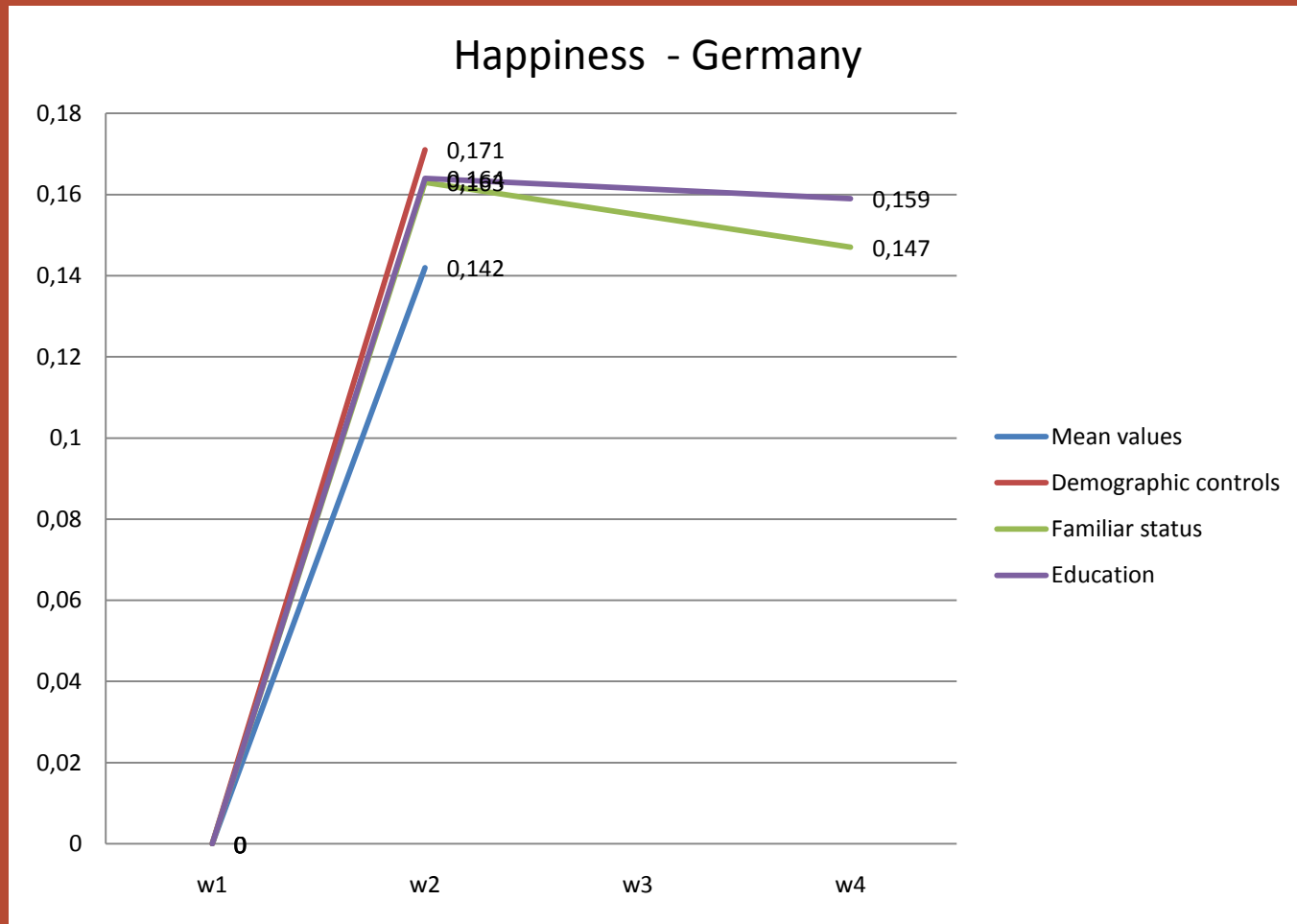
Trends of relational goods 1980-2000 (Sarracino 2008, WVS data)



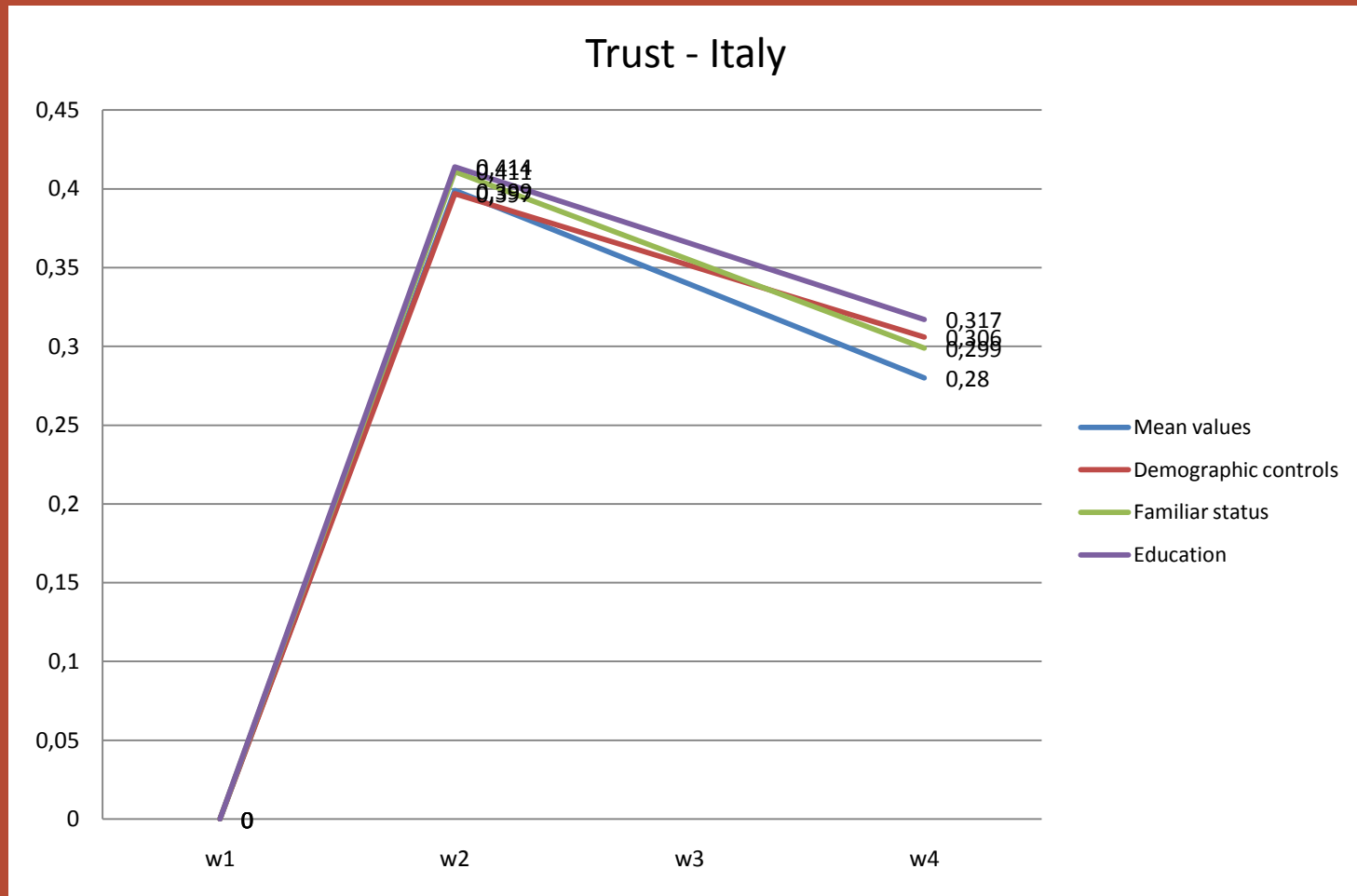
Trends of relational goods 1980-2000



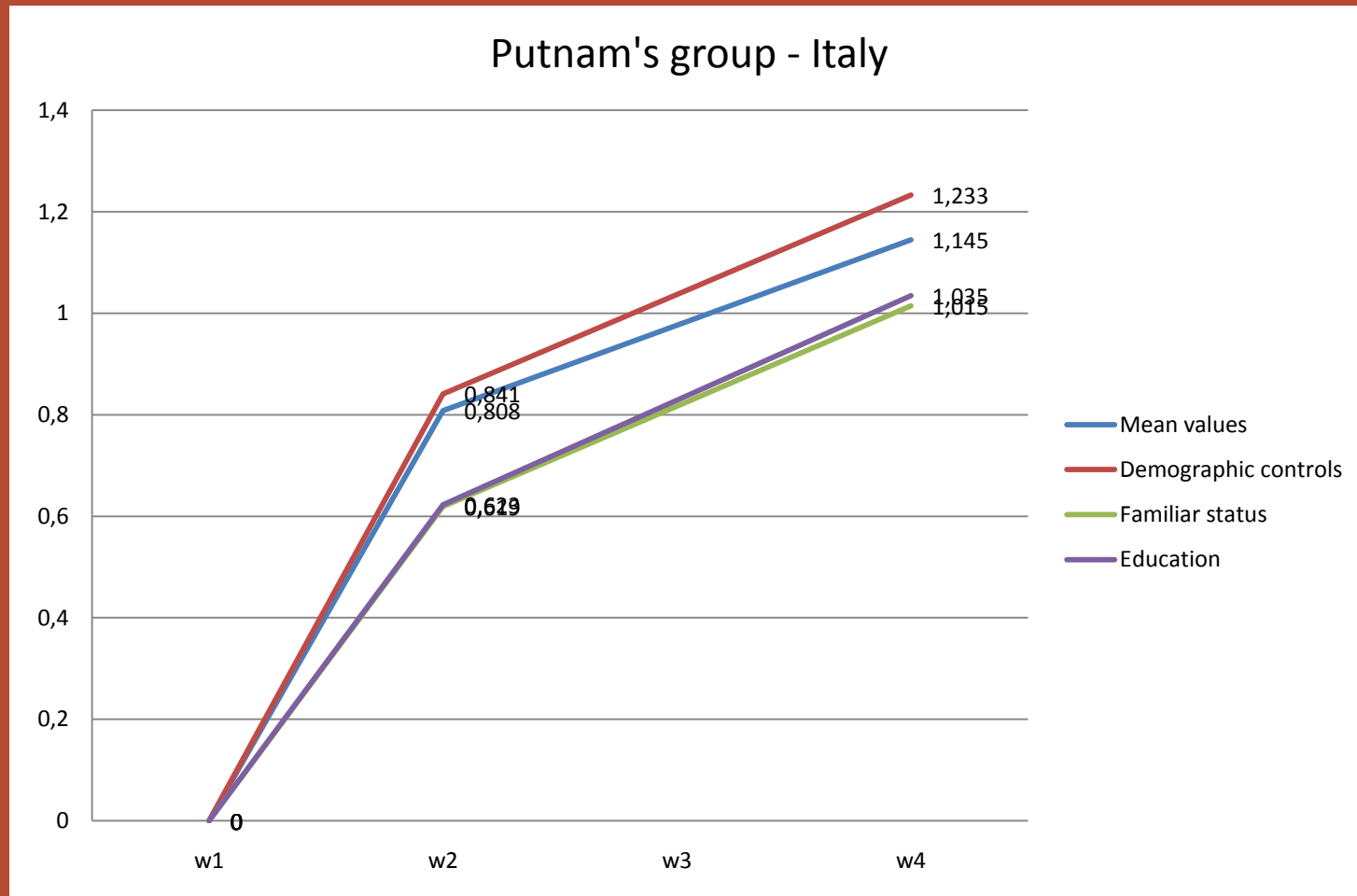
Happiness trends 1980-2000



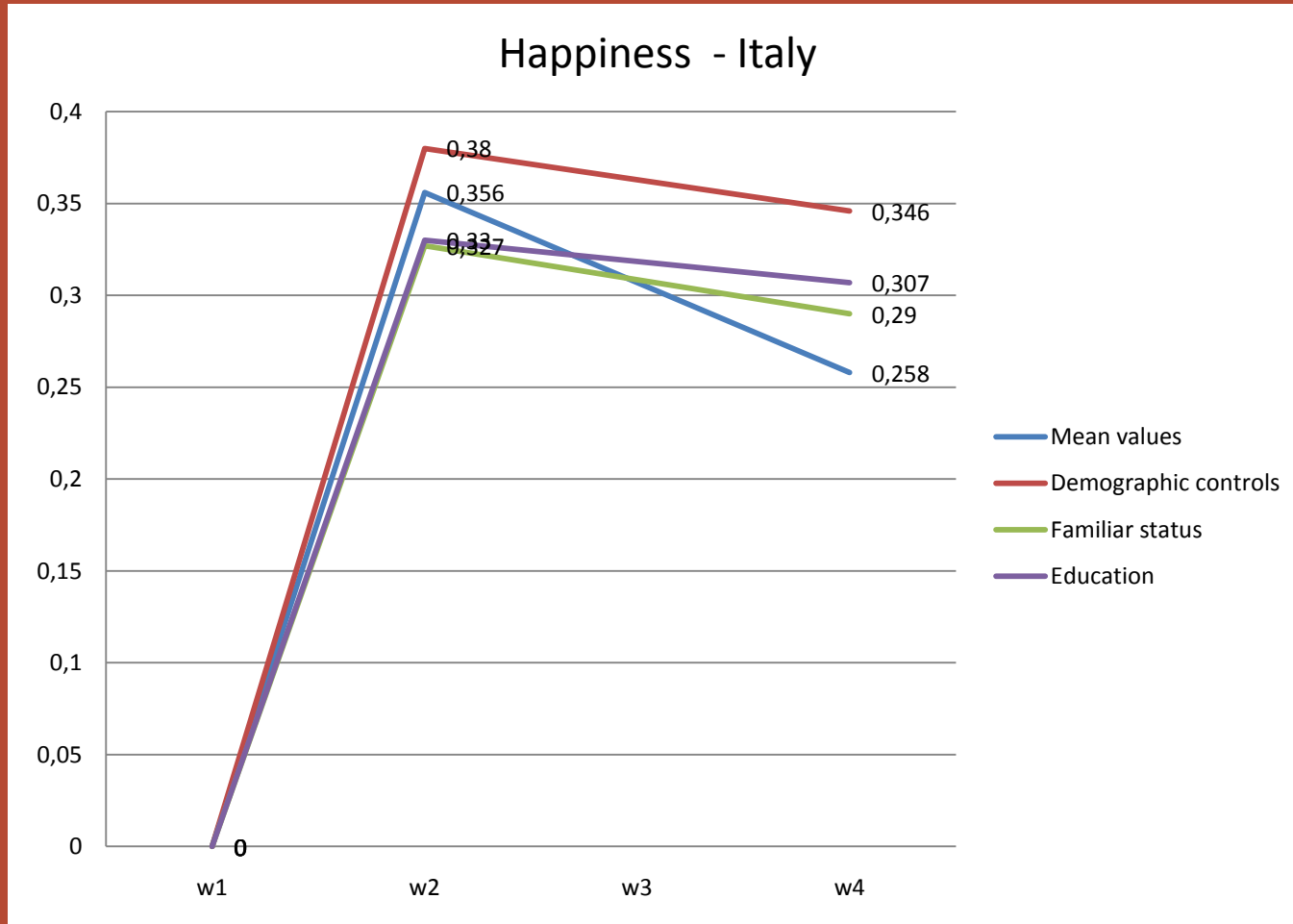
Trends of relational goods 1980-2000



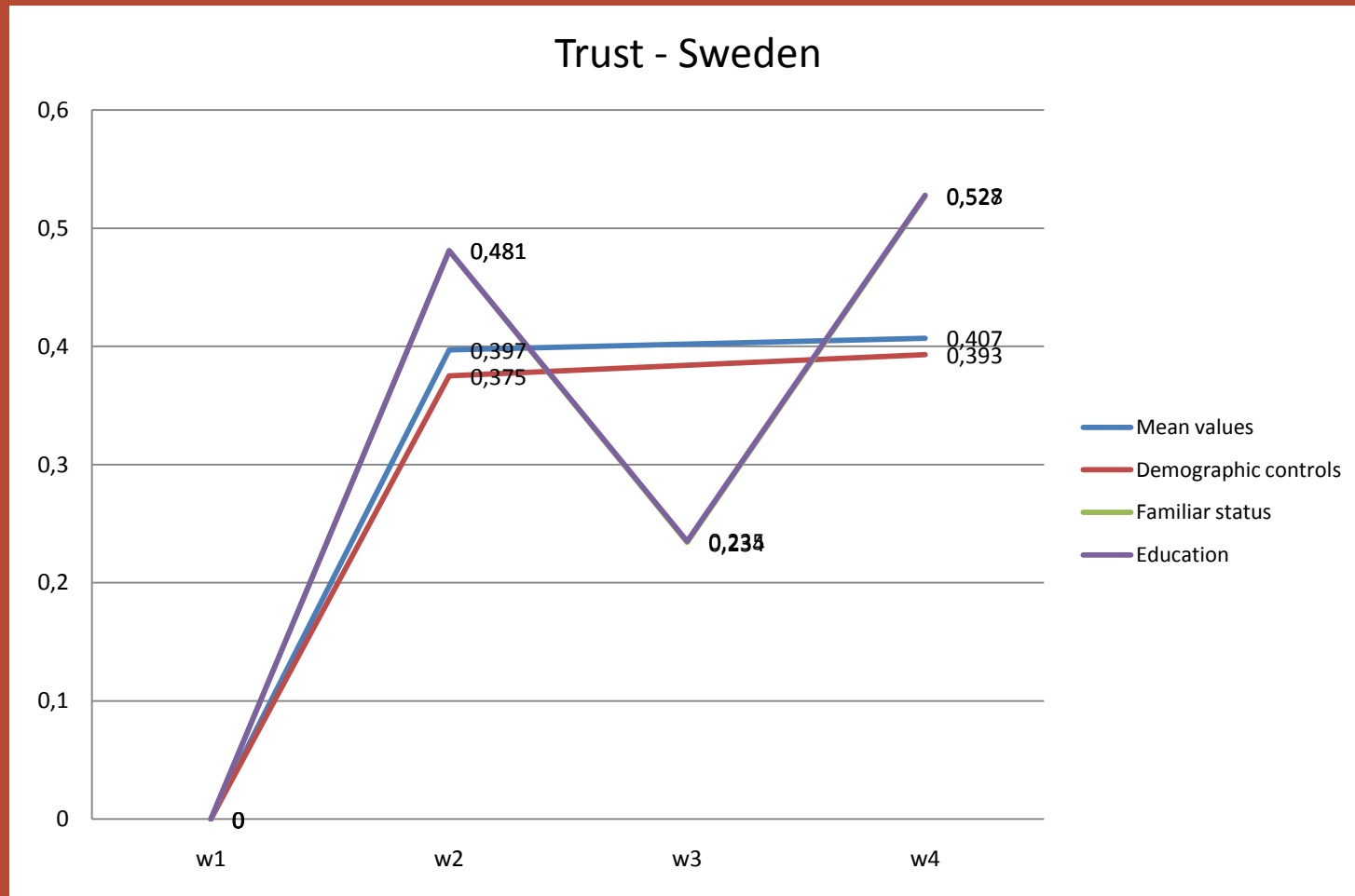
Trends of relational goods 1980-2000



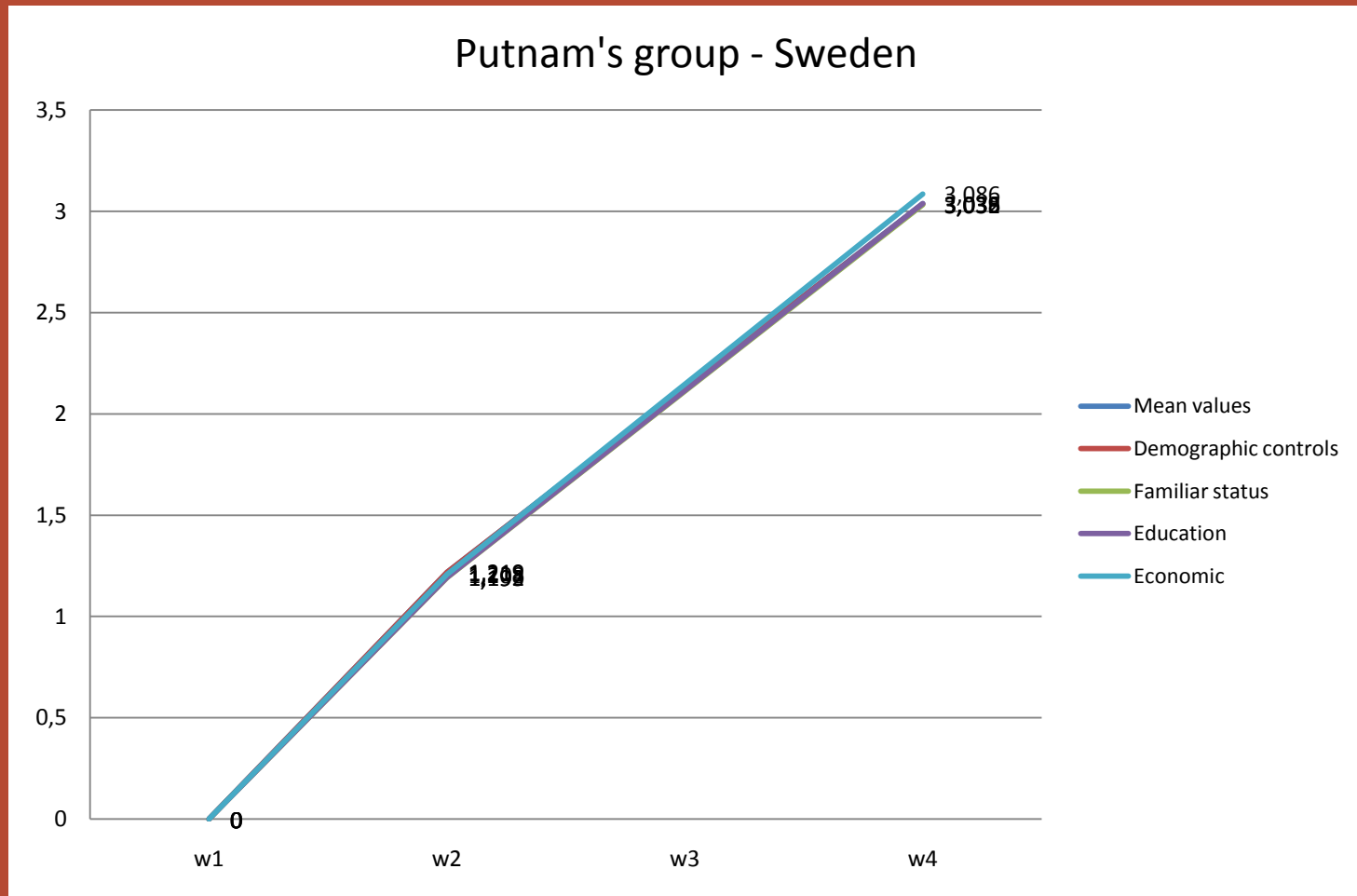
Happiness trends 1980-2000



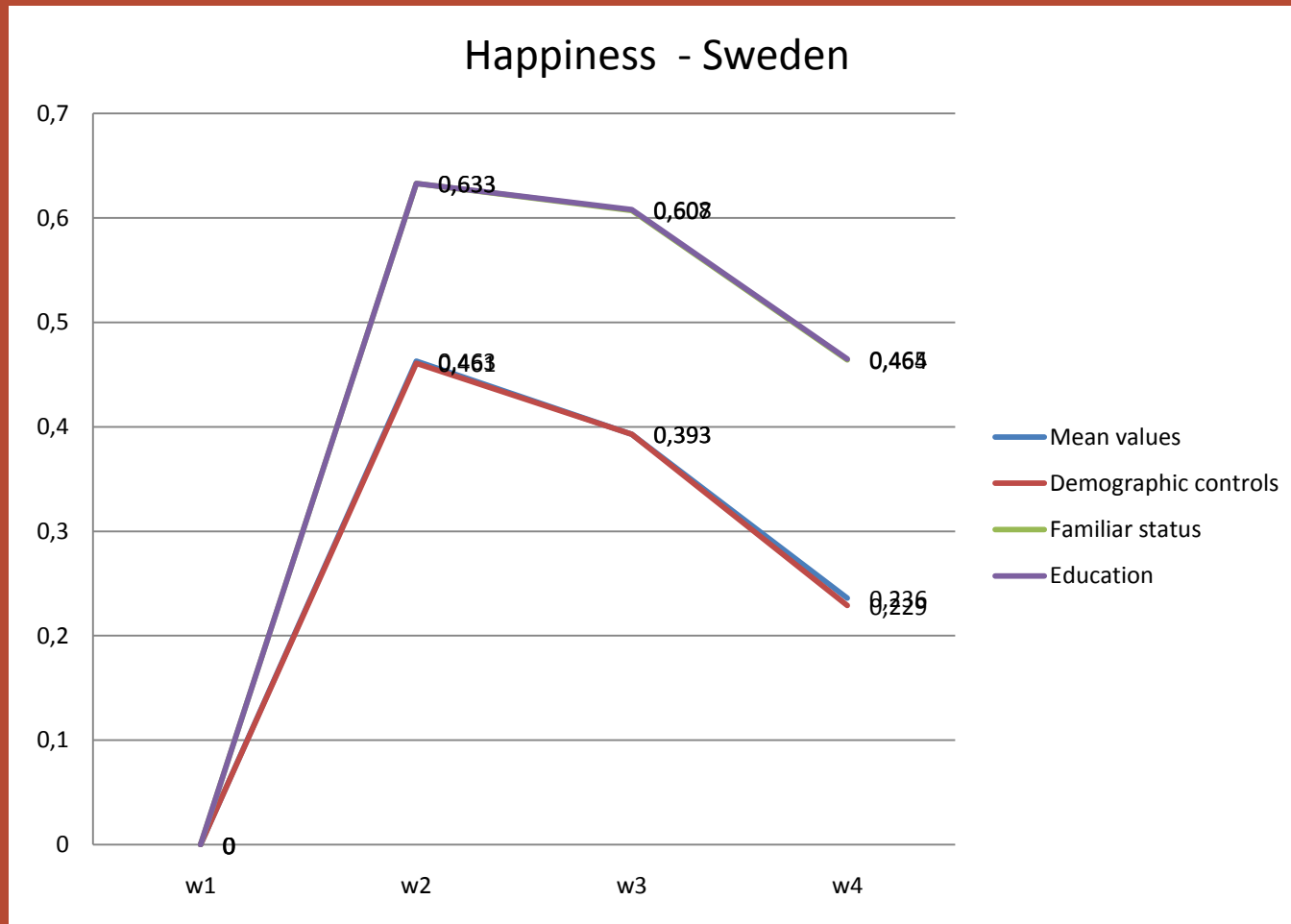
Trends of relational goods 1980-2000



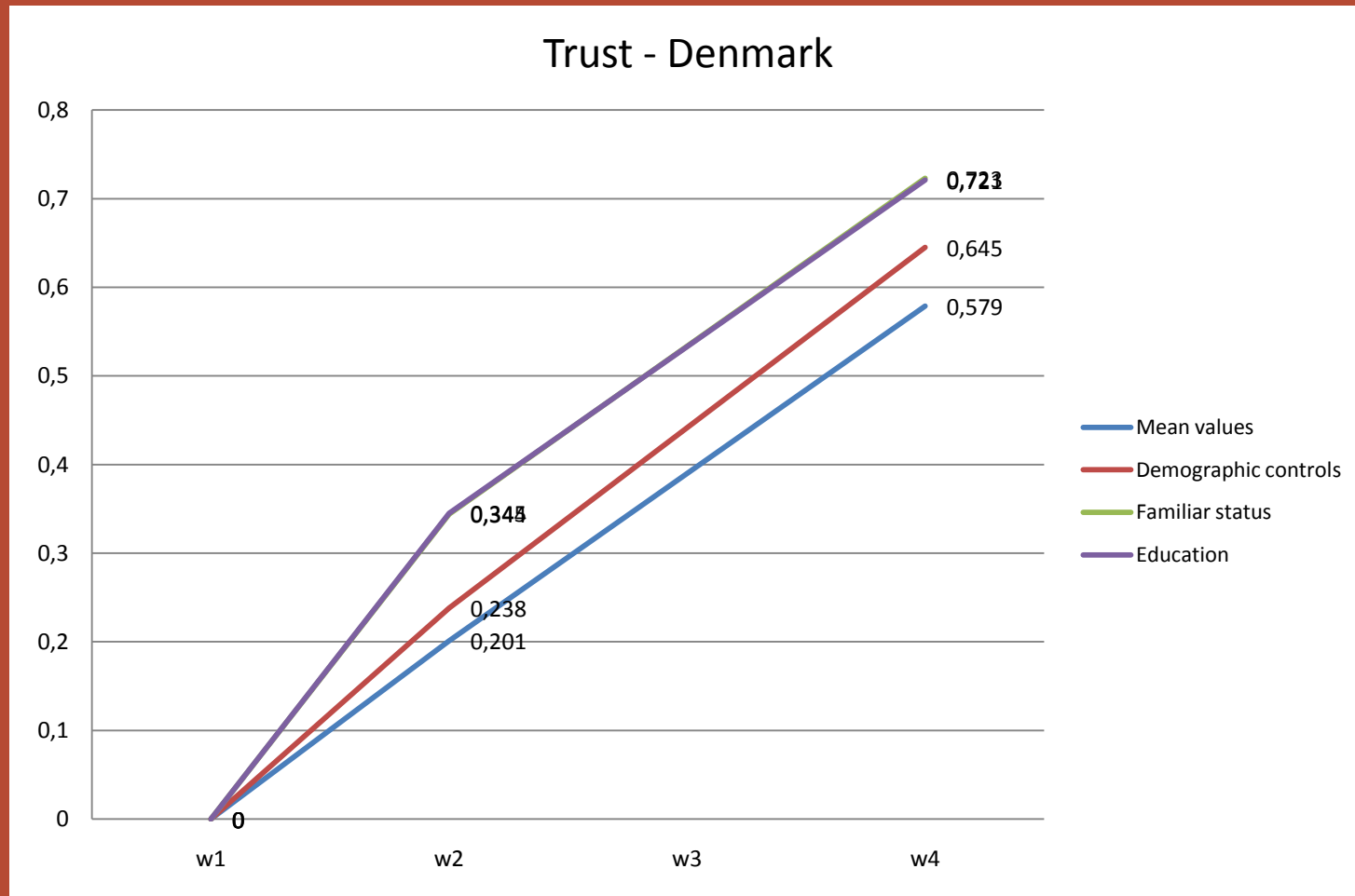
Trends of relational goods 1980-2000



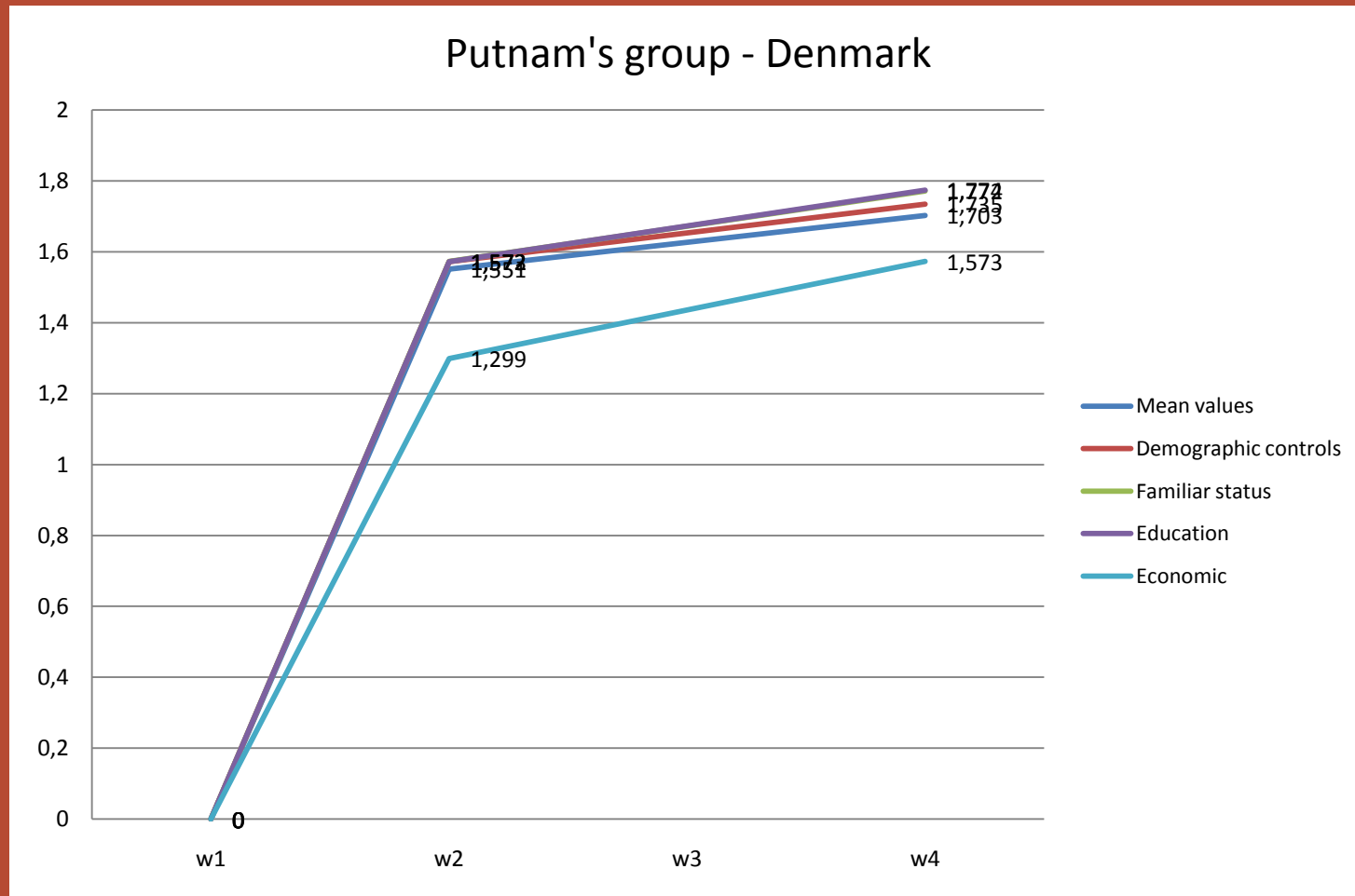
Happiness trends 1980-2000



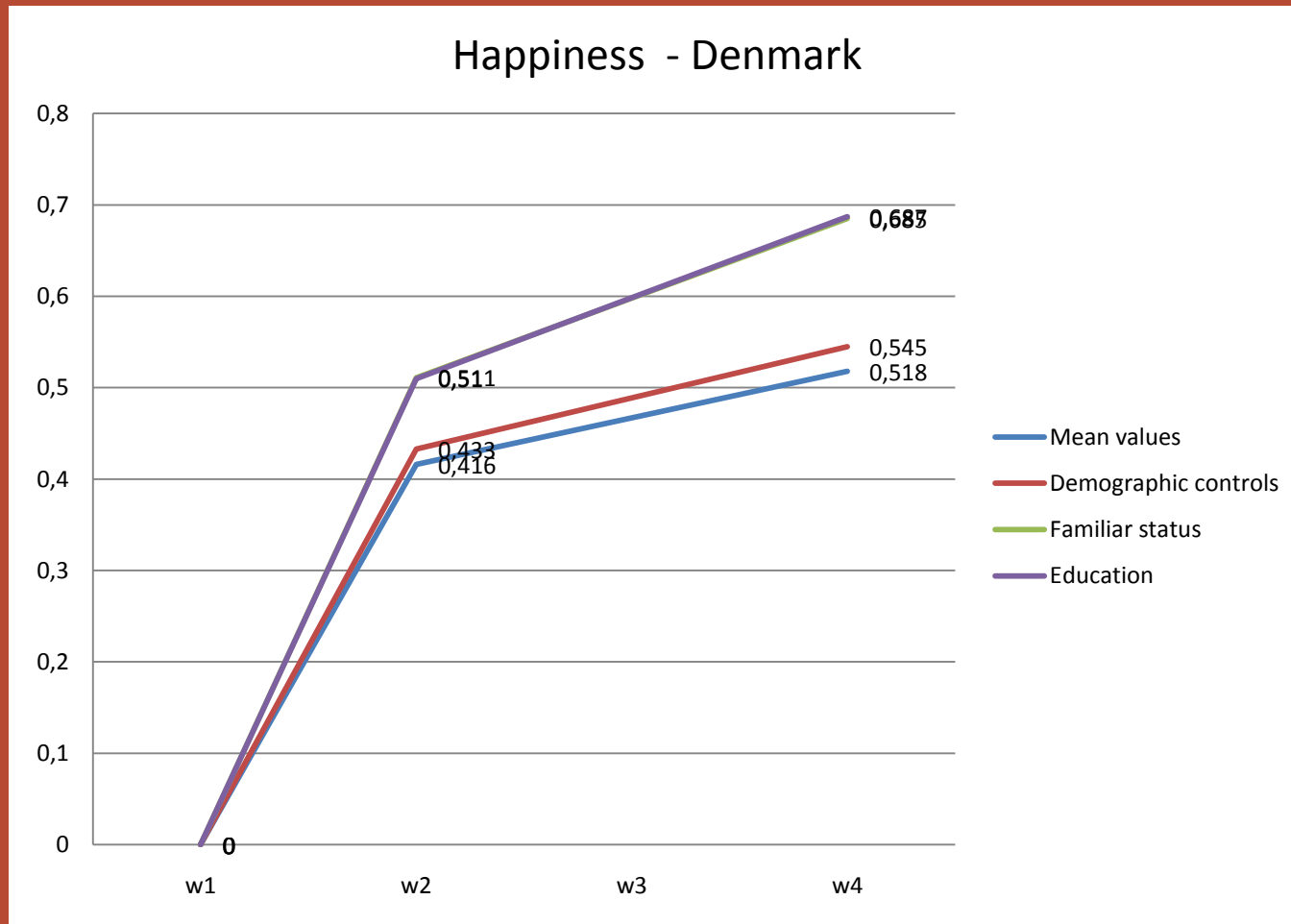
Trends of relational goods 1980-2000



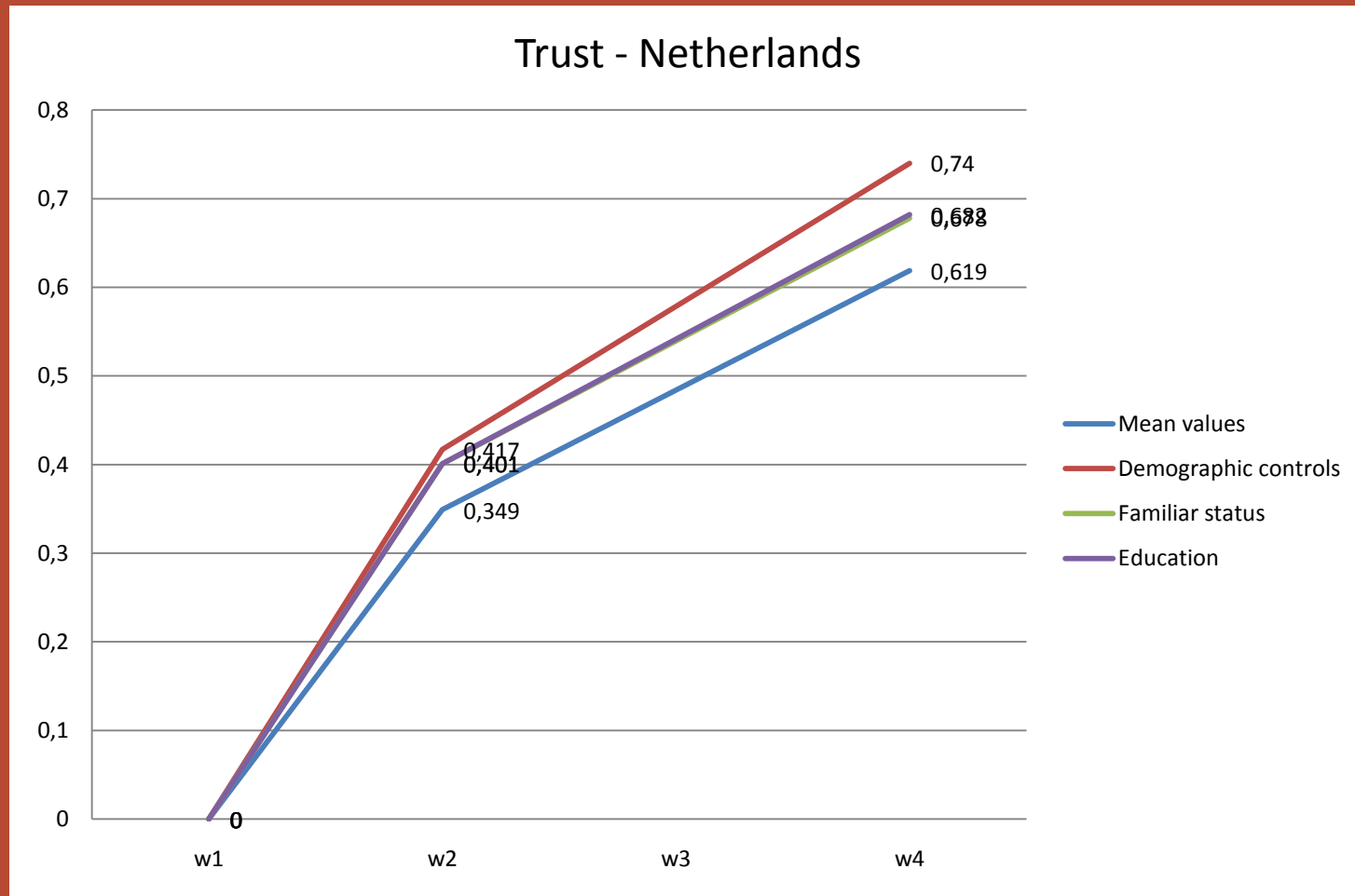
Trends of relational goods 1980-2000



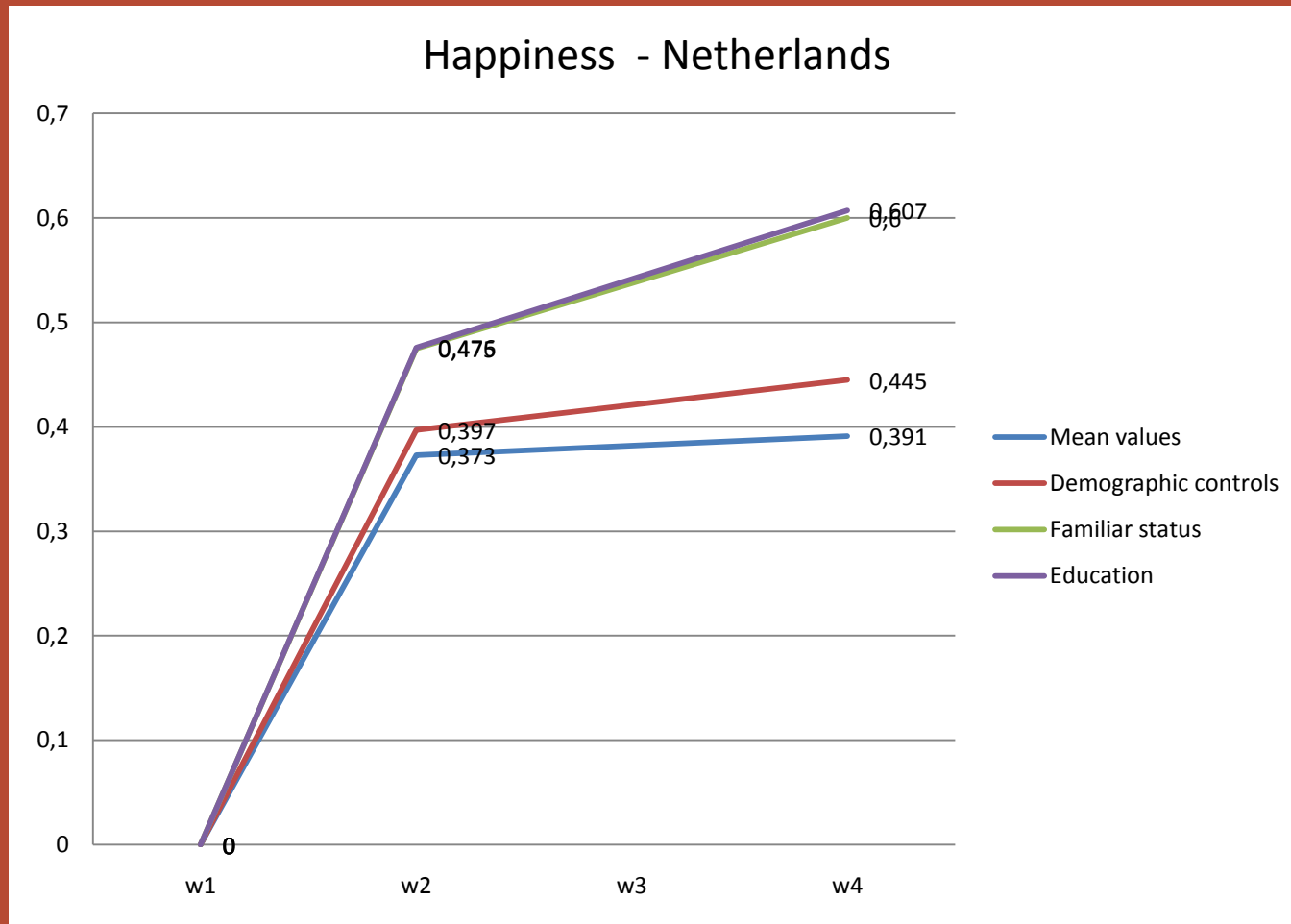
Happiness trends 1980-2000



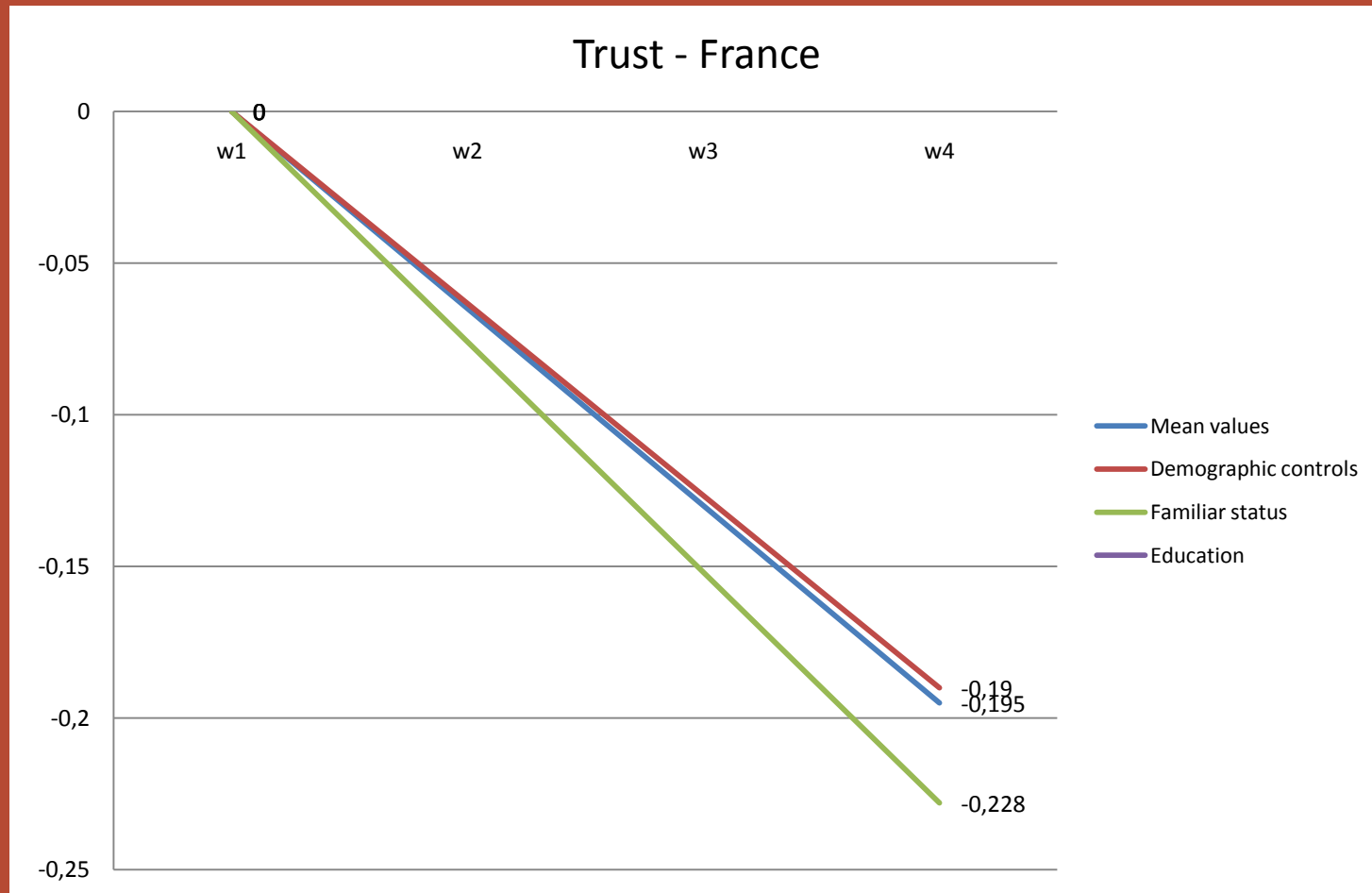
Trends of relational goods 1980-2000



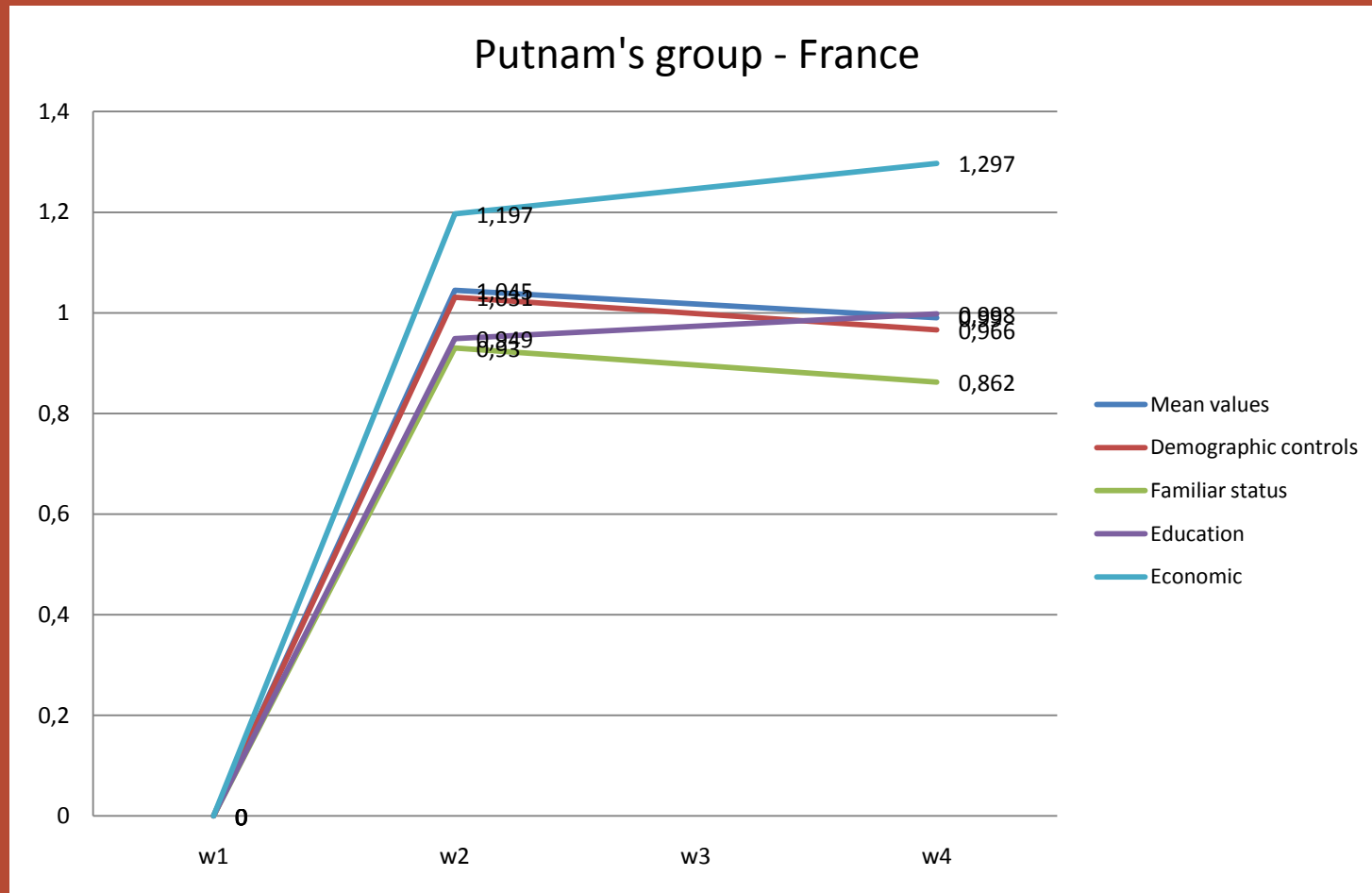
Happiness trends 1980-2000



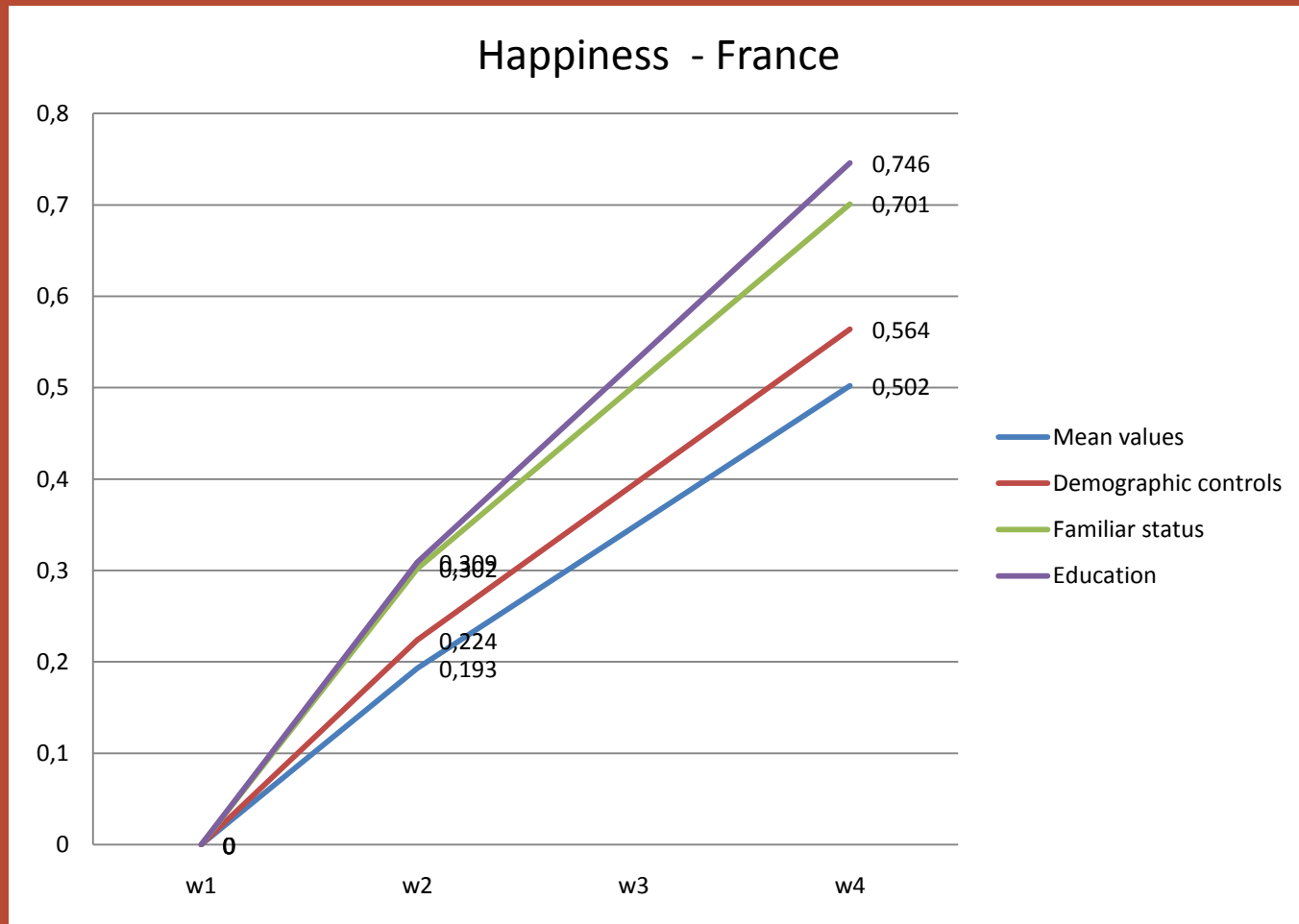
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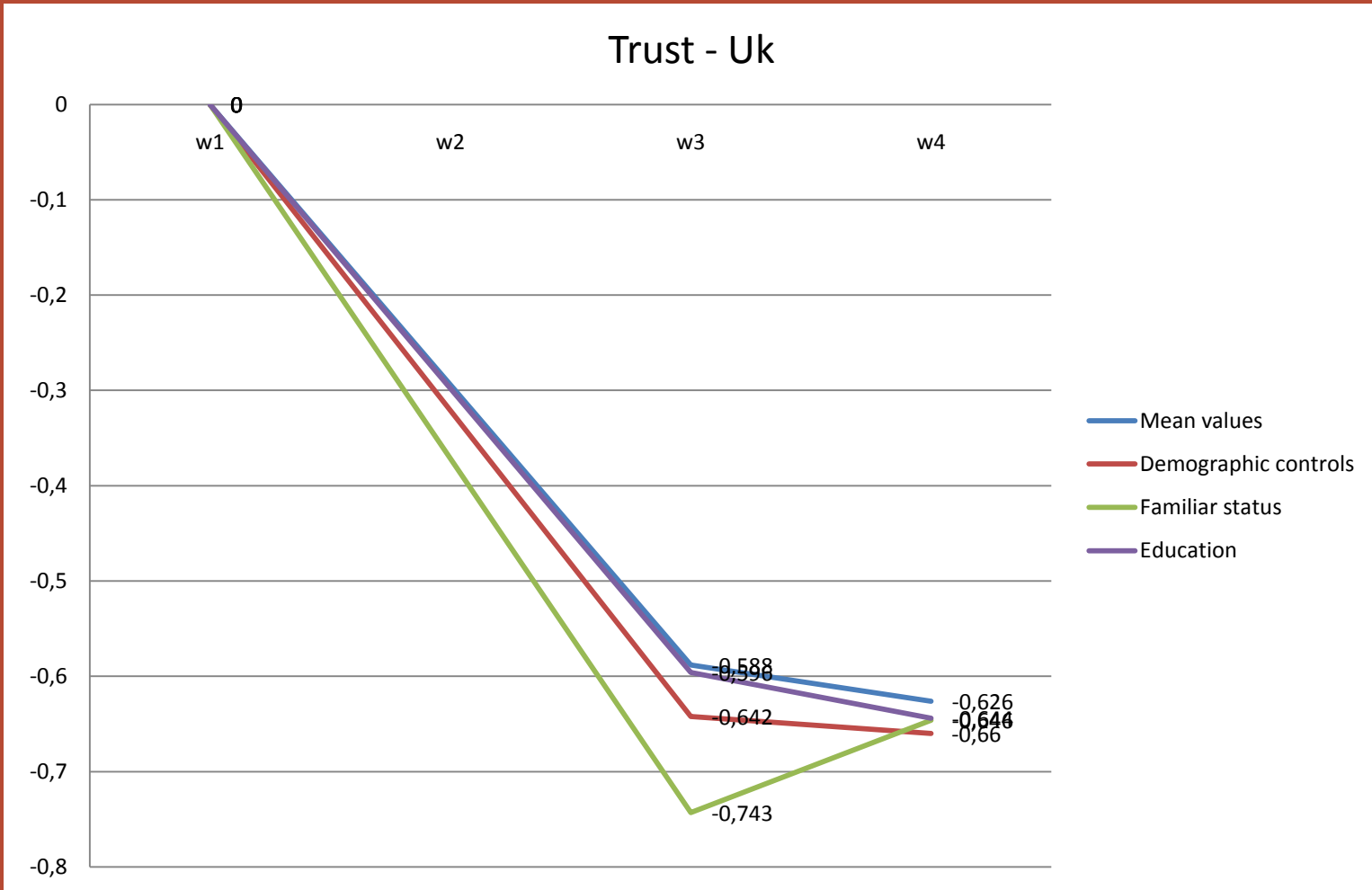
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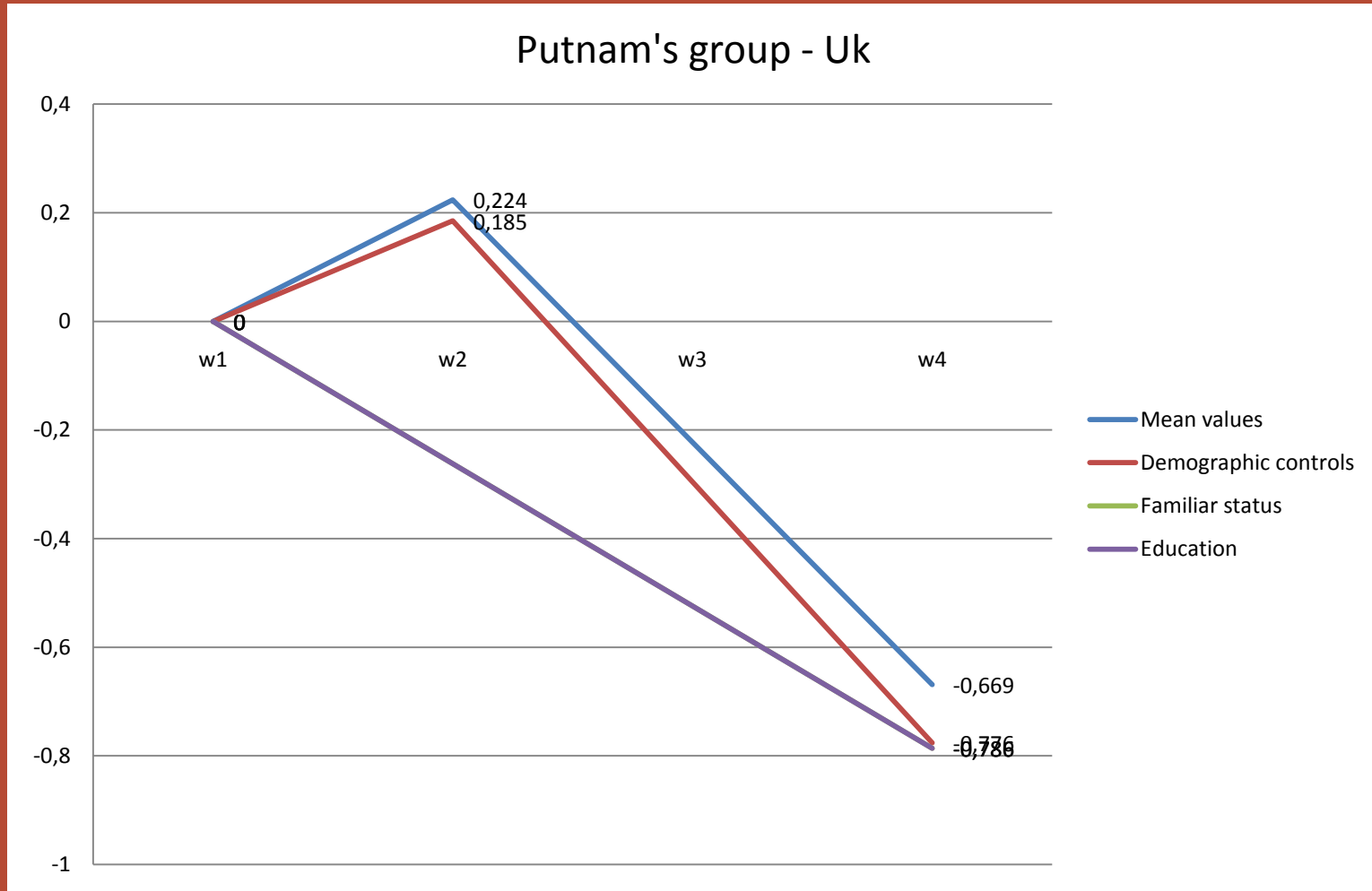
Happiness trends 1980-2000



Trends of relational goods 1980-2000



Trends of relational goods 1980-2000



Happiness trends 1980-2000



Conclusion 1

This picture of EU countries is consistent with relational goods playing a large role in shaping long-term trends in happiness

Prudence:

- only descriptive statistics
- low quality of social capital data

Conclusion 2

- Social capital trends are major predictors of happiness trends while GDP has a weak predictive potential
- An increase in income is hardly a realistic perspective for substantial growth in well-being in rich countries
- Developed countries - currently focused on growth - should reorient their efforts towards some other priority.
- This priority is sociability.

Conclusion 3

- Policies for social capital: urban, educational, job, health system, media (Bartolini 2010).
- Developing countries can expect more in terms of well-being from economic growth compared to developed ones, but only if this growth is obtained with a great attention to the containment of its costs in terms of sociability

Relational poverty as a cause of economic growth

The Negative Endogenous Growth (NEG)

(Bartolini and Bonatti 2003 and 2008)

We can defend ourselves from the deterioration of relational and environmental goods by purchasing some goods

To finance these defensive expenditures we must work and produce more. That is to say, we must increase the GDP

Economic growth, however, may cause the deterioration of relational and environmental goods

NEG is a vicious circle: environmental and relational deterioration fuel economic growth which in turn feeds deterioration

NEG is undesirable from the viewpoint of well-being. Private wealth is fueled by the deterioration of the common goods.

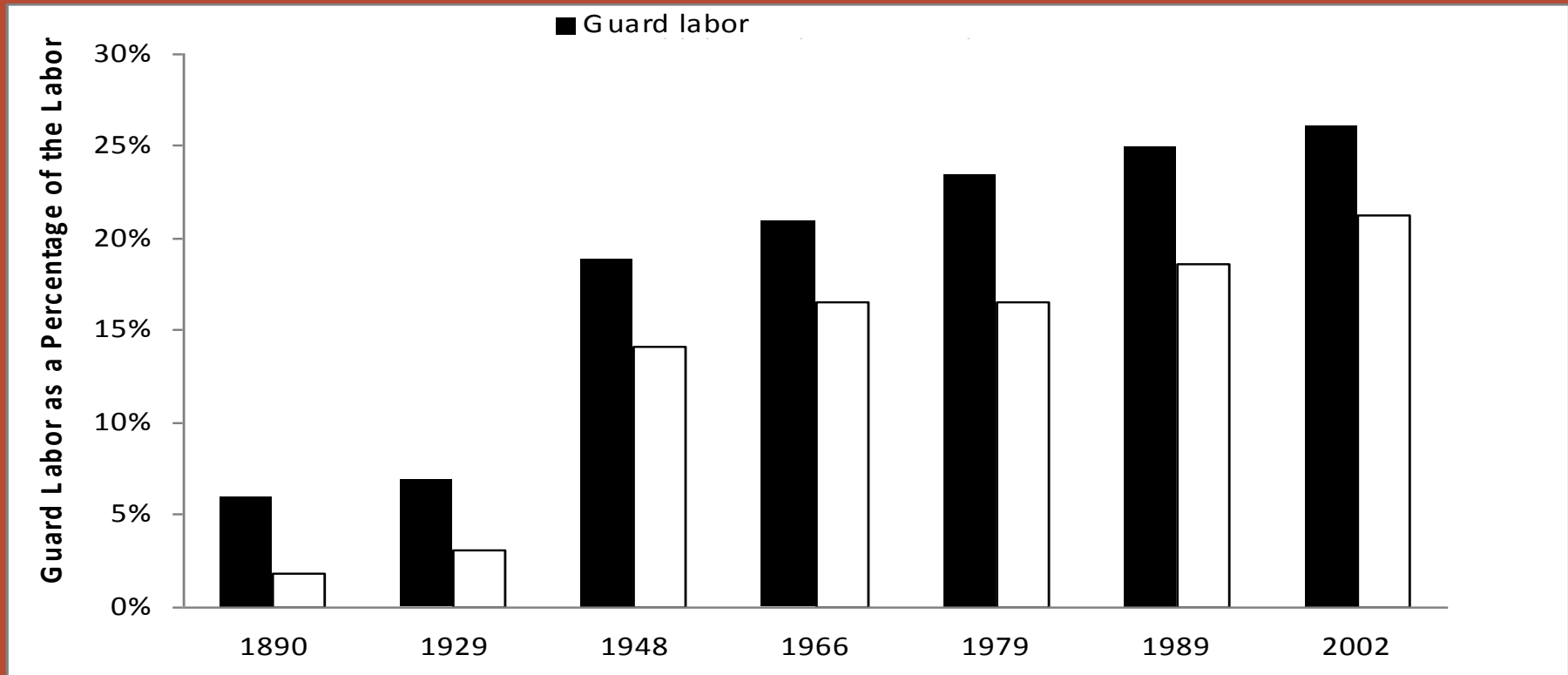
The “guard labor”

(Bowles and Jayadev JDE 2006)

- The guard labor is a measure of the disciplinary apparatus of a society
- It counts labor resources allocated to preventing, controlling, punishing, undesirable behaviours by others
- Work monitors, police, private security guards, prisoners, unemployed workers, military personnel.
- Guard labor is a typical defensive expenditure. It is mainly a response to declining trust

Why GDP may grow?

The evolution of “guard labor” in the US



Guard labor



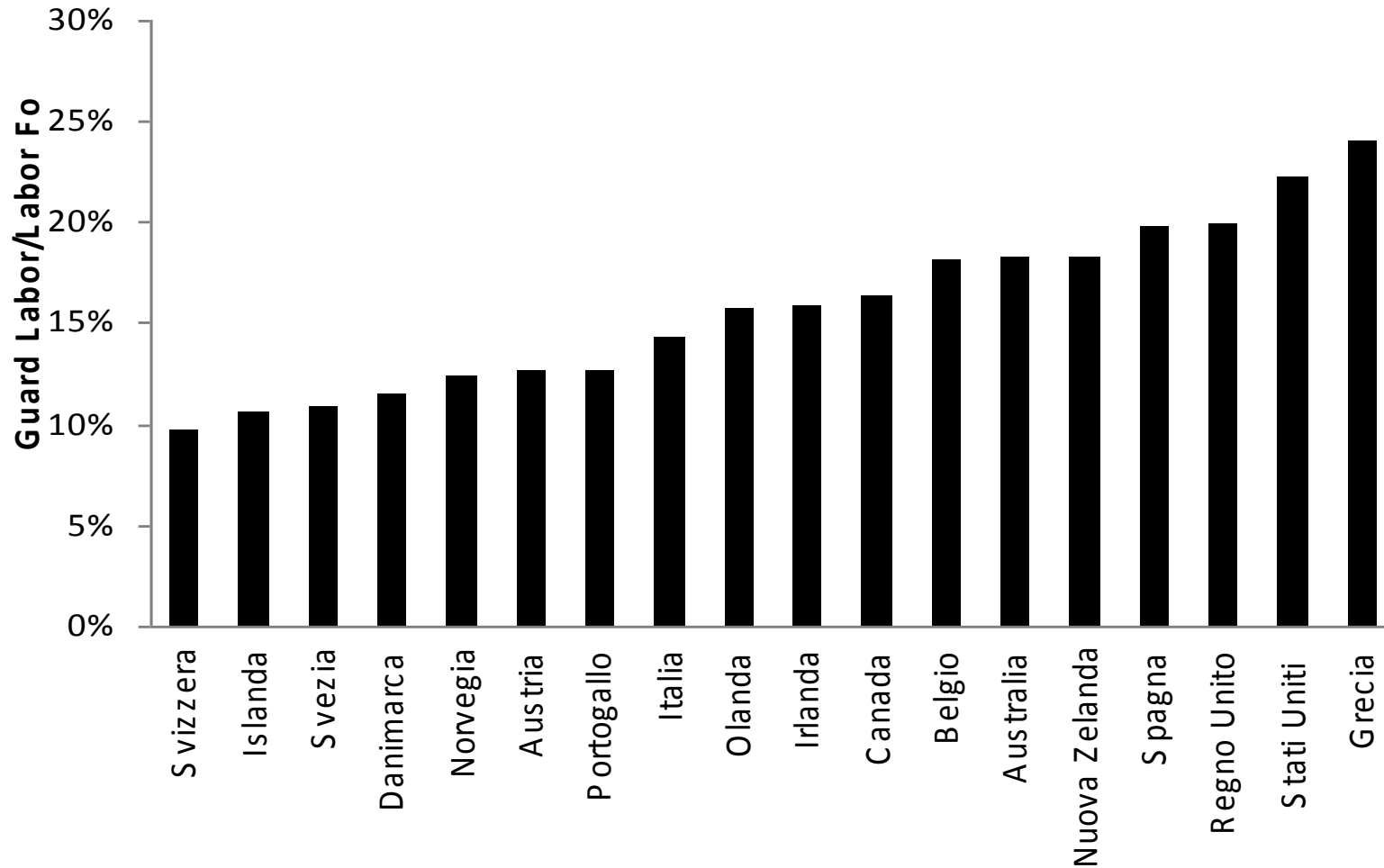
Guard labor without unemployment

Percentage of “guard labor” on the labor force 1890-2002

Notice:

- The result does not depend on the military personnel: now it is less than $1/3$ than it was 30 years ago
- Defensive expenditures are under-estimated: monitoring technologies, protection technologies, even lawyers

Guard labor: international comparisons



Source: Bowles and Jayadev, 2006