

# Laboratory for Comparative Social Research - HSE

## Economic growth, social capital and well-being: new lessons from BRICS?

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# Why am I here?

## My main research questions:

- are BRICS experiencing the decline in well-being and social capital typical of Western countries?
- Or did their development path bring about new forms of organization?
- do the BRICS follow any common pattern?

# Why bothering

“How far is general income growth (beyond income levels already achieved) likely to increase average happiness?”

*(Layard et al., 2009, p. 1)*

# Why bothering

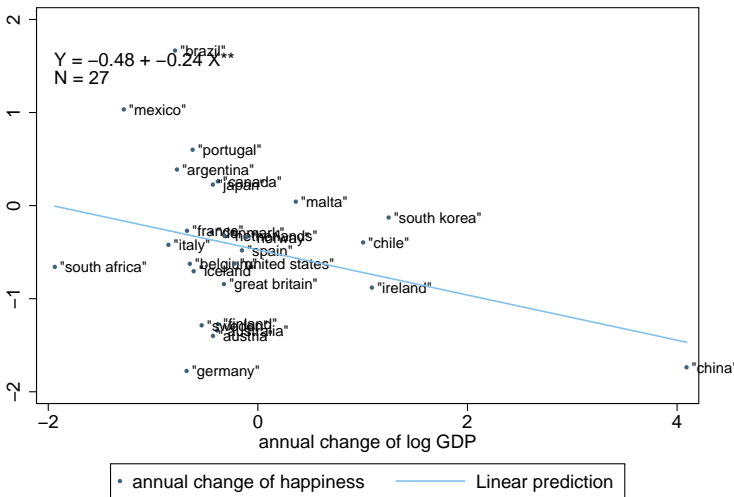
“How far is general income growth (beyond income levels already achieved) likely to increase average happiness?”

*(Layard et al., 2009, p. 1)*

The answer is...



# Changes of happiness over time and Economic growth



# Main explanations

- Aspirations: after a while people adapt to their living standard by raising their aspirations. SWB is predicted by past income;
- Social comparisons: people compare themselves with others and set their aspirations accordingly. SWB is predicted by reference income.

# Is GDP on the wane?

## All-in-all:

Easterlin paradox	+
plausible explanatory theories	+
robust empirical evidence	=

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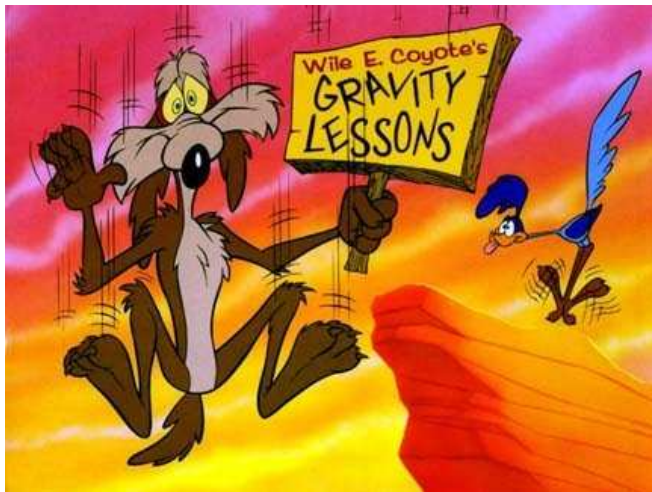
GDP is on the wane



don't go that fast...



... it's dangerous



# Three new developments

- 1 SWB varies in the long run and it doesn't vary in the same way in every country (*Stevenson and Wolfers, 2008; Inglehart, 2009; Sarracino, 2011.*)

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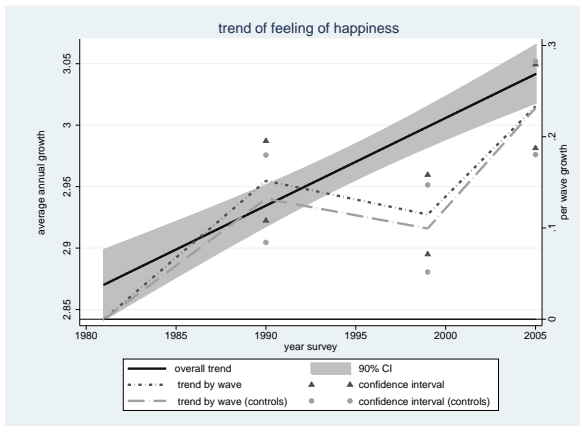


Figure: Trend of happiness: Italy.

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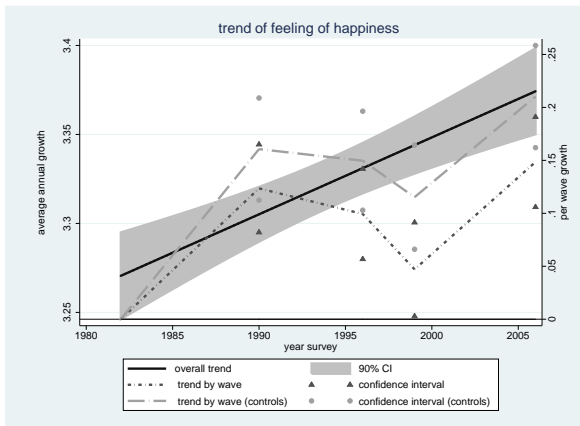


Figure: Trend of happiness: Sweden.

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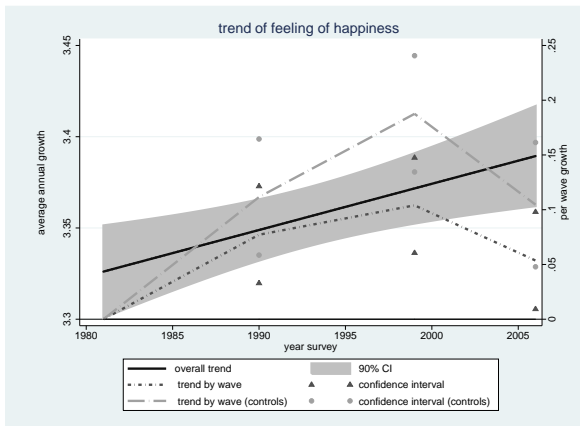


Figure: Trend of happiness: Netherlands.

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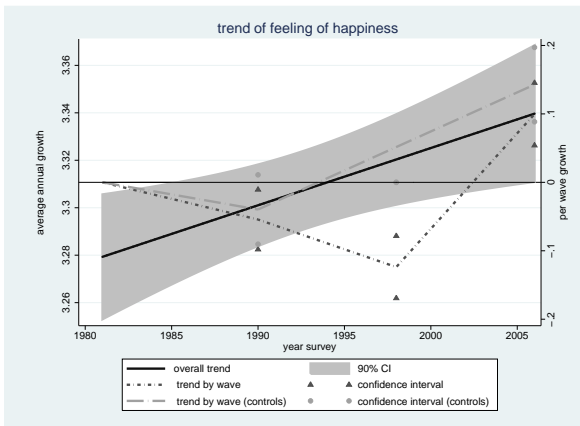


Figure: Trend of happiness: Great Britain.

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- 1 SWB varies in the long run and it doesn't vary in the same way in every country (*Stevenson and Wolfers, 2008; Inglehart, 2009; Sarracino, 2011.*)
- 2 average SWB is positively correlated with average income over time (*Stevenson and Wolfers, 2008; and Sacks et al., 2010.*)
- 3 before focusing on “something else” we need to be sure that this something else is not subject to adaptation and social comparisons as GDP (unemployment, marriage, divorce, widowhood, the birth of the first child, health, social capital and religion).

## or is GDP not on the wane?

trends of SWB show international variability +  
GDP is a good predictor of this variability +  
the alternatives to GDP have the same limitations =

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GDP is **not** on the wane

we should not downsize the role of GDP as an indicator of well-being.

# the Easterlin paradox: a matter of time

The paradox **exists!**

- Stevenson et al. fail to distinguish between the short and long-term relationship between SWB and GDP;
- in the short term SWB and GDP are related, but unrelated in the long run.

*Easterlin et al. (2008, 2010)*

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It's a matter of time spans!

The contrast is not methodological: they use the same bivariate methodology with the variations over time of SWB regressed on GDP variations.

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SC plays a major role in determining people's well-being. In particular, the **quality of the relationships** among people has a predominant impact on their well-being.

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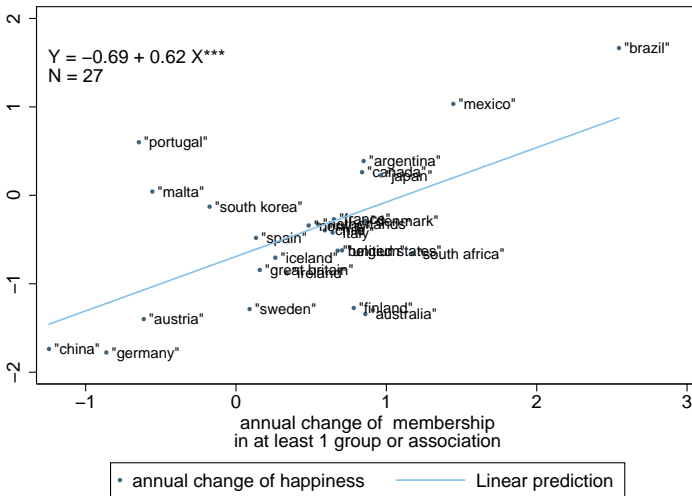
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*(Helliwell and Putnam, 2004; Helliwell, 2006; Bruni and Stanca, 2008; Becchetti et al., 2008)*

Social capital (SC) is “features of social life - networks, norms and trust - that enable participants to act together more effectively to pursue shared objectives.” *(Putnam, 1993)*



# An answer



# What is the problem?

- ☺ All that we know:
    - economic growth and SWB are not correlated in the long run;
    - in the long run SC matters for SWB.
- is mainly provided by data about Western countries;

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- ☺ All that we know:
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  - in the long run SC matters for SWB.is mainly provided by data about Western countries;
  
- ☹ There is no evidence about the relationship between economic growth, social capital and well-being in countries of recent development.

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  - ▷ satisfaction with financial situation?;
  - ▷ proxies of social capital:
    - trust in others;
    - group membership;
    - index of civiness:
      - claiming government benefits which you are not entitled to;
      - avoiding a fare on public transport;
      - cheating on taxes if you have the chance;
      - accepting a bribe.
  - ▷ a standard set of socio-demographic controls.

# Methods

- Oaxaca decomposition: how much income and SC explain  $\Delta$  SWB

$$\Delta SWB = \underbrace{[E(X_{t+n}) - E(X_t)]' \cdot \beta^*}_{\text{explained}} + \underbrace{[E(X_{t+n})' \cdot (\beta_{t+n} - \beta^*) + E(X_t)' \cdot (\beta^* - \beta_t)]}_{\text{unexplained}}$$

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- Prediction of the aggregated SWB: do the BRICS follow any common pattern?

$$SWB_i = f(Y_i, SC_i, \mathbf{X}_i)$$

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- multi-level regression analysis: are my results robust?

$$SWB_i = f(Y_i, SC_i, \mathbf{X}_i, GDP_c, Gini_c)$$

# Expected outcomes

## Socially sustainable paths of economic growth

The broad aim is to contribute to the development of a policy agenda aimed at making **economic growth compatible with the quality of the social context.**

Thanks for your kind attention!

# Happy for how long? the long-run

what does explain the variation of SWB in the long-run?

**data-set:** 6 waves WVS/EVS integrated data-set: 1981 - 2009;

**total:** 169000 obs, 27 countries;

**Happiness:** “Taking all things together, would you say you are:  
[1] very happy ... [4] not at all happy” ;

log of the **GDP** per capita (constant 2000 US \$ , WDI);

**Social Capital:** Long-term: share of the population participating  
in at least one group or association.

# Happy for how long? the medium and short-run

what does happen if we shorten the time span? Will the result change?

**data-set:** 4 waves ESS data-set: 2002 - 2008;

**total:** 162000 obs, 24 countries;

**Social Capital:** index of social trust using the following 3 items:

- **Most people can be trusted**
- **Most people are helpful**
- **Most people are unfair**

## Relationship among medium-term trends

**Table:** Trivariate regressions of trends of subjective well-being over changes of the index of social trust and trends of GDP (standardized variables).

	(1) happiness	(2) life satisfaction
index of social trust	0.797*** (4.03)	0.731*** (8.06)
trend of log GDP	0.268** (2.41)	0.323* (2.02)
Constant	-7.96e - 10 (-0.00)	5.56e - 10 (0.00)
Observations	24	24
Adjusted $R^2$	0.702	0.630

*t* statistics in parentheses

\*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.001$

## Relationship among short-term trends

**Table:** Trivariate regressions of trends of subjective well-being over changes of the index of social trust and trends of GDP (standardized variables).

	happiness	life satisfaction
index of social trust	0.255** (2.18)	0.214 (1.58)
changes in log GDP (2yrs)	0.568*** (4.69)	0.525*** (4.73)
Constant	$-3.27e - 09$ (-0.00)	$1.76e - 09$ (0.00)
Observations	58	58
Adjusted $R^2$	0.393	0.318

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# Medium and short run compared

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Table: Medium-term

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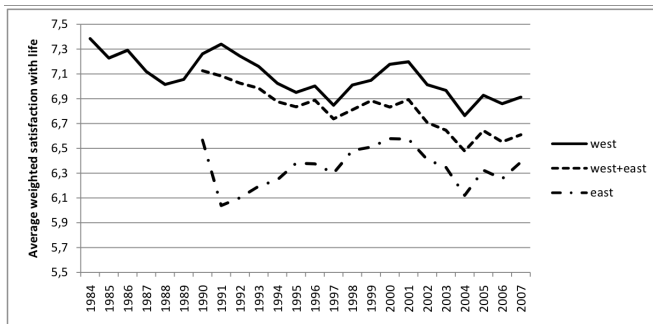
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Table: Short-term



# Evidence from within country studies: Germany

## SWB in Germany



Trends of average weighted satisfaction with life for the three sub-samples: westerners (1984 – 2007); easterners (1990 – 2007) and the two sub-samples together (1990 – 2007). Averages have been computed using cross-sectional sampling weights (GSOEP source variable: w1110507).

# Evidence from within country studies: Germany

Variables	Coeff.	$\Delta 96-07$	Predicted $\Delta$ SWB		
			all	partial sums	total
life satisfaction (obs.)		<b>-0.069</b>			
married	0.097	-0.039	-0.0038		
separated	-0.332	0.003	-0.0010	<b>Marital status</b>	
widowed	-0.211	-0.018	0.0037		-0.001
age	-0.021	1.842	-0.0389		
age squared	-0.0003	177.211	-0.0503		
household size	-0.125	-0.151	0.0189		
1 child	0.128	-0.019	-0.0024	<b>Demographic characteristics</b>	
2 children	0.155	-0.020	-0.0031		
3 or more children	0.367	-0.011	-0.0039		-0.079
log monthly income	0.421	0.050	0.0212		
log reference income	-0.272	0.053	-0.0143	<b>Income</b>	
log income 3-y lag	-0.075	0.018	-0.0013		0.006
at religious events	0.077	-0.029	-0.0022		
at cultural events	0.128	0.031	0.0040		
playing sport	0.067	0.091	0.0061		
at social gathering	0.190	0.011	0.0022	<b>Sociability</b>	
helping friends	0.073	0.025	0.0019		0.012
unemployed	-0.554	-0.004	0.0025	<b>Work status</b>	
military/civil service	-0.243	-0.002	0.0005		0.003

# Three measures of well-being

Well-being can be proxied by:

- happiness
- life satisfaction
- objective data: mental illnesses, suicides, alcoholism, drugs abuse, psychopharmaca, etc.

Happiness and life satisfaction are called subjective well-being (SWB)

- **Subjective well-being** (SWB): individual's evaluation of its own life regarded as a whole (Helliwell, 2008)

# Observing SWB (World Values Survey)

## Happiness:

“Taking all things together, would you say you are:”

- 1 “very happy”
- 2 “quite happy”
- 3 “not very happy”
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## Happiness:

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## Life satisfaction:

“All things considered, how satisfied are you with your life as a whole these days?” Answers range on a 1 to 10 points scale:

- 1 “dissatisfied”
- ⋮
- 10 “satisfied”

## Reliability

data on SWB are:

- consistent with more objective measures of well-being (heart rate, blood pressure, Duchenne smile, brain scanners, suicide) (Blanchflower and Oswald, 2008a; Van Reekum et al., 2007);
- highly correlated with other proxies of SWB (Schwarz and Strack, 1999; Wanous and Hudy, 2001; Schimmack et al., 2009);
- consistent with evaluations about the respondent's happiness provided by friends, relatives or clinical experts (Schneider and Schimmack, 2009; Kahneman and Krueger, 2006; Layard, 2005).