

What was all that growth for?
Preliminary results from China and ^{Russia} ~~India~~

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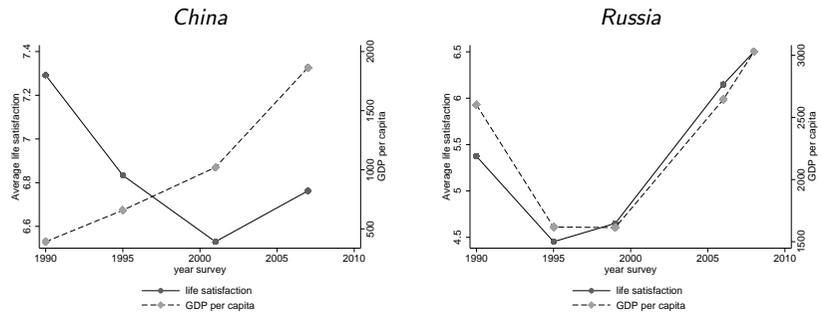
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Social capital (SC) is “features of social life - networks, norms and trust - that enable participants to act together more effectively to pursue shared objectives.” (Putnam, 1993)

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- ☹ There is no evidence from the countries of recent development.

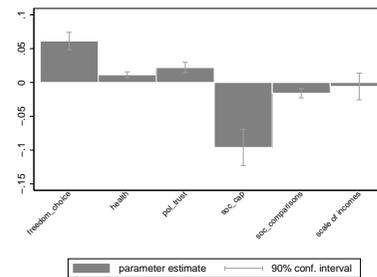


What does explain the Δ of SWB in China and Russia?

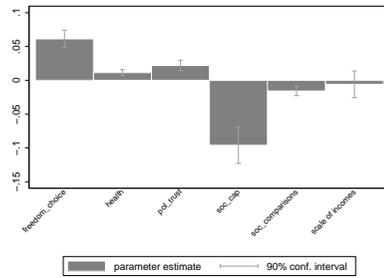
- China: frustrated achievers mechanism;
- Russia: no evidence;
- can social capital help explaining these variations?

How much income and SC explain Δ SWB

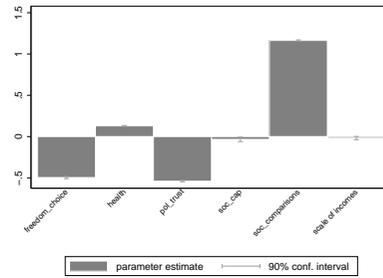
$$\Delta SWB = \underbrace{[E(X_{t+n}) - E(X_t)]' \cdot \beta^*}_{\text{explained}} + \underbrace{[E(X_{t+n})' \cdot (\beta_{t+n} - \beta^*) + E(X_t)' \cdot (\beta^* - \beta_t)]}_{\text{unexplained}}$$



Explained part of the SWB gap



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Unexplained part of the SWB gap

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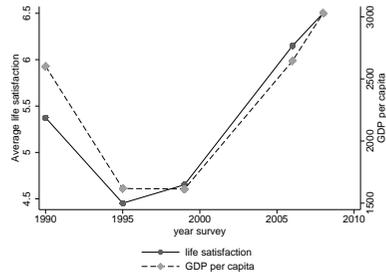
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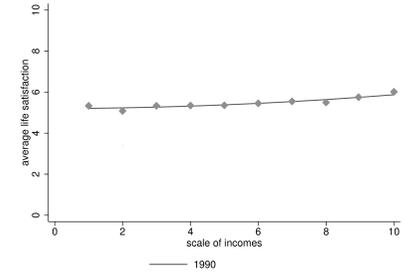
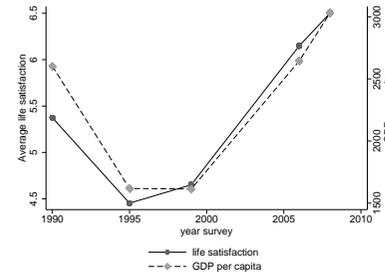
$$\beta_{2007} * SC_{1990} = -0.78\% \Delta(SWB)$$

$$\beta_{1990} * SC_{2007} = +0.32\% \Delta(SWB)$$

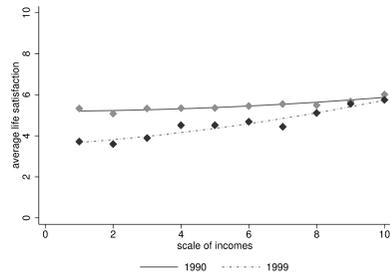
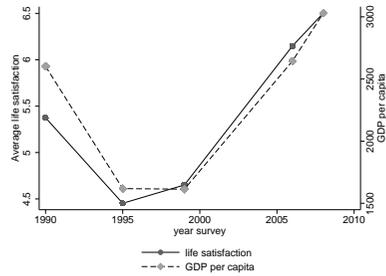
Russia: another story



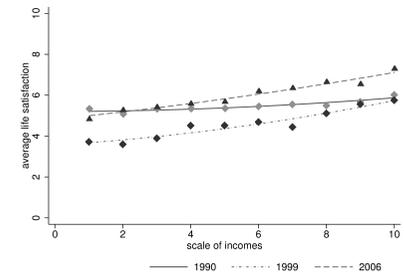
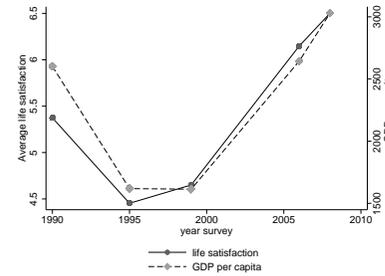
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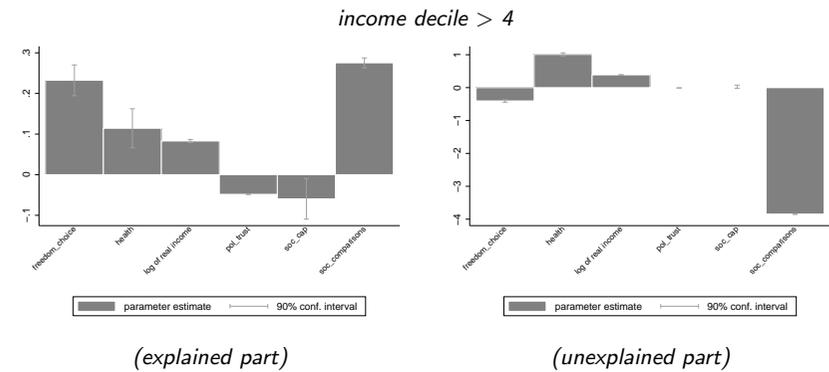
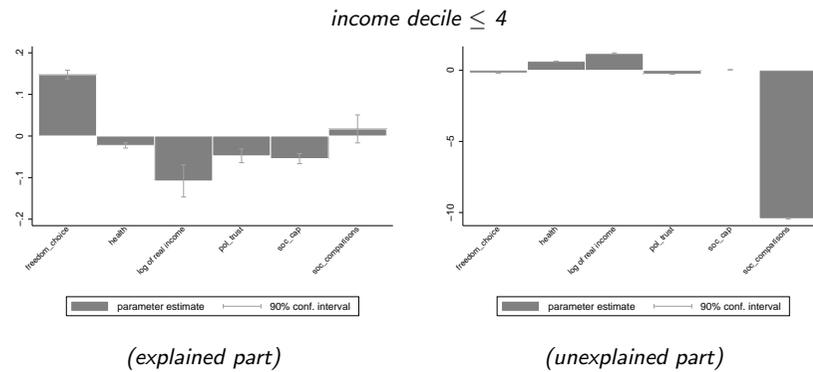


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for poor people:

almost entirely due to the changes in preferences:

- they value more health, income and social capital, but they got less of all of these items.
- social comparisons are very important:
 $\beta_{1990} \simeq 1 \rightarrow \beta_{2006} \simeq -0.34$

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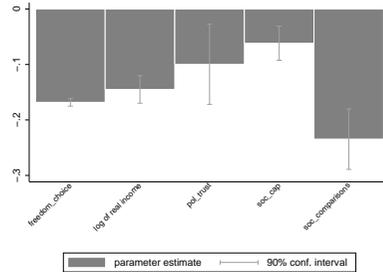
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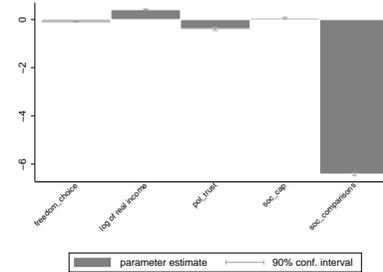
for rich people:

almost entirely due to the endowments effect:

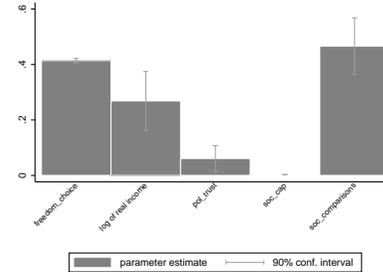
- they are richer, enjoy more freedom and are healthier.
- strong erosion of social capital and political trust.
- social comparisons: $\beta_{1990} \simeq 1.46 \rightarrow \beta_{2006} \simeq 0.96$



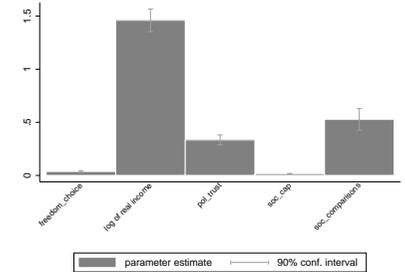
(explained part)



(unexplained part)



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for the period 1990 - 1999:

- generalized decline in the endowments of all the variables.
- changes in preferences have a very limited role: increase of the importance of social capital and income.
- social comparisons: $\beta_{1990} \simeq 1 \rightarrow \beta_{1999} \simeq 0.15$

for the period 1999 - 2006:

- increase in the levels of income and freedom;
- social capital and political trust stagnate.
- changes in preferences have a very limited role: increase of the importance of social capital and income.

- the relationship between economic growth and well-being differs in China and Russia;
- the variation of well-being is explained by different mechanisms:
 - China: erosion of social capital and change of preferences: financial satisfaction and health;
 - poor people in Russia: generalized decline of all that they consider important: health, income and social capital;
 - rich people in Russia: generalized increase in wealth, health and freedom and more importance to wealth aspects;
 - within time-spans what matters are the changes in endowments: huge drop and rebound.

Two different patterns of economic growth, but both disruptive for social capital.

- repeat the analysis using financial dissatisfaction and (possibly) relative income;
- refining the measure of household income;
- excluding group membership from the analysis for China;
- analysing South Africa, Brazil.

- ✓ Dependent variable: life satisfaction;

Thanks for your kind attention!

- ✓ Dependent variable: life satisfaction;
- ✓ Independent variables:
 - ▷ household income;
 - ▷ satisfaction with financial situation;
 - ▷ proxies of social capital:

World Values Survey data: 1990 - 2006/07

- ✓ Dependent variable: life satisfaction;
- ✓ Independent variables:
 - ▷ household income;
 - ▷ satisfaction with financial situation;
 - ▷ proxies of social capital:
 - trust in others;
 - group membership;
 - index of civicness:
 - 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.