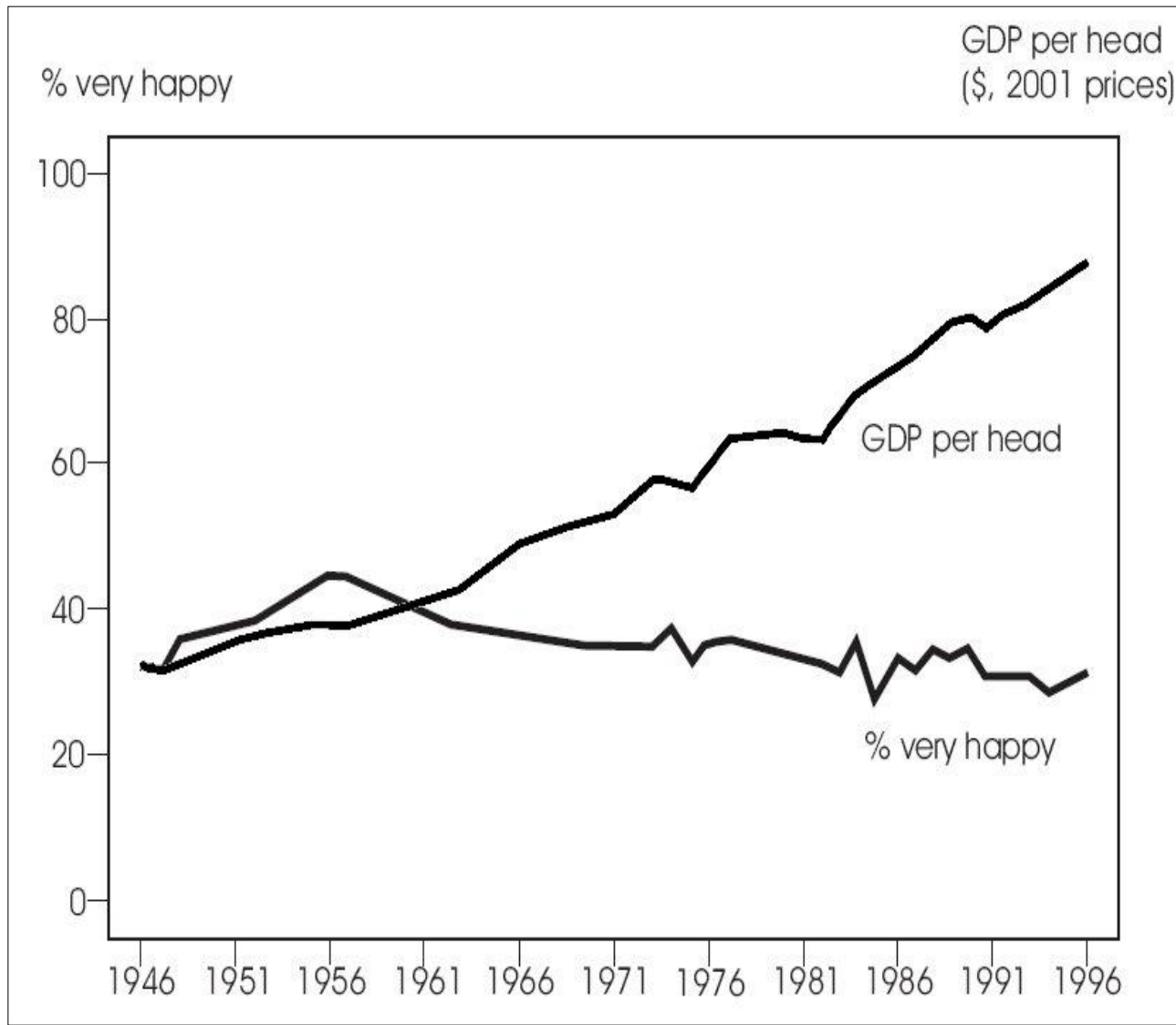# Envying Alone.
Social Poverty as an Engine of Social Comparisons

Stefano Bartolini
University of Siena

GDP and happiness, US, 1946-1996
The Easterlin paradox

China 1990-2007: average life satisfaction -7.1%

India 1990-2006: average life satisfaction - 7.6 %
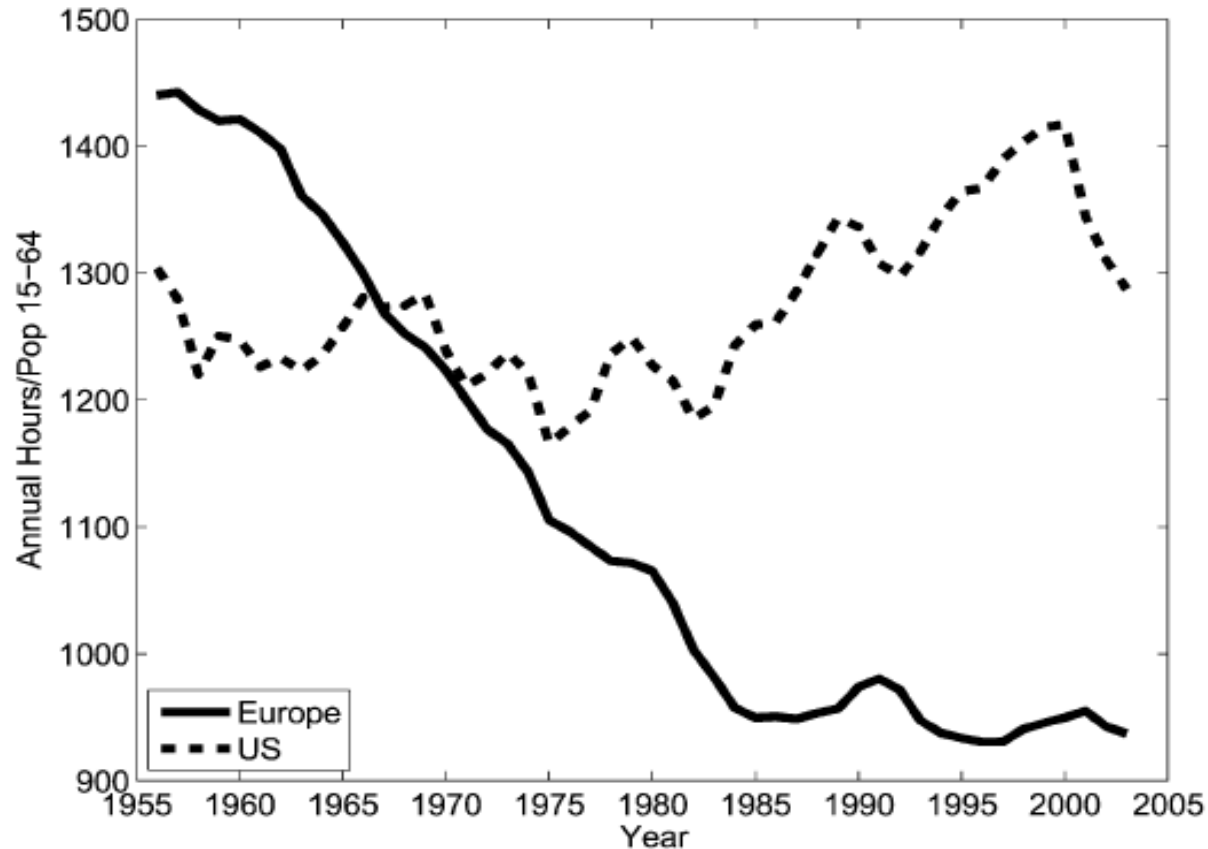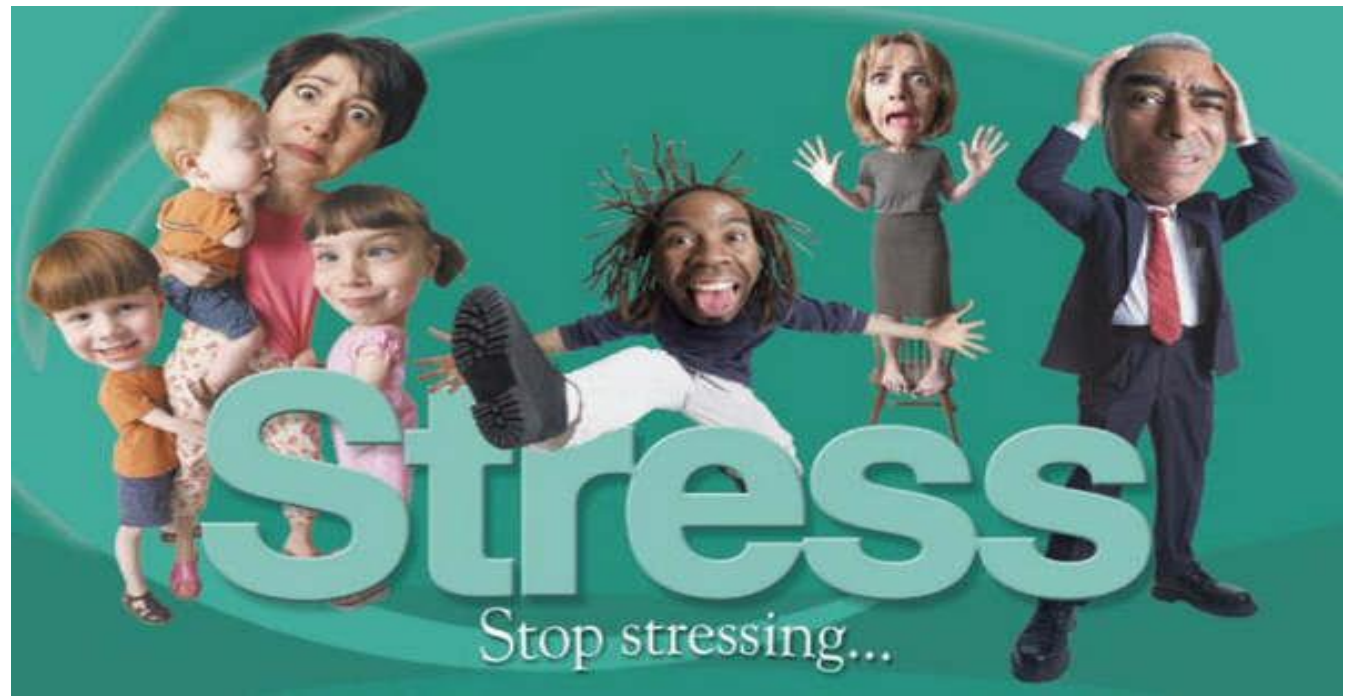
Moreover: US work hours increased in the last decades

FIG. 1.—Aggregate hours in the United States and Europe

Source: Rogerson 2008
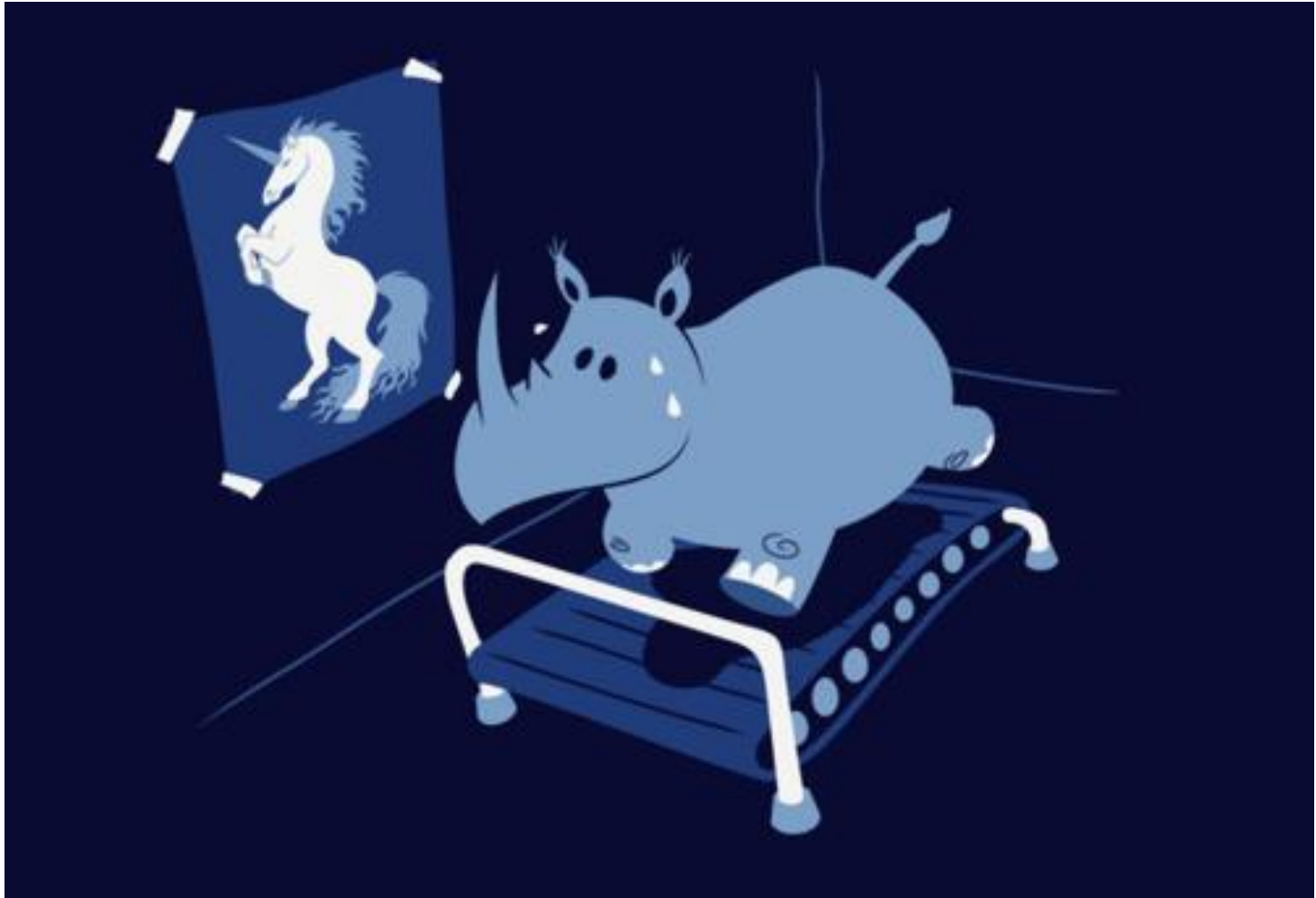
Stop stressing...

Declining Trend
in US happiness (1975-2004): Why?

- Bartolini, Bilancini e Pugno (2013), American GSS data 1975-2004:
- the trend of happiness depends on

+ Increase in income

- Social comparisons

- Decline of social capital

Social comparisons

Social comparisons

The decline of US social capital

- Increase in: loneliness, sense of isolation, instability of families, generational cleavages, mistrust

- Decrease in: social contacts, honesty, solidarity, social participation, civic engagement

Social comparisons and social capital in China and India (Bartolini and Sarracino 2015)

- Citizens of both countries experienced an upsurge of the importance of social comparisons

- In China and India trust, associational activity and various measures of civic behavior declined

Drivers of the Easterlin paradox

- Decline of social capital and increasing importance of social comparisons

- The decline of well-being in successful growth cases is driven by the passage from the positive to the negative side of sociability

Private wealth

Relational poverty

# Research questions

- Social capital and social comparisons are treated as independent factors

- **Question 1. Is this true?**

- Social comparisons are treated as a part of human nature:

- **Question 2. Is this true or are there social or cultural factors affecting social comparisons?**

Hypothesis: social capital affects the relationship between income and well-being

Figure: Hypothesis
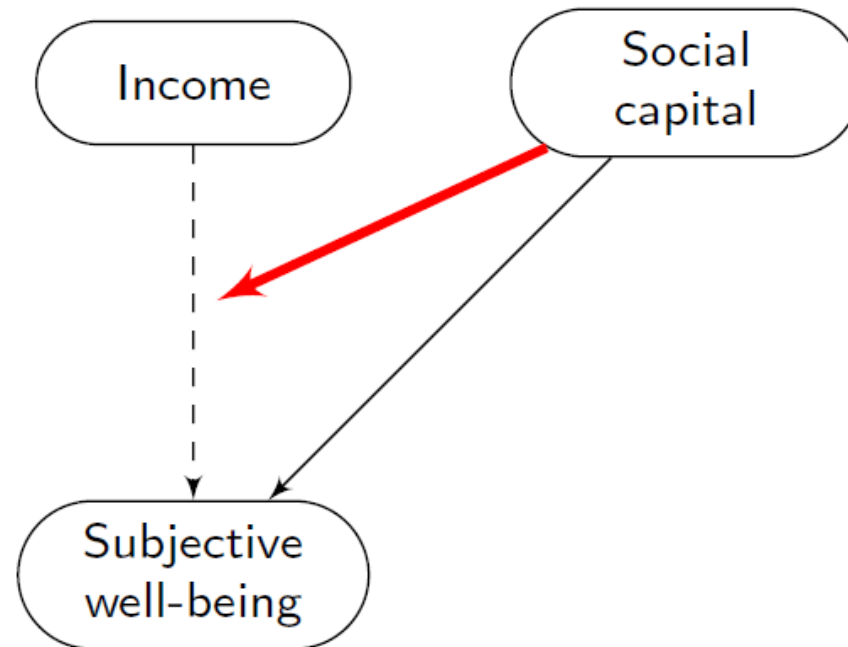
Database and variables

- German Socio-Economic Panel (GSOEP): 12 waves from period 1985-2011 (160,000 observations, 40,000 individuals)

- **Overall life satisfaction**: self reported (0-10)
- **Individual income**: monthly disposable equivalent income (in real terms, EUR 2011)
- **Reference income**: average income of the reference group (gender, age group, geographical area, year)
- **Social capital**: social gathering, helping friends, volunteering, local political participation (dummy variables: "at least once per month")
- **Controls**: socio-demographic characteristics, region, year

OLS with individual fixed effects

- To test my hypothesis, I introduce interaction terms into a standard happiness regression:

$$LS_{i,t} = \alpha + \beta_1 * log(Individual.income)_{i,t} + \beta_2 * log(Reference.income)_{i,t} + \beta_3 * SC_{i,t}$$
$$+ \beta_{13} * SC_{i,t} * log(Individual.income)_{i,t}$$
$$+ \beta_{23} * SC_{i,t} * log(Reference.income)_{i,t}$$
$$+ \Sigma_j(\gamma_j * Control_{ji,t}) + \varepsilon_{i,t}$$

- (1): SC = Social gathering
  (2): SC = Helping friends
  (3): SC = Volunteering
  (4): SC = Local participation

Main results

- **Social capital moderates the relationship between money and well-being**

- **The well-being of people with higher social capital depends less on individual and reference income**:
  - individual income is less important for well-being
  - income comparisons are less harmful for well-being
  - moderation effect for reference income is stronger than the one for individual income

# OLS with individual fixed effects: equations 1-4

Table: Estimation results

	(1) SC = Social gathering	(2) SC = Helping friends	(3) SC = Volunteering	(4) SC = Local participation
Log of individual income	0.472*** (14.77)	0.430*** (19.90)	0.412*** (19.08)	0.388*** (19.47)
Log of reference income	-0.588*** (-4.68)	-0.440*** (-4.09)	-0.456*** (-4.22)	-0.430*** (-4.10)
SC * Log of individual income	-0.119*** (-3.92)	-0.104*** (-4.46)	-0.0816*** (-3.12)	-0.0284 (-0.74)
SC * Log of reference income	0.282*** (3.19)	0.202*** (2.94)	0.210*** (2.63)	0.401*** (3.43)
Number of observations	159792	159568	159296	159086
Number of individuals	40983	40961	40950	40935
R^2 within	0.0419	0.0388	0.0378	0.0376
R^2 between	0.0489	0.0409	0.0385	0.0376
R^2 overall	0.0455	0.0385	0.0370	0.0363

Note: OLS with individual fixed effects (robust standard errors). Dependent variable: life satisfaction. Each equation includes the main effect of SC. Controls: sex, age, age squared, marital status, years of education, labour market status, house owner, living in Eastern Germany, regional dummies, year dummies. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$, t statistics in parentheses. Source: GSOEP 1985-2011.

Table: Moderation effects

	Social gathering	Helping friends	Volunteering	Local participation
Individual income	-25%	-24%	-20%	-7% (n.s)
Reference income	-48%	-46%	-46%	-93%

Reference income less harmful for well-being
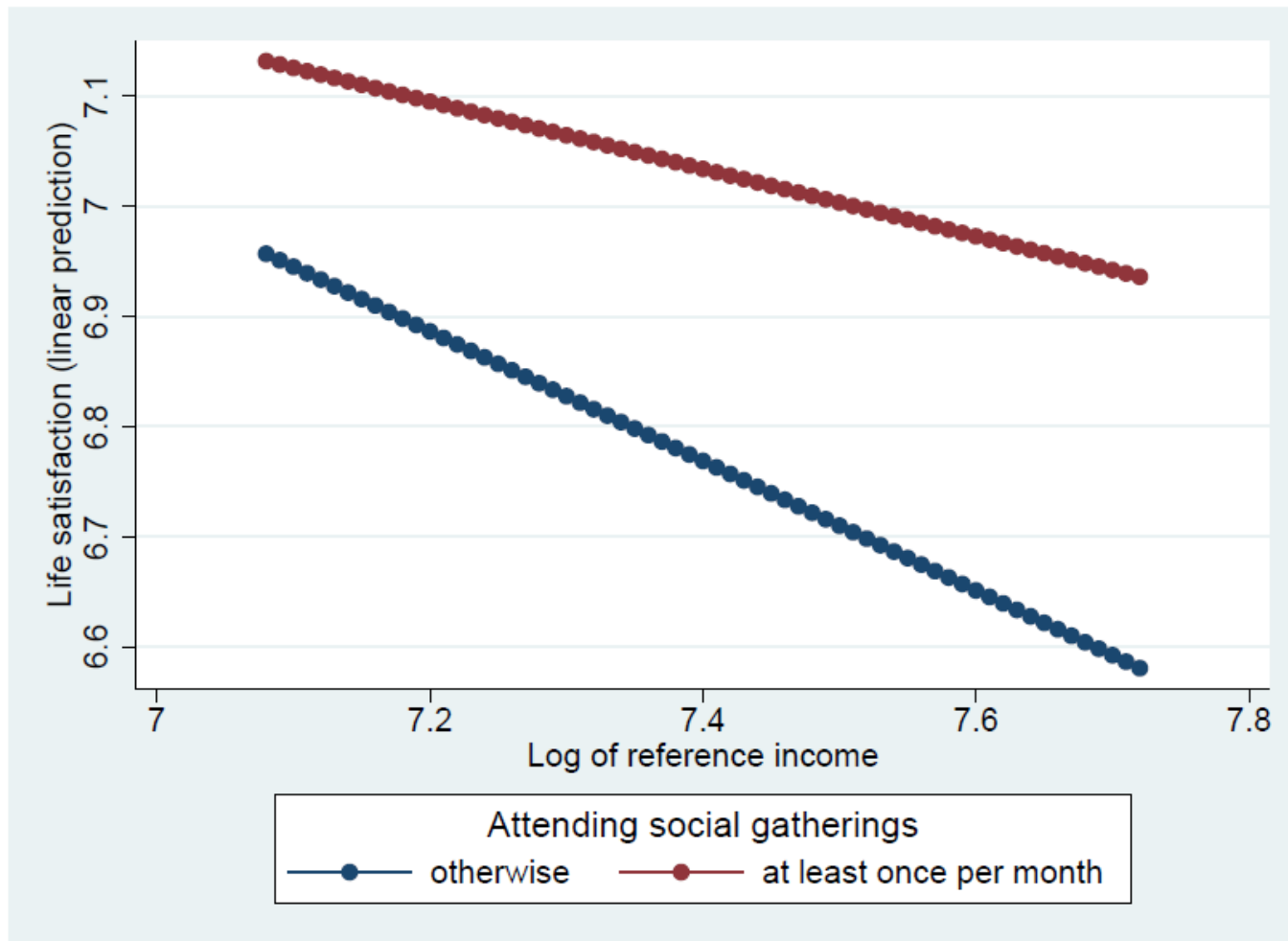
Note: Predictive margins calculated for the estimation of equation (1). Source: GSOEP 1985-2011.

Conclusion

- Greater social comparisons and declining social capital are two sides of the same coin

Next steps

- Test of causality: does an increase in social capital decrease the importance of money for people's well-being?

- Robustness check of the results on other data base: Eu-silc and European Social Survey

Social capital can be increased

Policies for social capital:

- Cities

- Media

- Work

- Schools

- Health care

- Income inequality

What would be their result?

Implications of the expected results

- If social capital increases, then societies become less dependent on money

- Greater social capital reduces the well-being inequality among income classes

- More leisure, less work

Implications of the expected results

- Overcoming the Easterlin paradox: if we stop the engine of dissatisfaction, then economic growth will increase well-being (Mikucka and Sarracino 2014)

Thank you for your attention!

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