

My research

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outline

happiness overview

happiness and city life

city life dissatisfaction

livability

geography of happiness

preferences for redistribution

my future research

appendix

some uses of happiness to evaluate policy

Europeans Work to Live; Americans Live to Work

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measurement

- ◊ life satisfaction (life evaluation) used interchangeably with happiness, quality of life, well-being
- ◊ wvs question: “all things considered, how satisfied are you with your life as a whole these days?” (1 to 10)
- ◊ gss question: “taken all together, how would you say things are these days - would you say that you are very happy, pretty happy, or not too happy?” (1-3)
- ◊ these measures were cross-validated using other measures: suicide, PET scans , other people ratings ([Layard, 05, Di Tella and MacCulloch, 2006](#))

why study life satisfaction ?

a number of fascinating research questions to answer
for instance:

can money buy happiness ?



**“Researchers say I’m not happier for being richer,
but do you know how much researchers make?”**

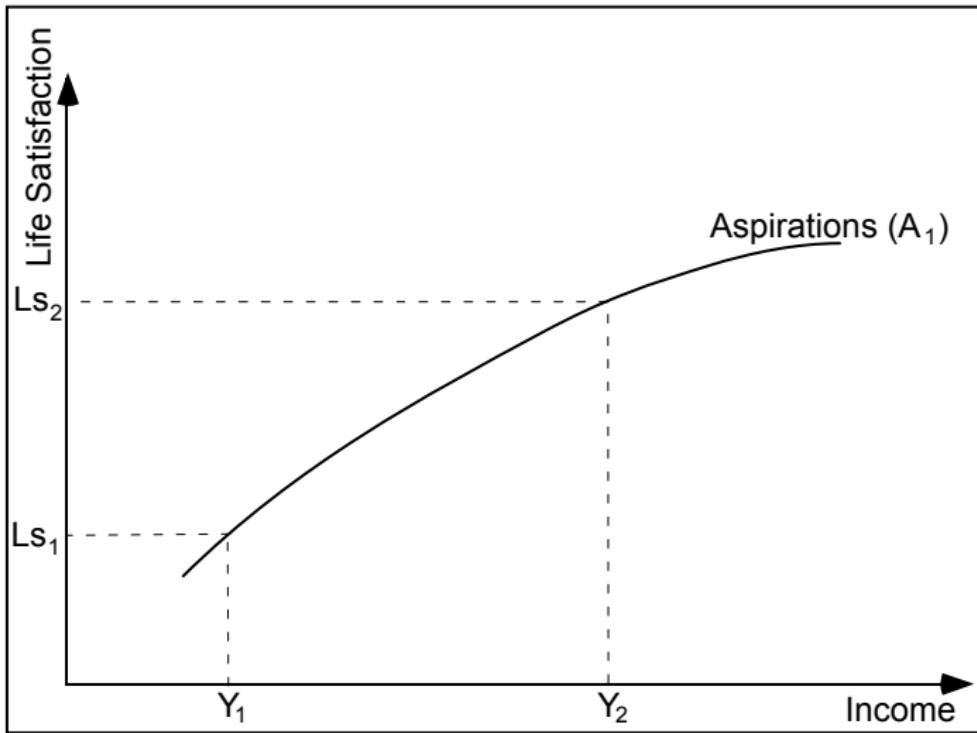
happiness? is it still science?

- ◊ yes, even leading economists say that we should study happiness
- ◊ Sen and Stiglitz: [Stiglitz et al. \(2009\)](#)
 - “A... unifying theme of the report ... is that the time is ripe for our measurement system to shift emphasis from measuring economic production to measuring people's well-being.” (p. 12)
 - “Measures of both objective and subjective well-being provide key information about people's quality of life. Statistical offices [worldwide] should incorporate questions to capture people's life evaluations, hedonic experiences and priorities in their own survey.” (p. 16)

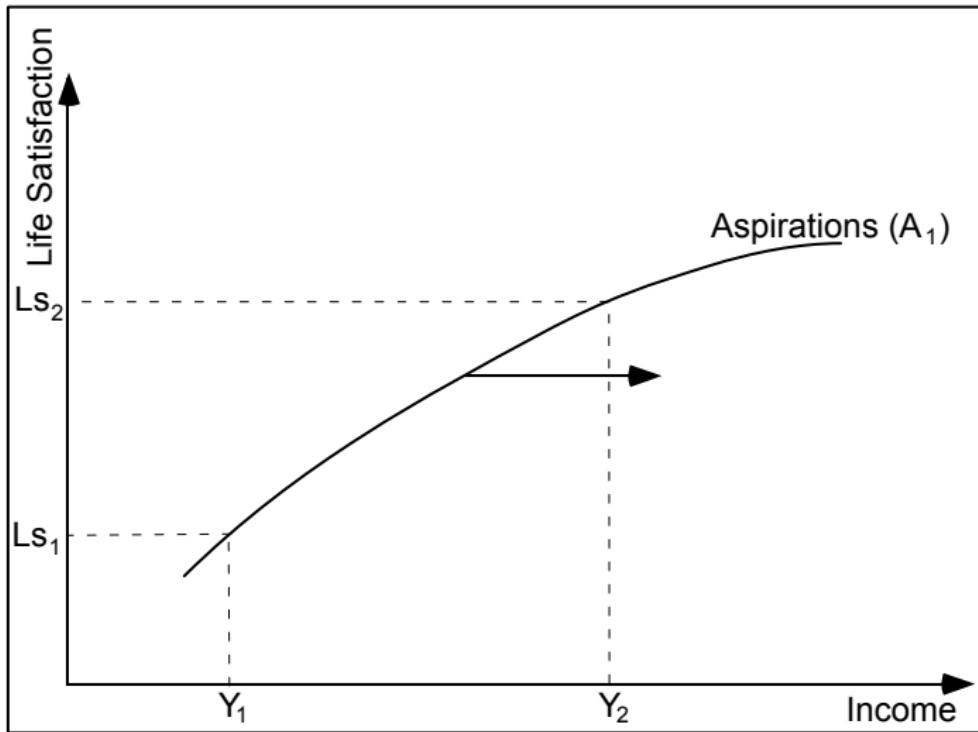
two major theories

- ◊ **adaptation theory** (Brickman et al., 78)
 - ▶ adjustment to external circumstances
 - ▶ 'hedonic treadmill'
 - ▶ *the more one has the more one wants, since satisfactions received only stimulate instead of filling needs* (Émilie Durkheim, 1950)
- ◊ **multiple discrepancy theory** (Michalos, 1985)
 - ▶ social comparison
 - ▶ comparison to various standards
 - ▶ *it is better to be a big frog in a small pond than a small frog in a big pond* (Davis, 1966)

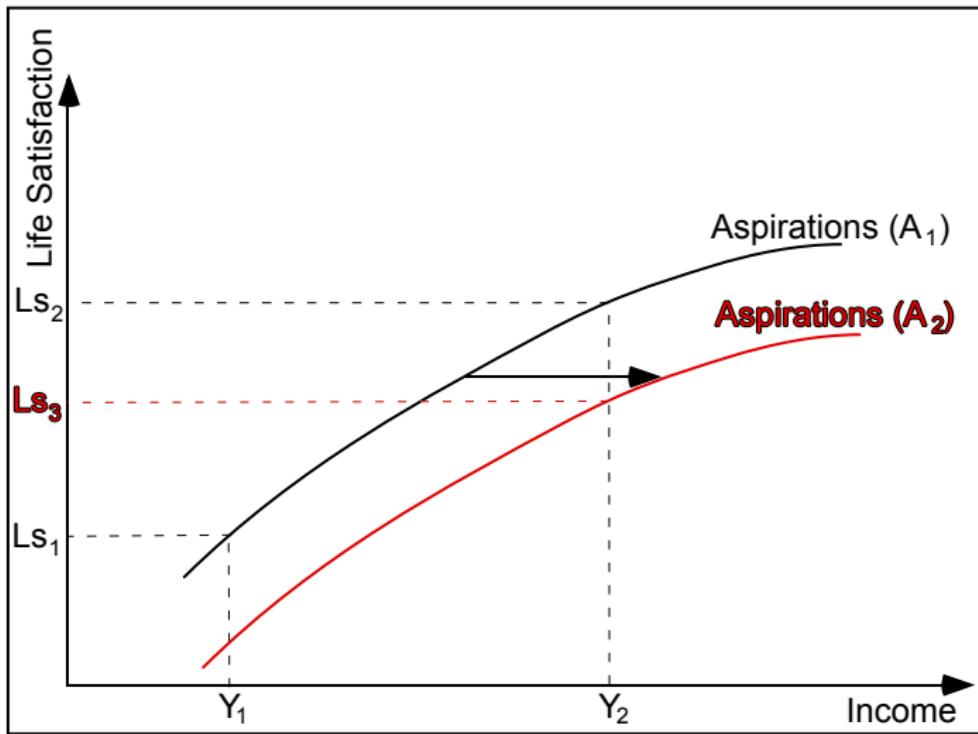
income increases happiness, but...



income increases happiness, but...

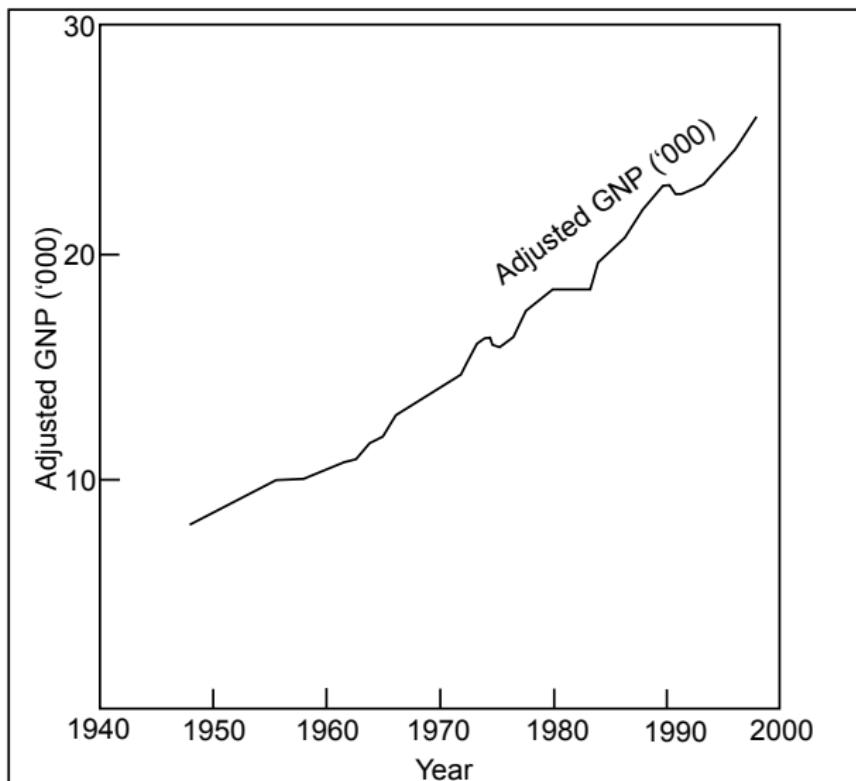


income increases aspirations, too



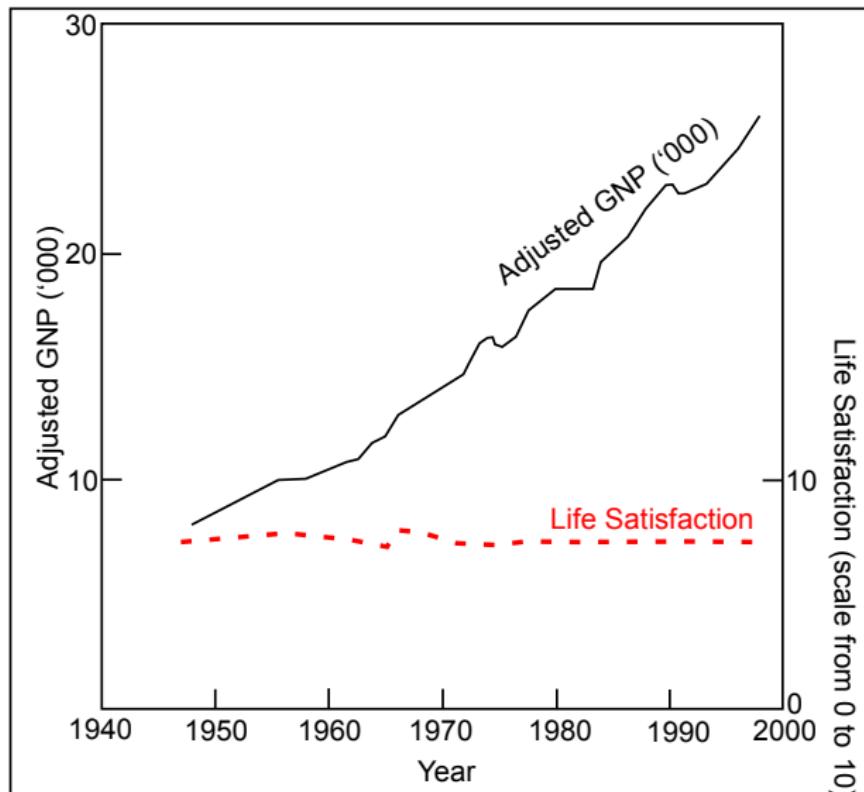
Easterlin's paradox

income in the US, 1947-98 (Diener and Seligman, 2004)



Easterlin's paradox

happiness in the US, 1947-98 (Diener and Seligman, 2004)



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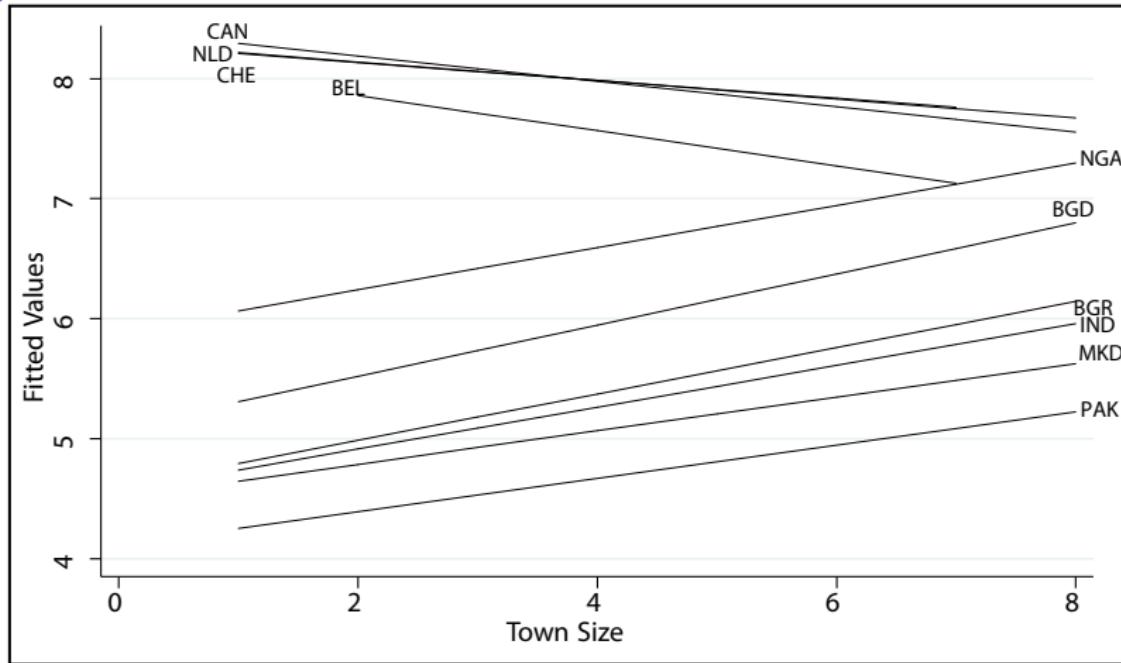
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a puzzle



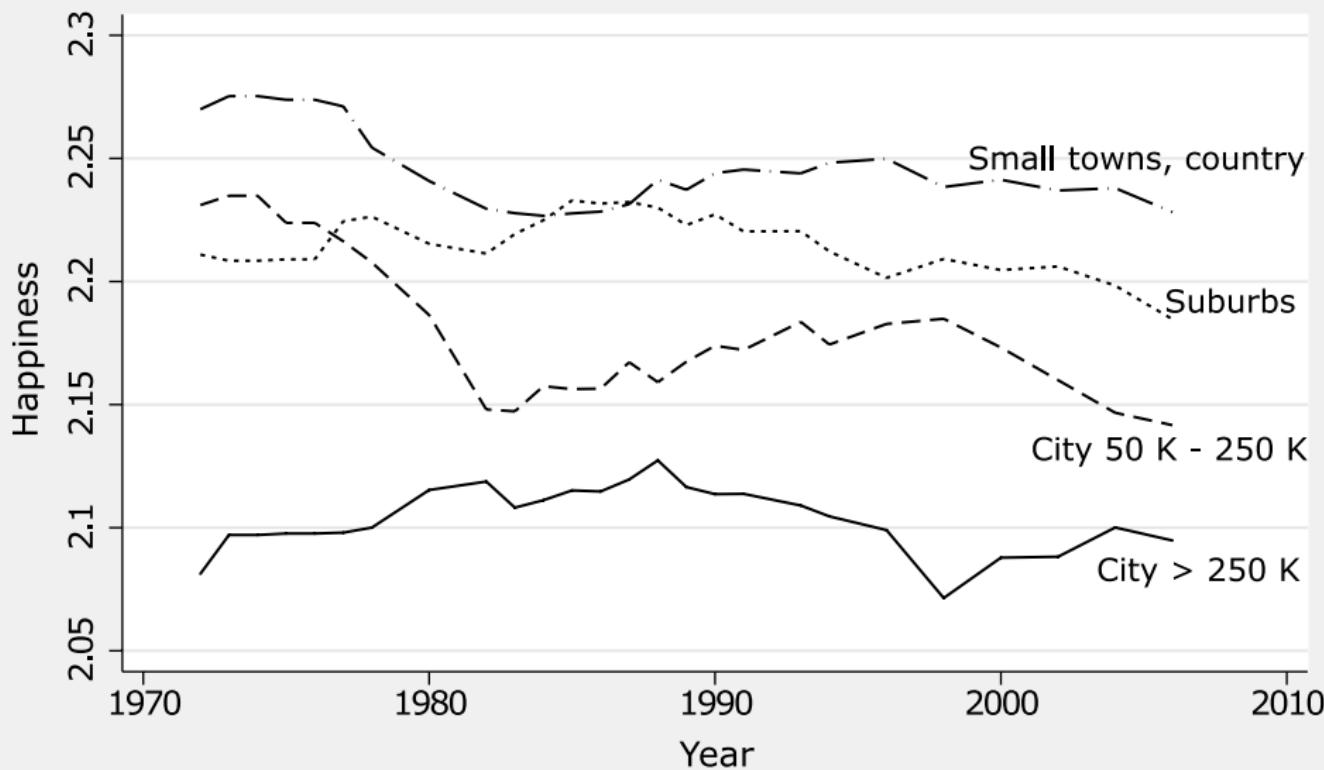
*a hamburger can kill you in NYC and
save your life in Addis Abeba (?)*
happiness and city life

life dissatisfaction in cities >500k – settlements <2k

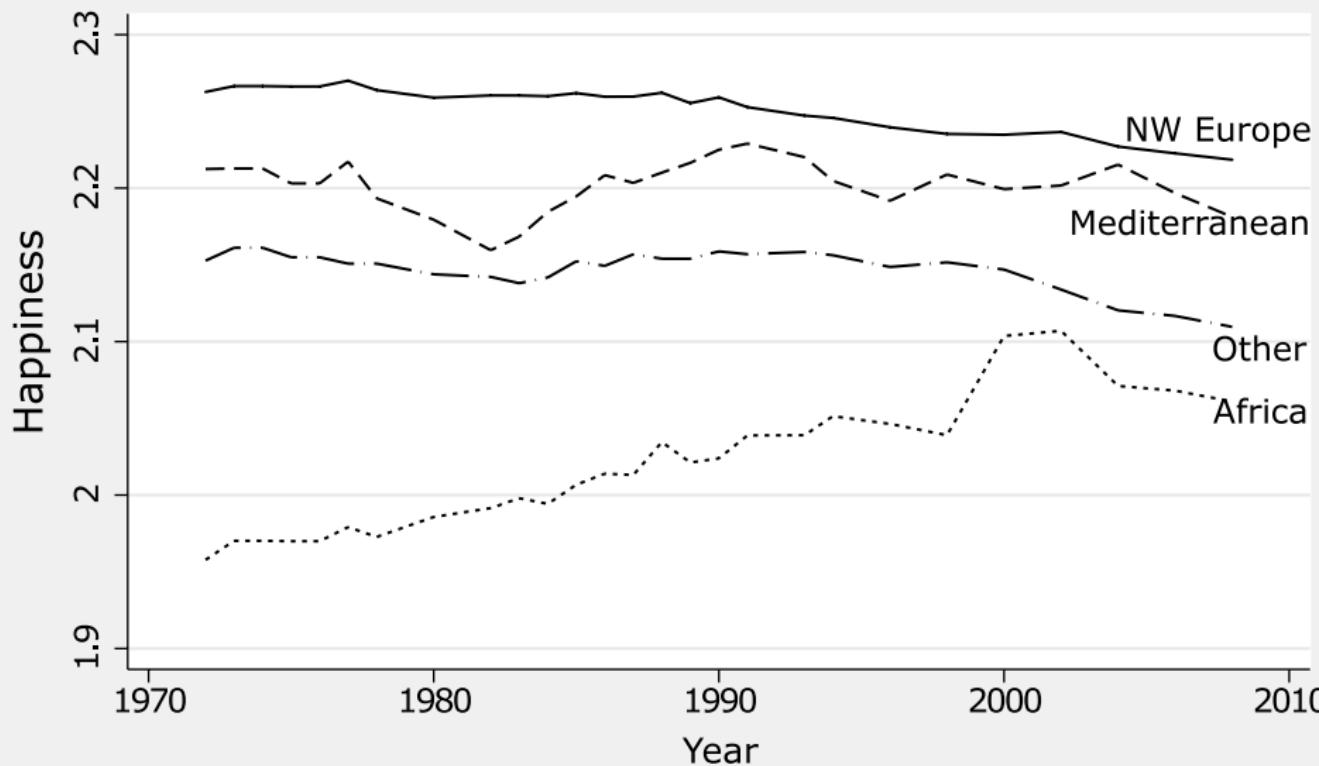
| | |
|--------------------|-------|
| Dominican Republic | -2.05 |
| India | -1.89 |
| Vietnam | -1.73 |
| Morocco | -1.73 |
| Bulgaria | -1.23 |
| Macedonia | -1.16 |
| Bangladesh | -1.14 |
| Belarus | -0.88 |
| Nigeria | -0.88 |
| Pakistan | -0.77 |

| | |
|---------------|-------|
| Netherlands | +1.18 |
| United States | +0.97 |
| Kyrgyzstan | +0.85 |
| Canada | +0.78 |
| Spain | +0.60 |
| Australia | +0.45 |
| Denmark | +0.44 |

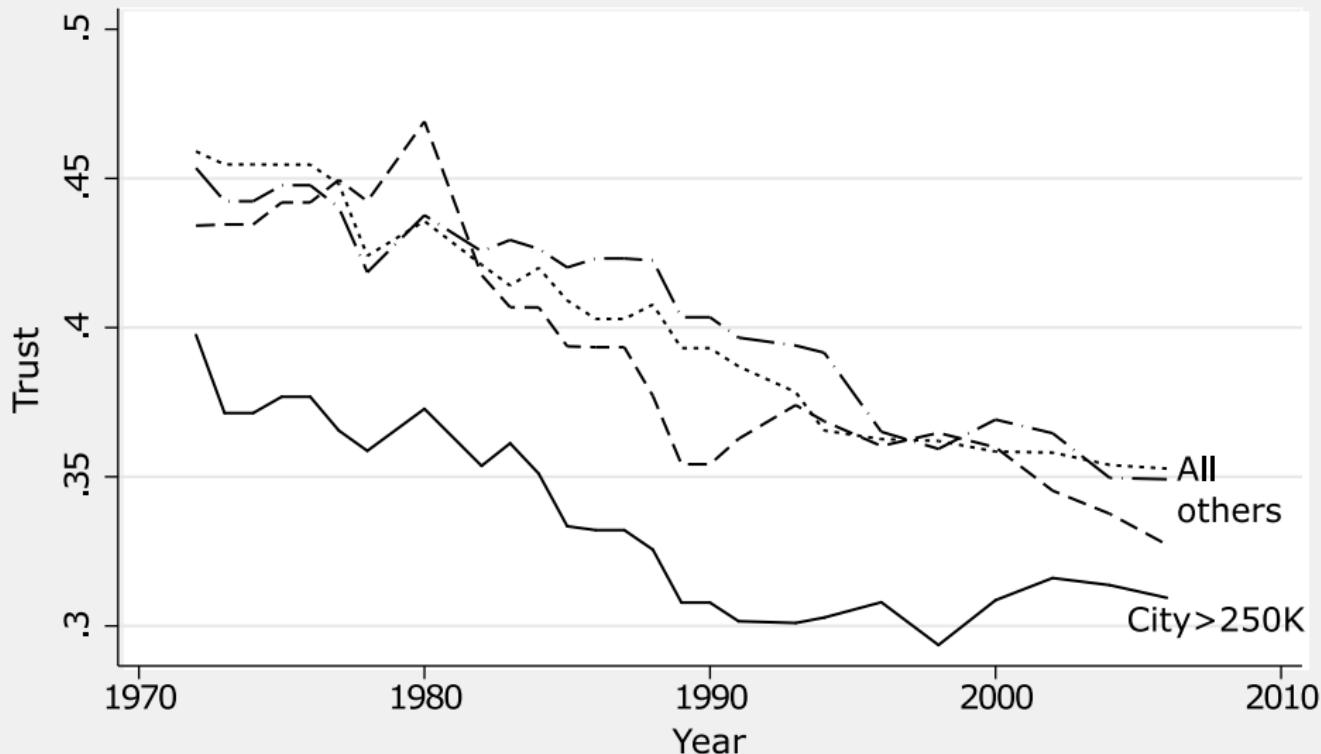
U.S.: happiness and location



U.S.: happiness and ethnic origin



U.S.: level of trust by location



(trust is a key predictor of happiness)

ordinal logit of happiness (OR)

| | | | |
|---------------|----------|---------|---------|
| city | 50k-250k | 1.15*** | 1.12** |
| suburbs | | 1.18*** | 1.12*** |
| small towns, | | 1.25*** | 1.15*** |
| country | | | |
| NW Europe | | | 1.17*** |
| Mediterranean | | | 1.08 |
| Africa | | | 0.81*** |
| time fe | | yes | yes |
| region fe | | yes | yes |
| ind. controls | | yes | yes |
| observations | | 32073 | 25219 |

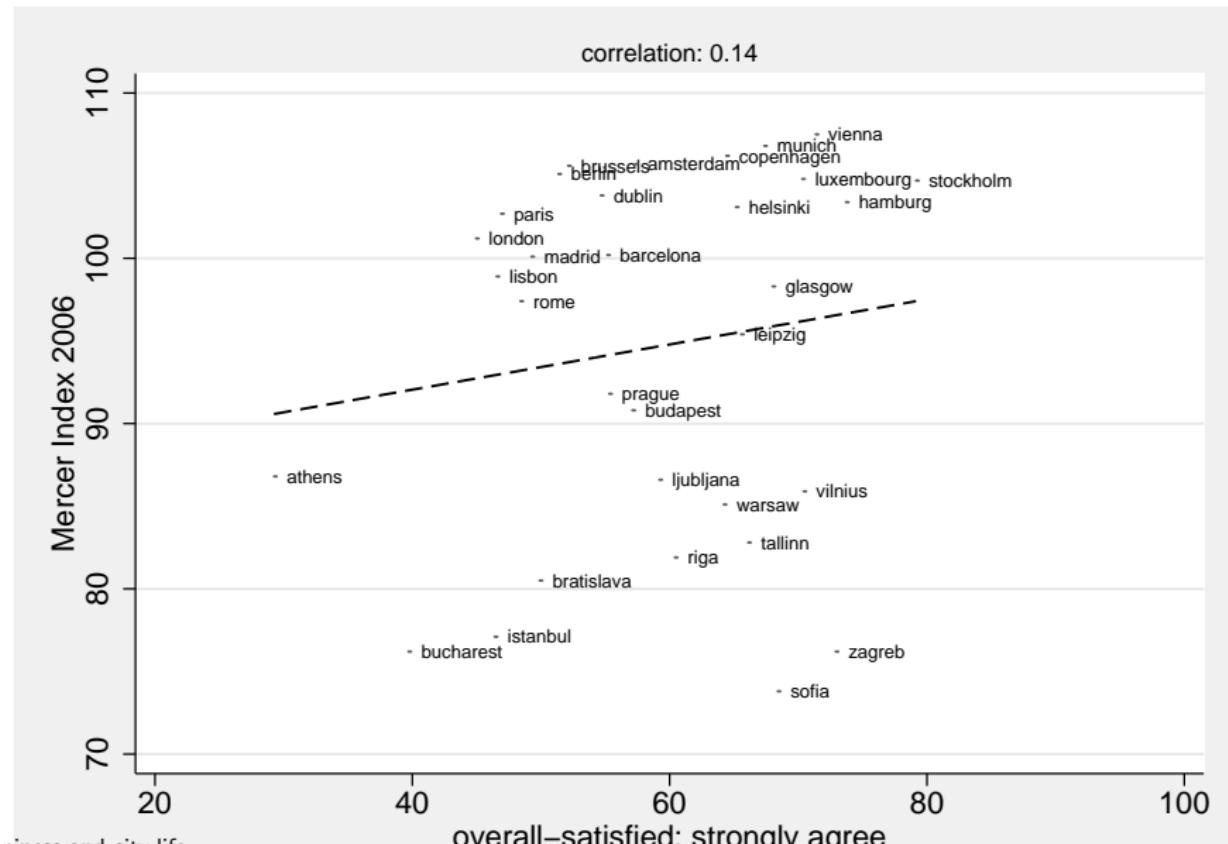
*** p<0.01, ** p<0.05, * p<0.1

ind. controls: age, marital status, size of a household , employment status, income, whether a person was born in the U.S.

livability: top 10 cities in 2010

| Mercer's City Ranking Tables | | |
|------------------------------|-------------|--------|
| City | Country | Rating |
| Vienna | Austria | 108.6 |
| Zurich | Switzerland | 108 |
| Geneva | Switzerland | 107.9 |
| Vancouver | Canada | 107.4 |
| Auckland | New Zealand | 107.4 |
| Dusseldorf | Germany | 107.2 |
| Frankfurt | Germany | 107 |
| Munich | Germany | 107 |
| Bern | Switzerland | 106.5 |
| Sydney | Australia | 106.3 |

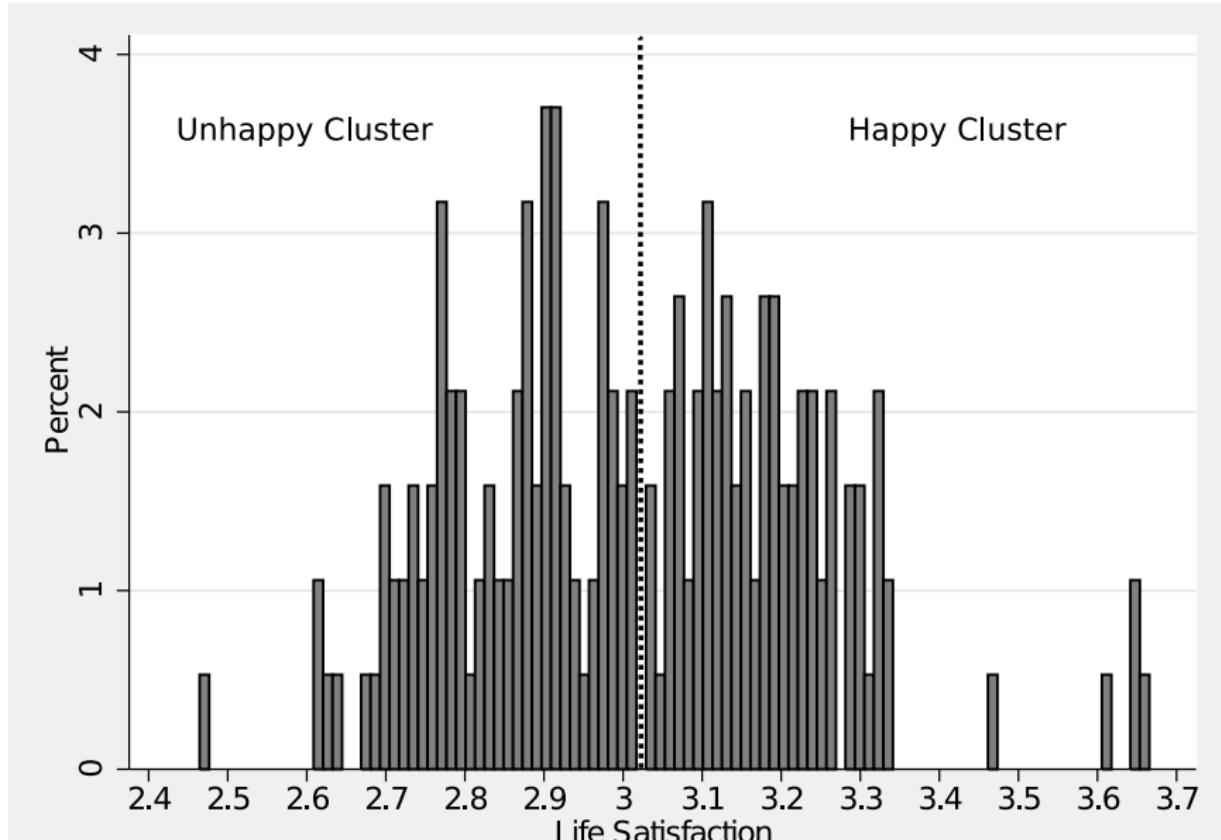
objective vs subjective QoL



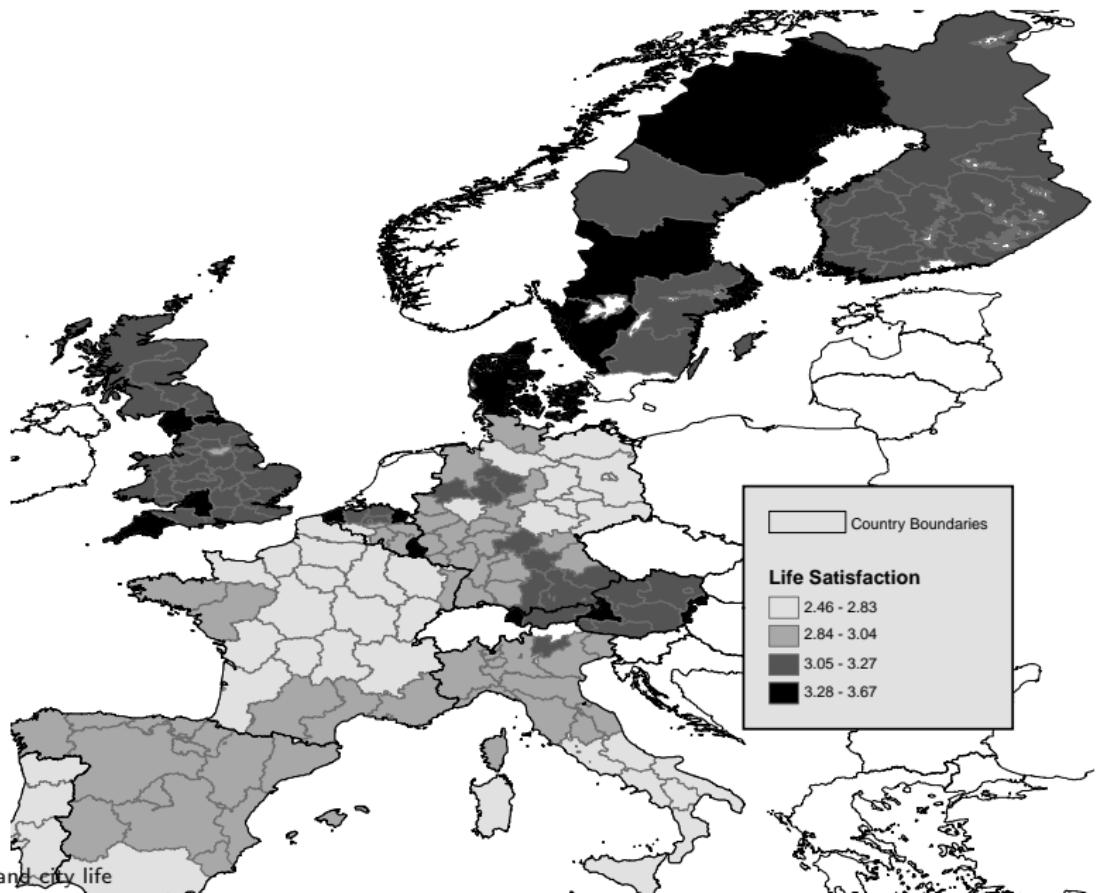
mapping happiness

- ◊ maps are relevant for all research
- ◊ everything takes place somewhere...
- ◊ ... “Everything is related to everything else, but near things are more related than distant things” ([Tobler, 1970](#))
<http://aok.us.to/papers/gesis/index2.html>
- ◊ I wrote my own program for stata: kmlmap
 - http://maps.google.com/maps?f=q&source=s_q&hl=en&geocode=&q=http://people.hmdc.harvard.edu/~akozaryn/keep2_mer_trust_for.kml

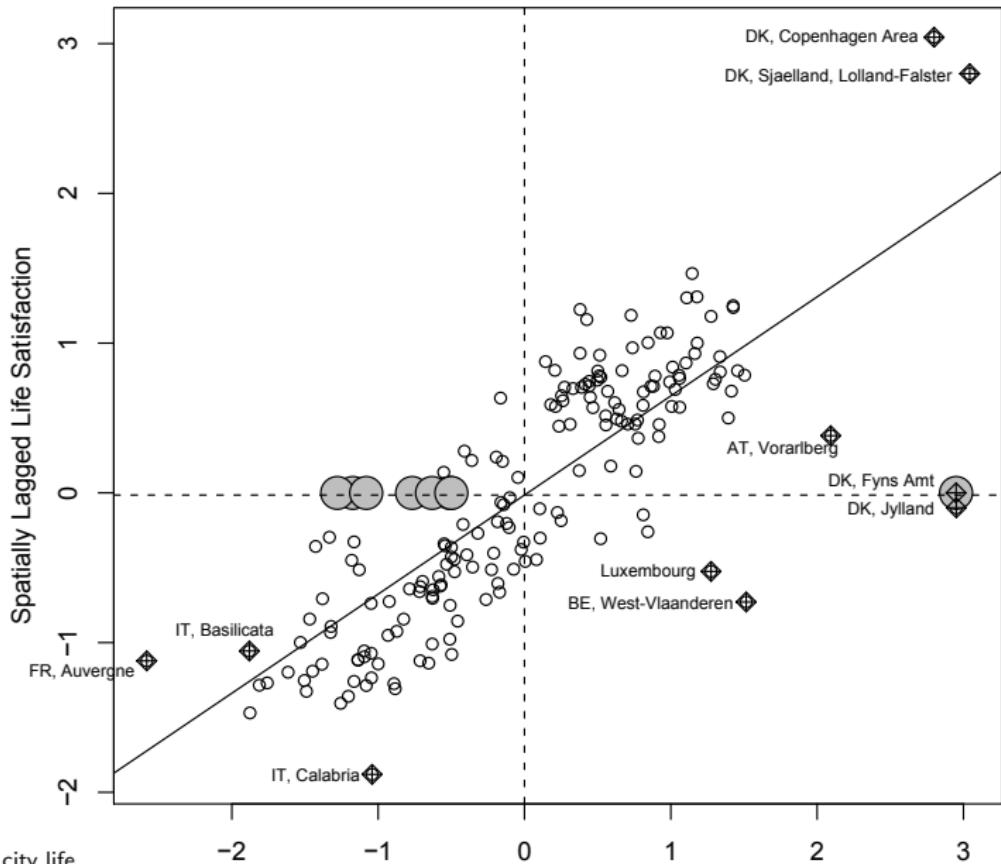
happiness across European regions



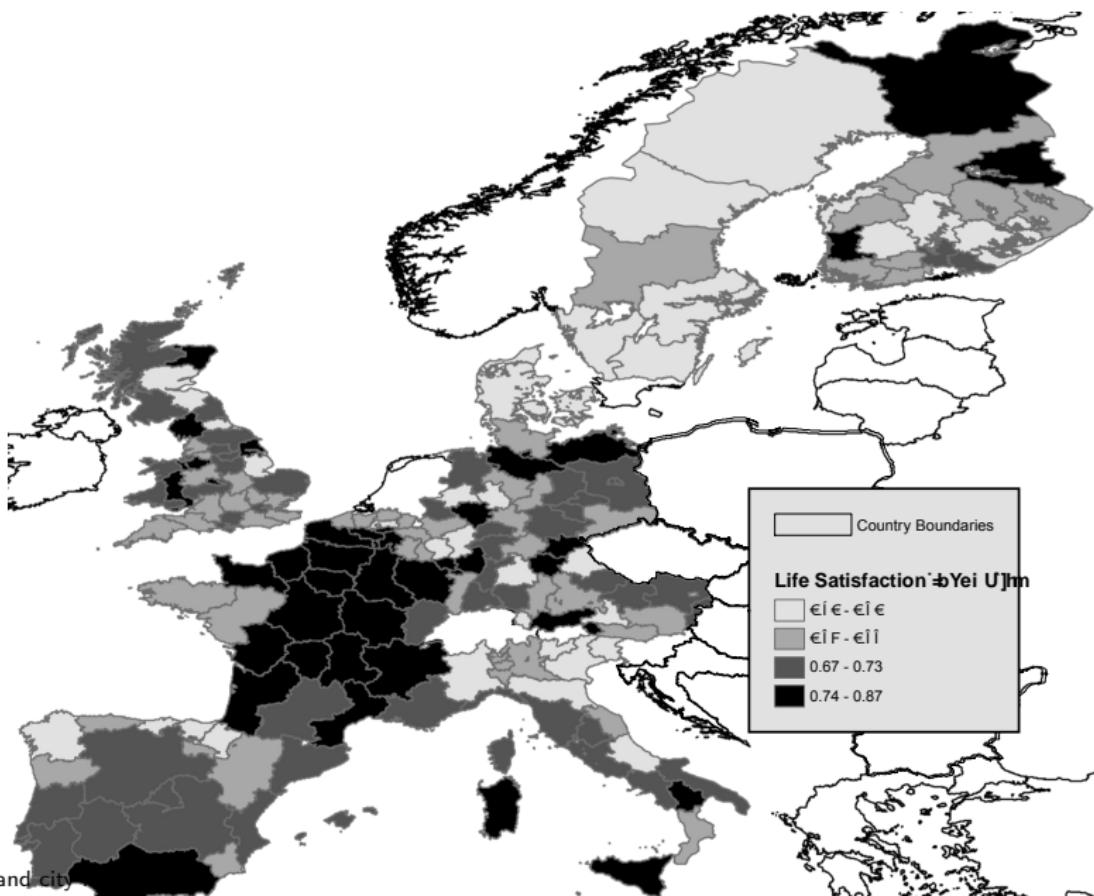
happiness (natural breaks (jenks))



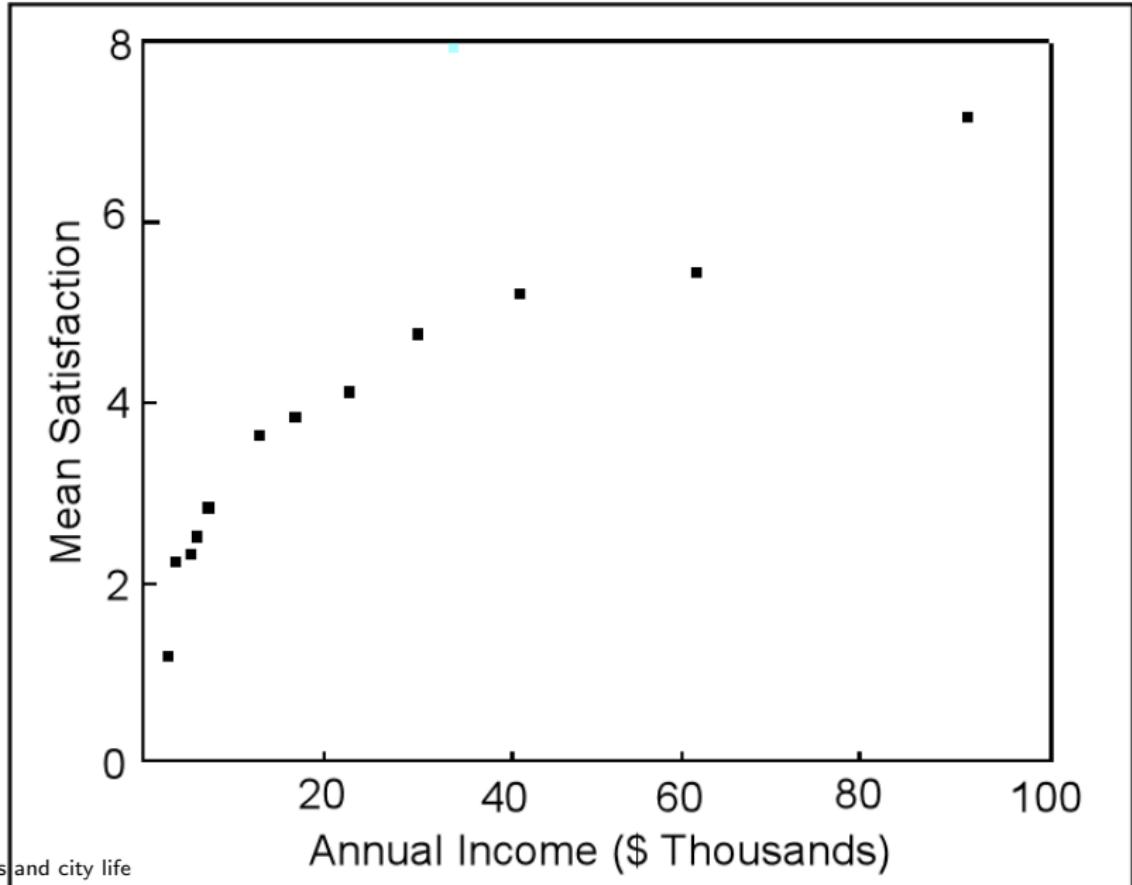
happiness (Moran's plot)



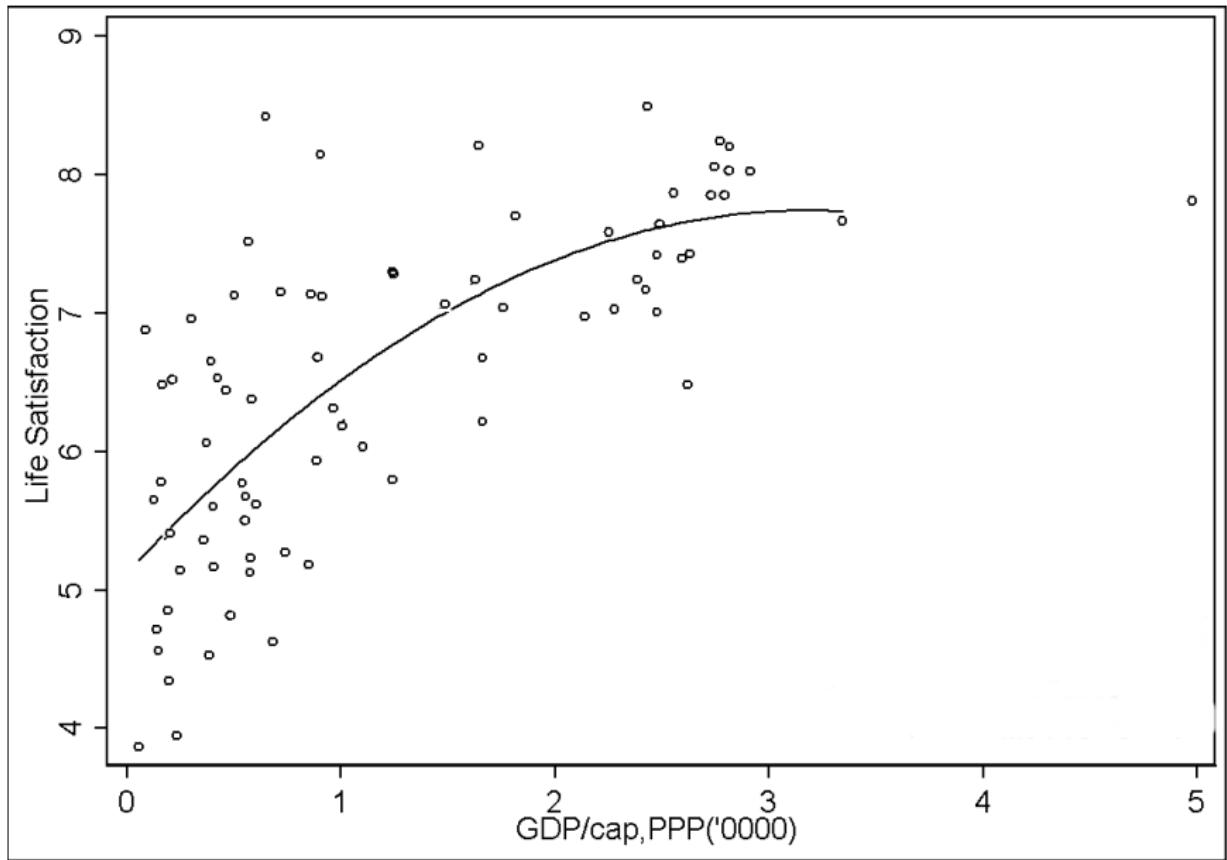
inequality matters ! (sd)



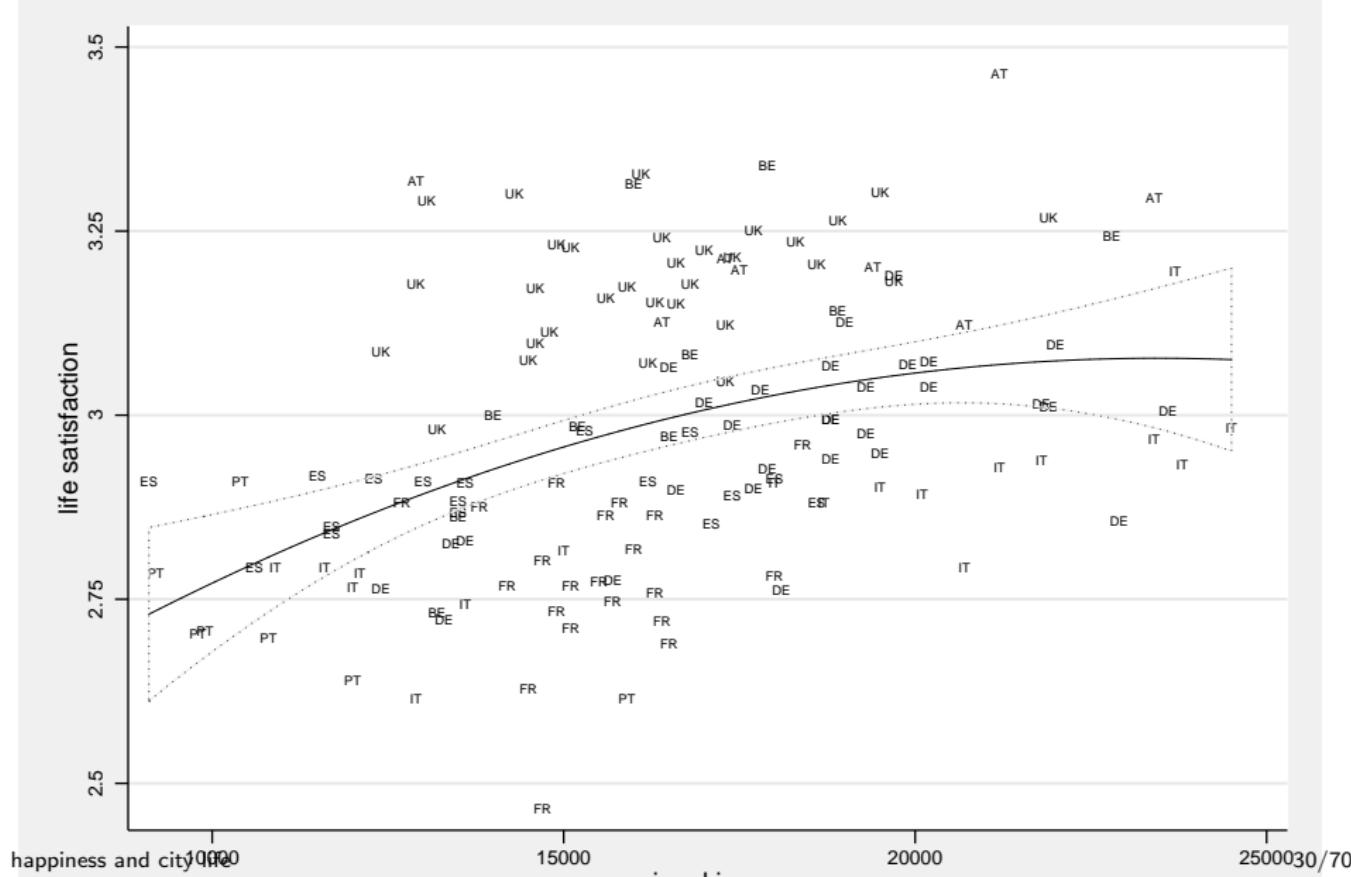
persons: happiness and gdp (Diener et al., 1993)



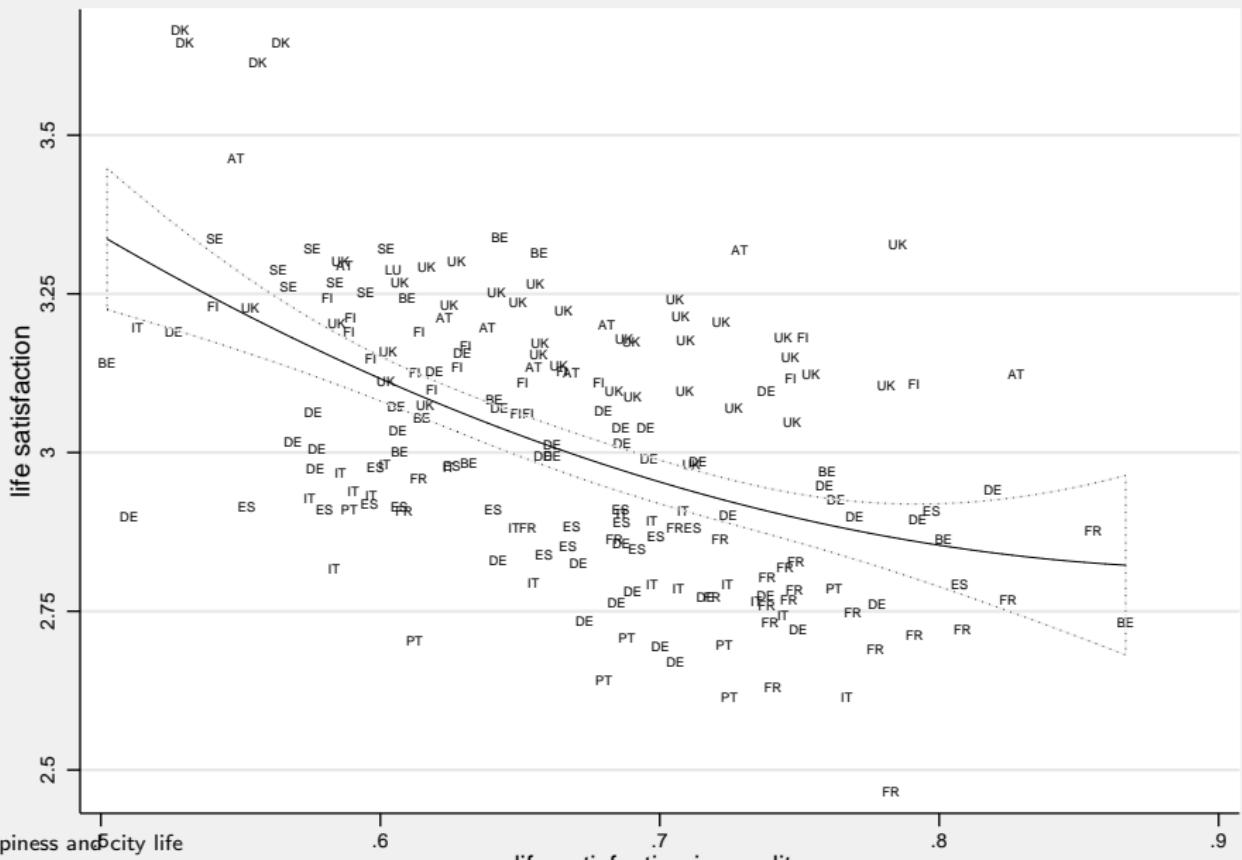
countries: happiness and income (wvs)



regions: happiness and income (eb)



regions: happiness and income inequality (sd)



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 Europeans Work to Live; Americans Live to Work

what is it?

- ◊ “is it the government’s responsibility to reduce income differences between the rich and poor ?”
- ◊ “do you think that there should be large, some, or no income differences?”
- ◊ “are the poor lazy or disadvantaged ?”
- ◊ “should the rich be taxed more?”

what drives preferences for redistribution

- ◊ homo oeconomicus effect: the poor prefer redistribution more than the rich
- ◊ social rivalry effect: humans want to be “better” than other humans
- ◊ public values / beliefs effect: who should take care of the poor ? government or the poor ?

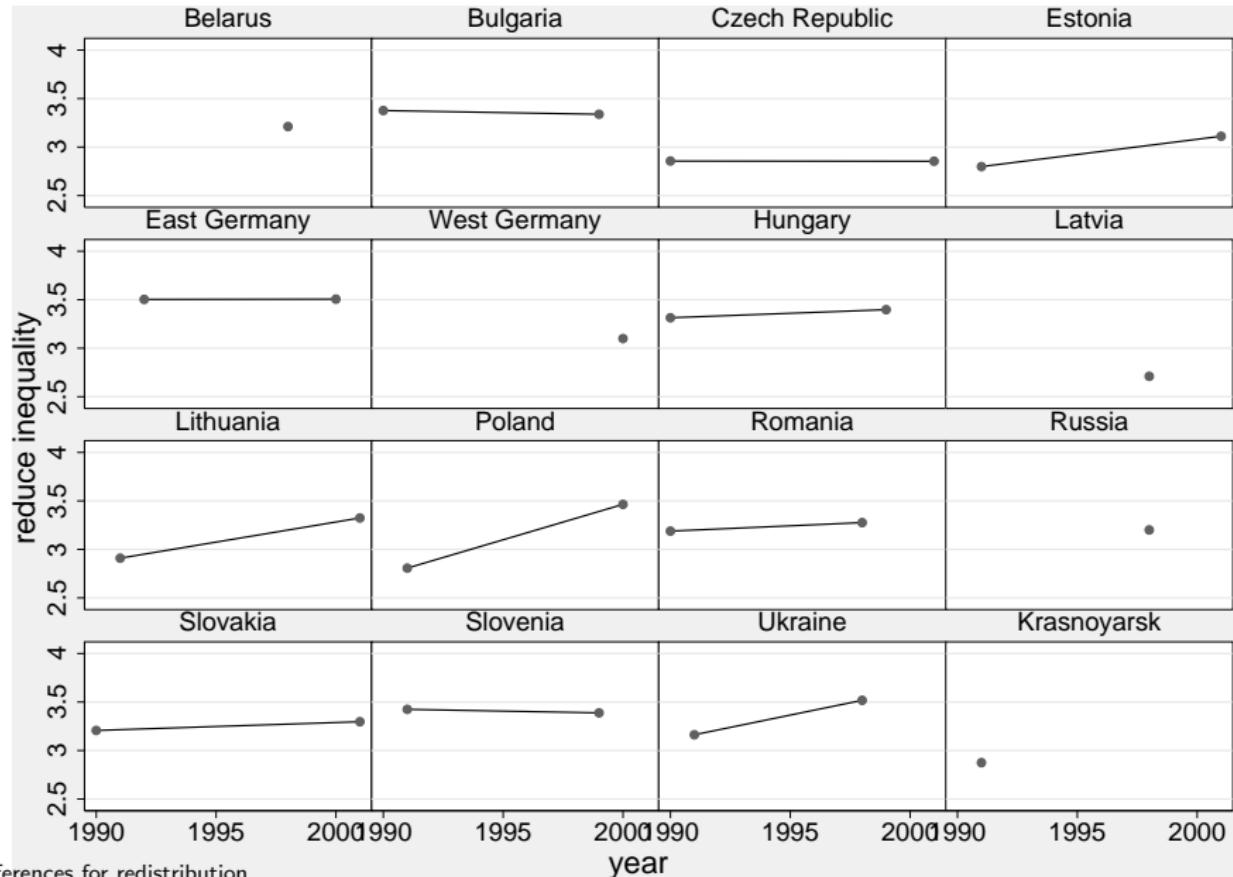
great topic !

- ◊ a hot topic today: e.g. 99% vs 1%
- ◊ great topic for some time now as income inequality is increasing in many countries: e.g. U.S.: <http://www.nytimes.com/2011/10/16/opinion/sunday/kristof-americas-primal-scream.html>
 - the 400 wealthiest Americans have a greater combined net worth than the bottom 150 million Americans
 - the top 1 percent of Americans possess more wealth than the entire bottom 90 percent
- ◊ but also interesting to study in transition:
 - in communist countries there is lots of redistribution
 - what happens to preferences when communism collapses ?

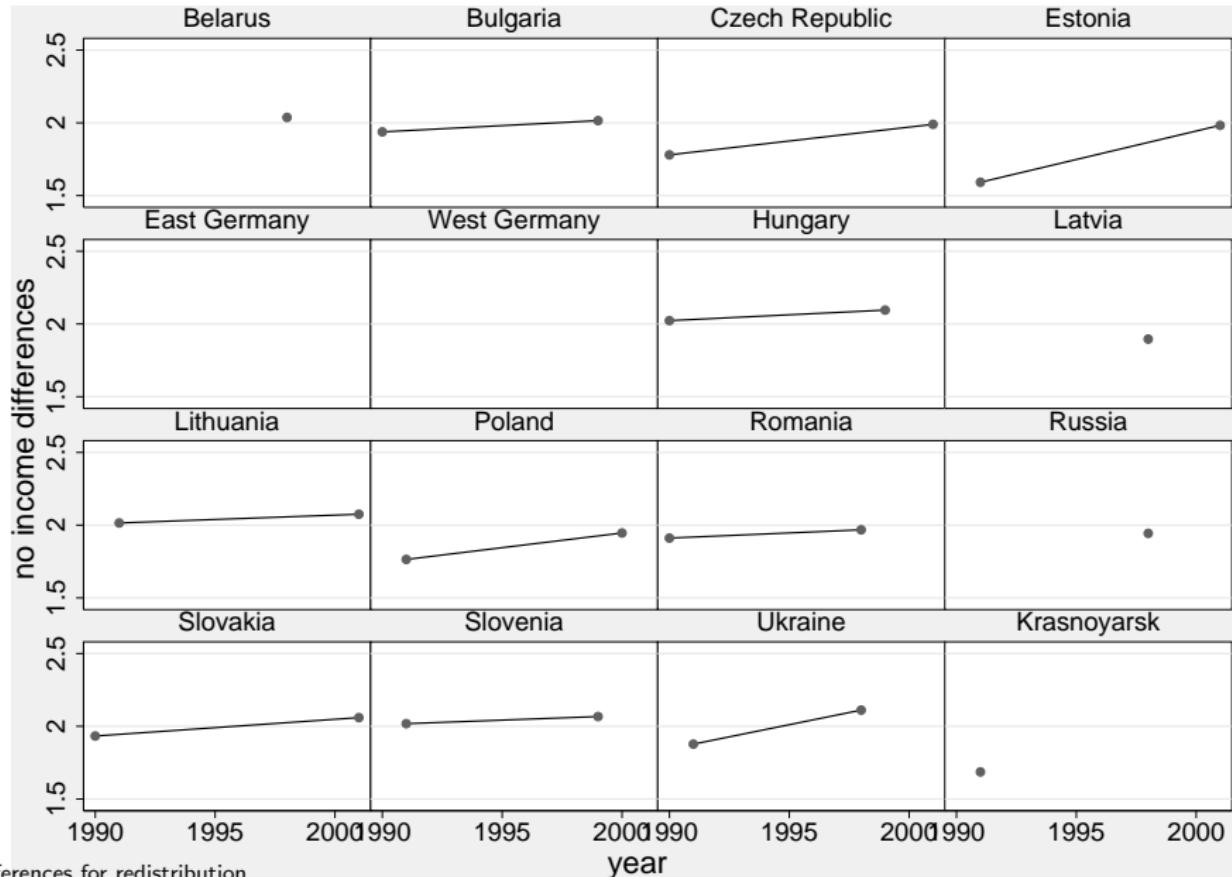
Odd Eastern Europe

- in 2009 fewer people approve of the change to market economy than in 1991 ([Pew, 2009](#))
 - in most East European countries, majority of people still think that life was better under the communism ([Pew, 2009](#))
- ◊ My study:
- after the collapse of the communism, preferences for redistribution did not decrease by 2000
 - income and expected income matter less than relative income and income history
 - the winners of transition (the better off) prefer less redistribution

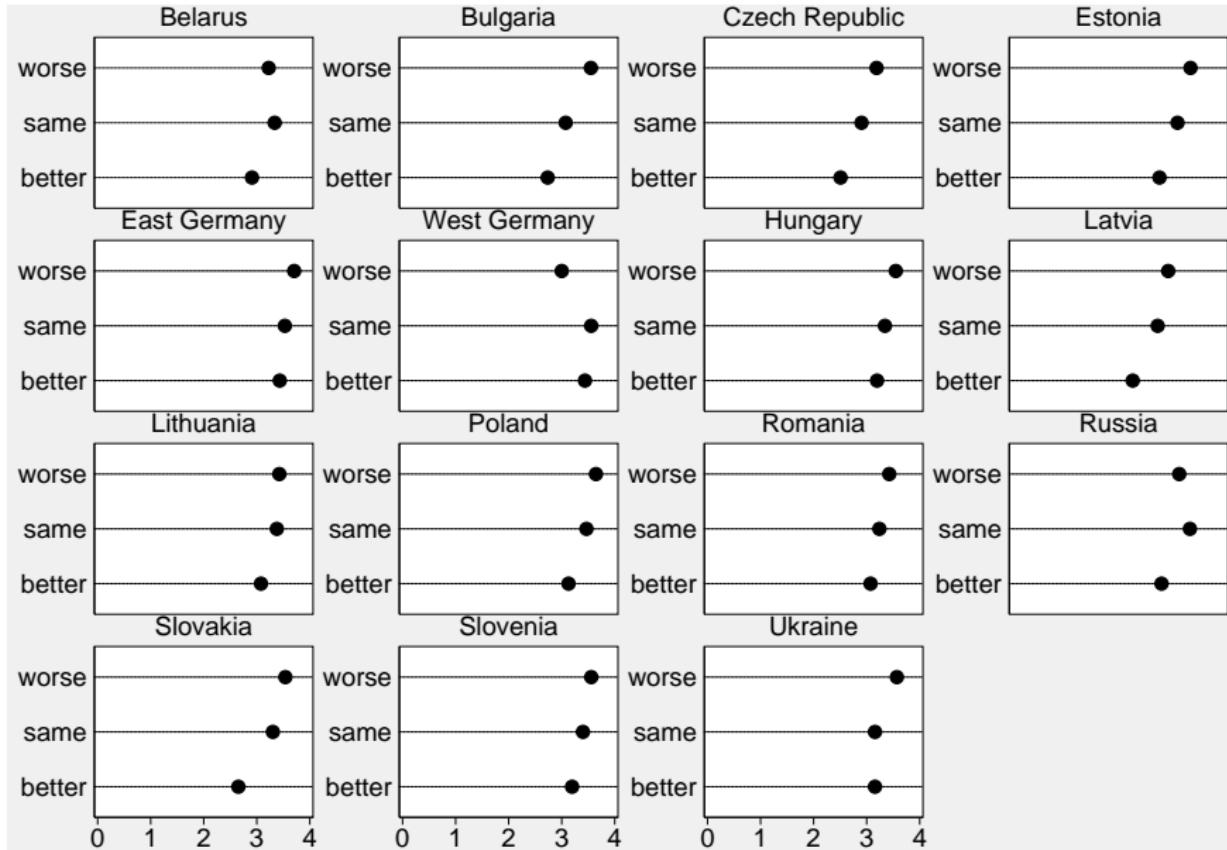
government reduce income differences



large, some, or no income differences



reduce inequality by success



proportions of respondents saying...(by success)

| country | year | communism good | | | equality important | | |
|----------------|------|----------------|------|--------|--------------------|------|--------|
| | | worse | same | better | worse | same | better |
| Belarus | 1998 | 0.63 | 0.59 | 0.53 | 0.52 | 0.55 | 0.33 |
| Bulgaria | 1999 | 0.80 | 0.47 | 0.42 | 0.60 | 0.37 | 0.32 |
| Czech Republic | 2001 | 0.83 | 0.65 | 0.39 | 0.66 | 0.46 | 0.22 |
| Estonia | 2001 | 0.70 | 0.63 | 0.44 | 0.68 | 0.55 | 0.37 |
| East Germany | 2000 | 0.92 | 0.89 | 0.76 | 0.72 | 0.71 | 0.58 |
| Hungary | 1999 | 0.85 | 0.74 | 0.61 | 0.73 | 0.61 | 0.46 |
| Latvia | 1998 | 0.64 | 0.46 | 0.37 | 0.47 | 0.37 | 0.25 |
| Lithuania | 2001 | 0.78 | 0.51 | 0.49 | 0.56 | 0.40 | 0.36 |
| Poland | 2000 | 0.72 | 0.58 | 0.41 | 0.51 | 0.42 | 0.30 |
| Romania | 1998 | 0.69 | 0.56 | 0.42 | 0.55 | 0.55 | 0.41 |
| Russia | 1998 | 0.56 | 0.64 | 0.39 | 0.53 | 0.65 | 0.31 |
| Slovakia | 2001 | 0.89 | 0.78 | 0.51 | 0.66 | 0.53 | 0.32 |
| Slovenia | 1999 | 0.88 | 0.72 | 0.66 | 0.65 | 0.56 | 0.42 |
| Ukraine | 1998 | 0.71 | 0.49 | 0.53 | 0.58 | 0.48 | 0.50 |

reduce inequality (logit, OR)

| | | | |
|---|---------|---------|---------|
| income | 0.96 | 0.96 | 0.97 |
| income next year | 0.88* | 0.89 | |
| income vs average | 0.90 | 0.88* | 0.84*** |
| person vs neighbors | 0.78*** | 0.78*** | 1.08 |
| person vs neighbors * 2nd wave | | | 0.69*** |
| same | 0.78*** | 0.81** | |
| better | 0.49*** | 0.55*** | |
| country: now vs communist regime | | 0.88** | 1.01 |
| country: now vs communist regime * 2nd wave | | | 0.76*** |
| 2nd wave | | | 3.76*** |
| N | 8457 | 8000 | 12755 |

*** p<0.01, ** p<0.05, * p<0.1

other controls: social class, age, male, married, unemployed, education
preferences for redistribution

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still happiness

- ◊ what predicts well-being
- ◊ how we can use happiness research to solve real problems
 - happiness research can help with public policy making because it serves as a guide to people's preferences (expected/decision utility) and actual well-being (experienced/true utility) (e.g. commute vs big houses)
- ◊ use better/panel data
- ◊ try top journals (JOPE, QJE)

preferences for redistribution; migration/immigration

- ◊ fascinating and important topics
- ◊ more and more inequality and migration/immigration
- ◊ lots of public debate and controversies
- ◊ how preferences for redistribution differ by culture,
income, political affiliation, location ?
- ◊ great new data: Mexican Migration Project

urban issues

- ◊ more and more people living in urban areas
- ◊ more and more GDP created in urban areas
- ◊ but there are problems/challenges:
 - crime, isolation, inequality, racial/ethnic heterogeneity
- ◊ income inequality and happiness: tax luxuries (Frank)
- ◊ urban/different urban vs rural: happiness, social capital, conflict, alienation, trust, innovation, etc
- ◊ great new data: Behavioral Risk Factor Surveillance System (CDC)

theory

- ◊ soc sci (econ) is not like physics with equilibria and formal models
- ◊ it is organic like life, biology: “animal spirits”, bubbles
 - soc sci subjects (e.g persons, institutions) have history and exist in changing environment
- ◊ the greatest economist ?
- ◊ not Adam Smith but Darwin: competition does not necessarily lead to optimum outcomes, equilibria... (Frank)
 - variety causes evolution/development (Darwin)
 - evolution/development causes variety (Smith)

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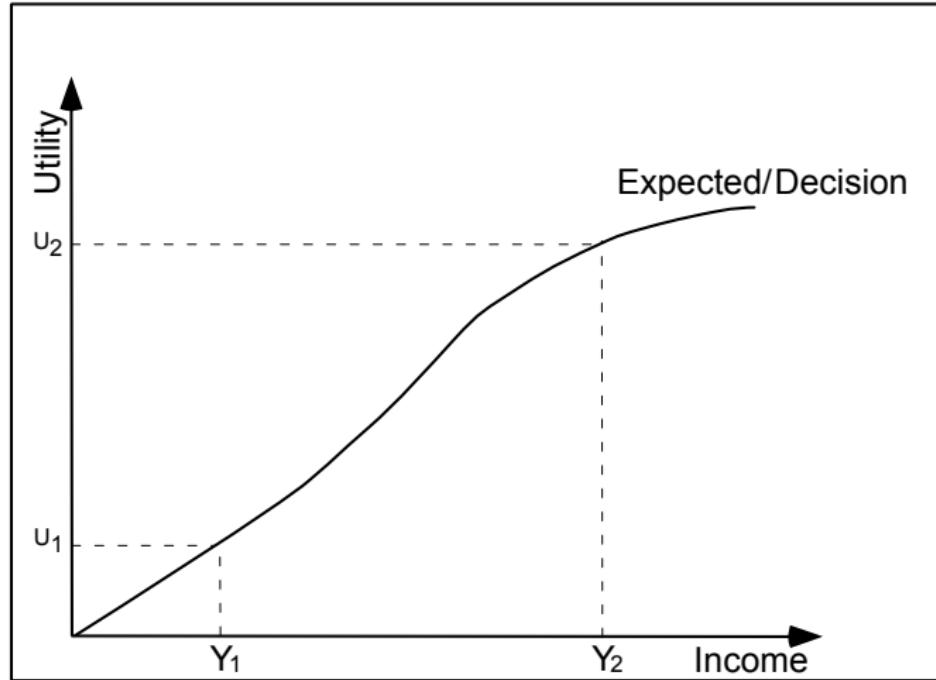
what predicts happiness

- ◊ biological needs (Diener and Biswas-Diener, 2002)
- ◊ personal income (and personal income change) (Diener et al., 1999)
- ◊ goals vs. needs (Diener and Seligman, 2004)
- ◊ leisure (Diener et al., 1999)
- ◊ personal characteristics (Diener et al., 1999)
 - ▶ personality
 - ▶ education
- ◊ social capital ('the need to belong') (Myers, 2000, Diener and Seligman, 2004)
 - ▶ religion
 - ▶ marriage

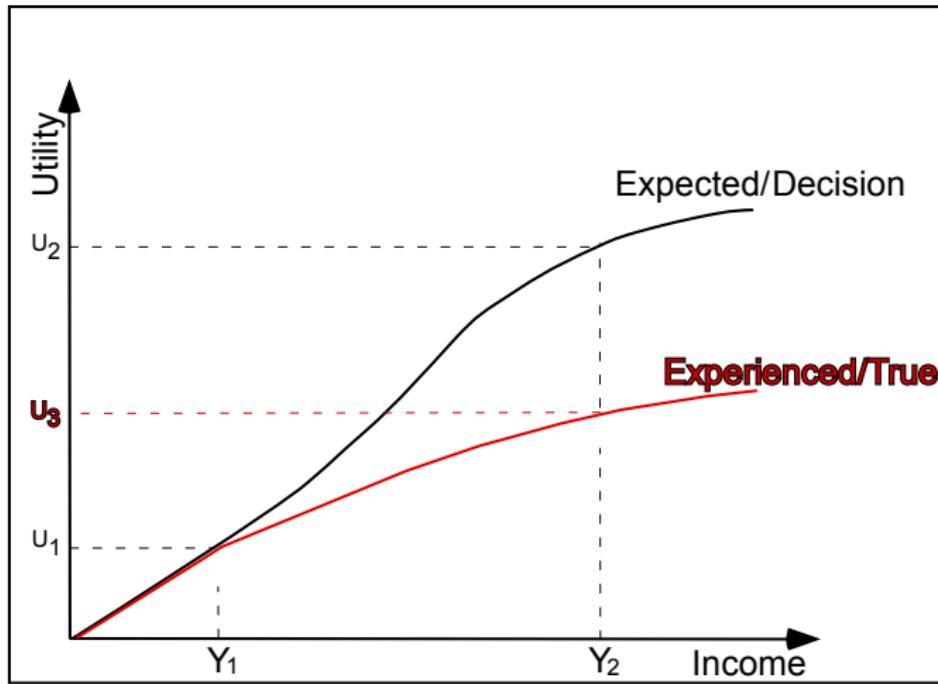
what predicts happiness cont'd

- ◊ pcgdp, ppp (Alesina and Ferrara, 2000)
- ◊ unemployment and inflation rates (Di Tella et al., 2001)
- ◊ life expectancy at birth (Di Tella and MacCulloch, 2005)
- ◊ income inequality (?)
- ◊ political freedom (Veenhoven, 00)
- ◊ political stability and security (Helliwell, 06)
- ◊ gender equality (ratio of average male and female earnings) (?)
- ◊ family life (divorce rate) (Di Tella and MacCulloch, 2005)

an example: expected vs. experienced utility



an example: expected vs. experienced utility



economics and happiness

traditional utility function:

(i) $u_i = u_i(z_1, \dots, z_m)$ (Becker, 1974)
 $z_1, \dots, z_m = \text{commodities/wants}$, but

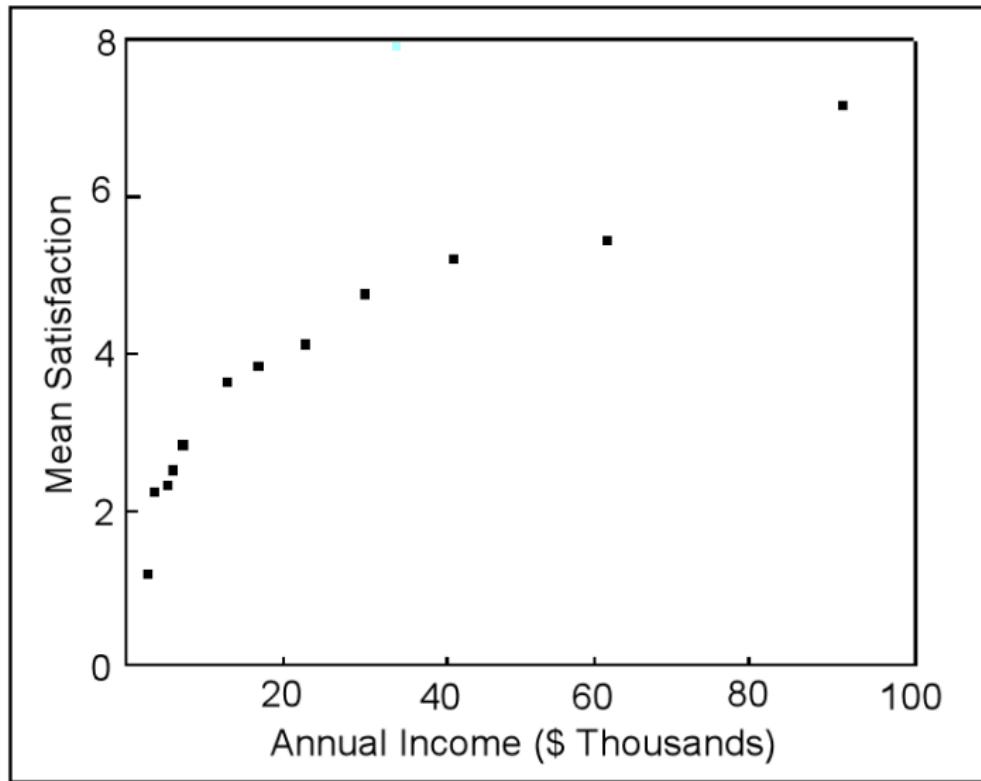
(ii) $u_i = f(u_i(z_1, \dots, z_m), u_j)$ (Becker, 1974)

(iii) $u_{it} = f(u_{it-s}); s \neq t$ (?)

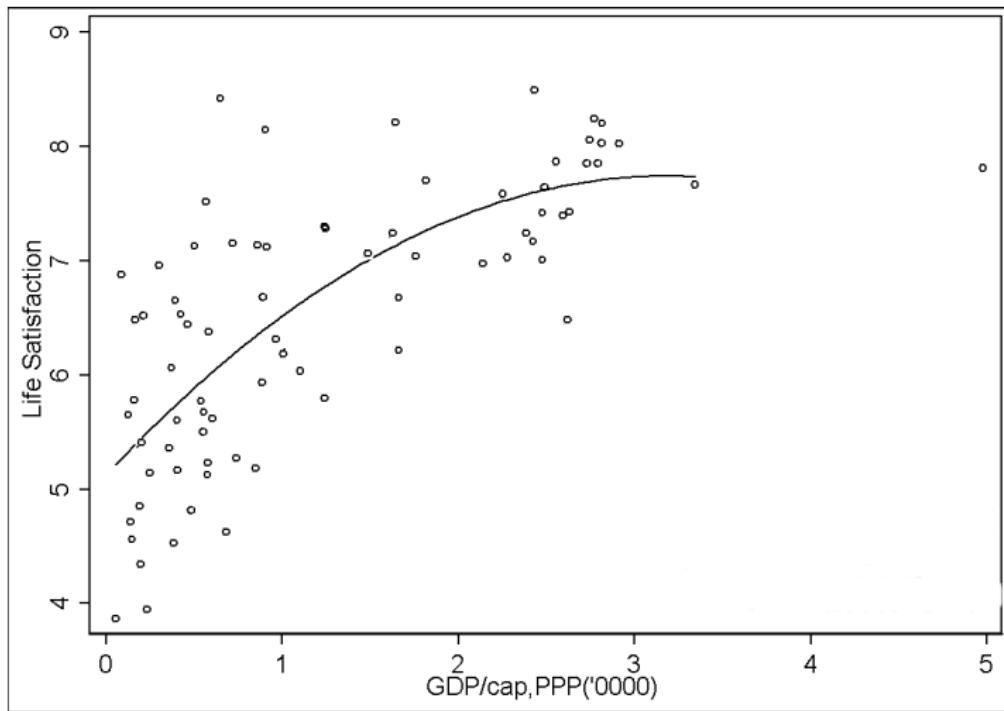
economics and happiness cont'd

- ◊ $u_{it} = f(y_{it}, y_{it}^*, x_{it})$
 u_{it} = utility/happiness; y_{it} = income; y_{it}^ = aspirations; x_{it} = other factors*
- ◊ $\frac{\partial u_{it}}{\partial y_{it}} > 0$, but:
- ◊ $\frac{\partial u_{it}}{\partial y_{it}^*} < 0$

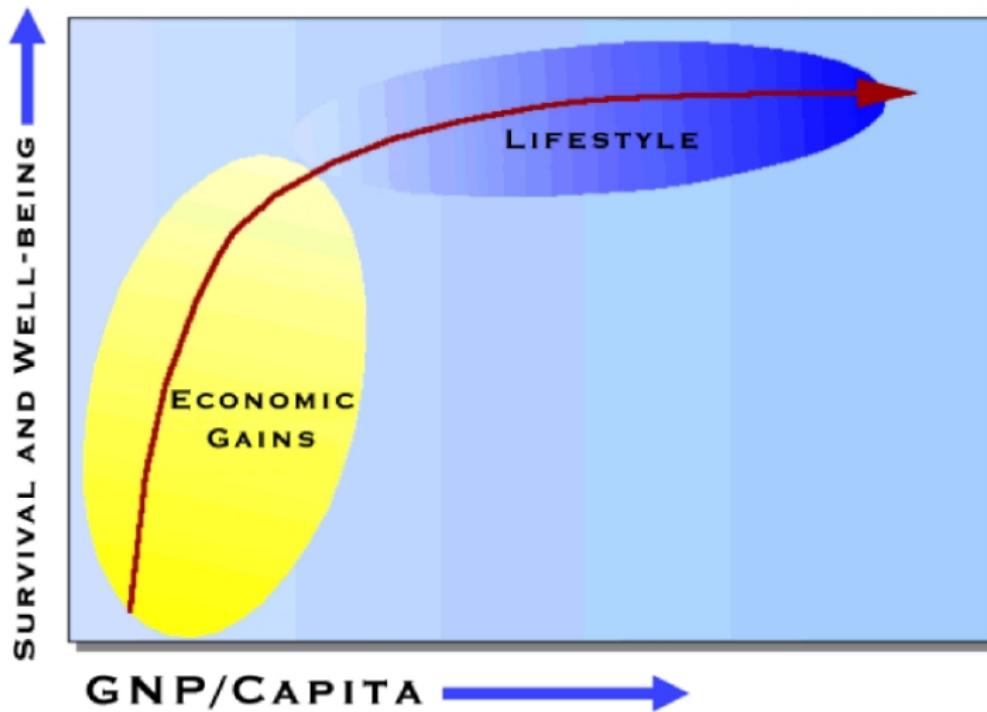
income vs. happiness in the us, 1981-4 (Diener et al., 1993)



income vs. happiness in the world, (wvs) 1996-2004



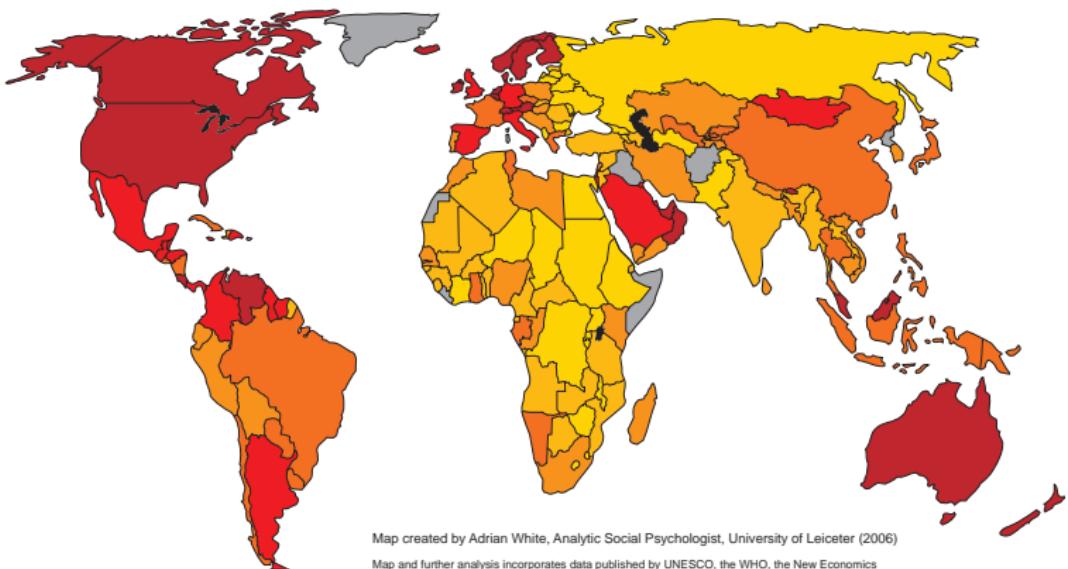
income vs. happiness across countries



Source: R Ingelhart, 1997

world happiness

A Global Projection of Subjective Well-being:
The First Published Map of World Happiness



Map created by Adrian White, Analytic Social Psychologist, University of Leicester (2006)

Map and further analysis incorporates data published by UNESCO, the WHO, the New Economics Foundation, the Veenhoven Database, the Latinbarometer, the Afrobarometer, the CIA, and the UN Human Development Report.

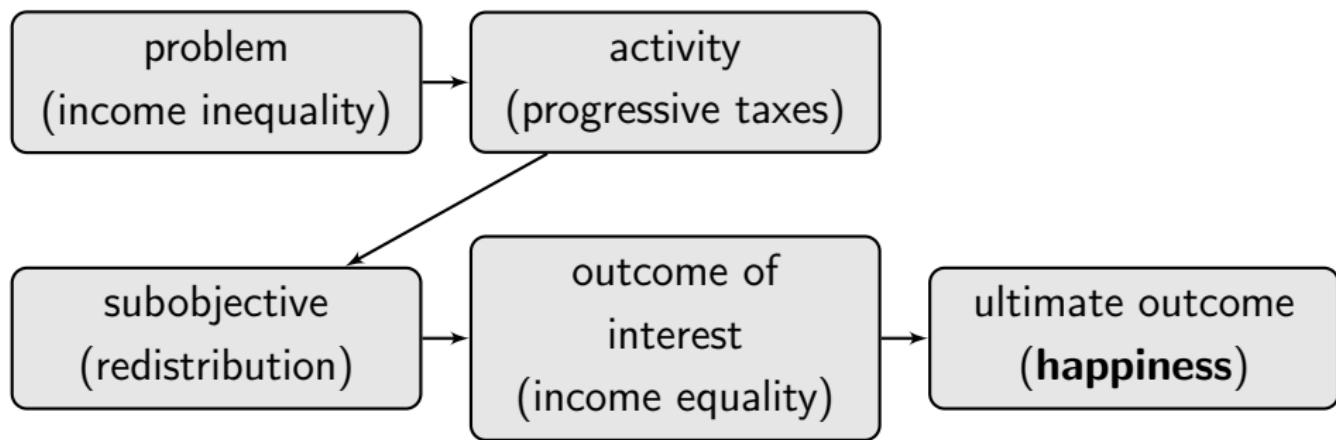


Happy ----- Average ----- Unhappy

Cartographic Unit • University of Leicester

the outcome line (Mohr, 95)

happiness research applies to public policy



social capital

- ◊ trust and social capital are key for happiness
- ◊ local governments and cities should promote it
- ◊ e.g. community initiatives, local organizations, participatory politics, etc

commute

- ◊ commute is the worst for happiness
- ◊ hence, there should be as few commutes as possible to make citizens happy
- ◊ e.g. good public transportation

unemployment and welfare (Di Tella and MacCulloch, 2006)

- ◊ H_0 : decrease unemployment benefits to decrease unemployment rate
 - [in Europe] the relatively generous level of unemployment benefits has made workers unwilling to accept the kinds of low-wage jobs that help keep unemployment comparatively low in the United States.*

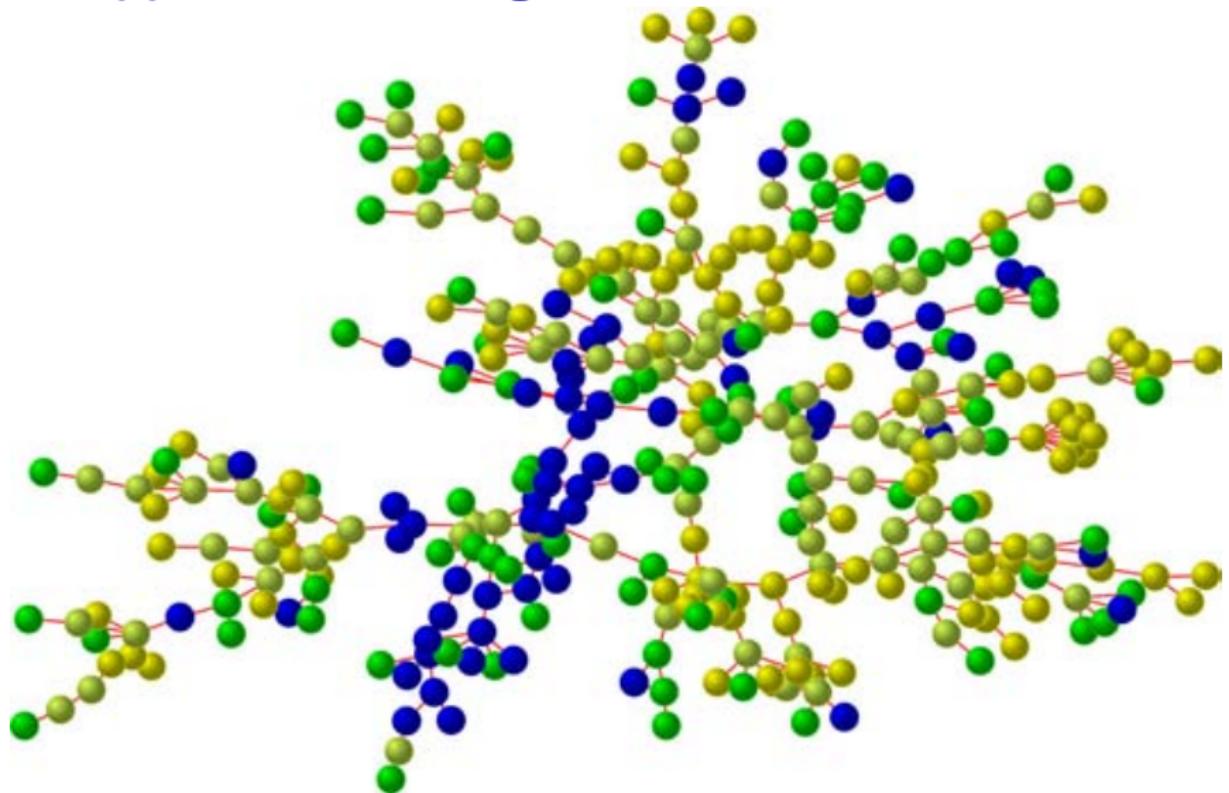
Paul Krugman cited in Di Tella and MacCulloch (2006)

- ◊ happiness gap between employed and unemployed, however, did not narrow with increases in benefits in Europe from 1975 to 1992.

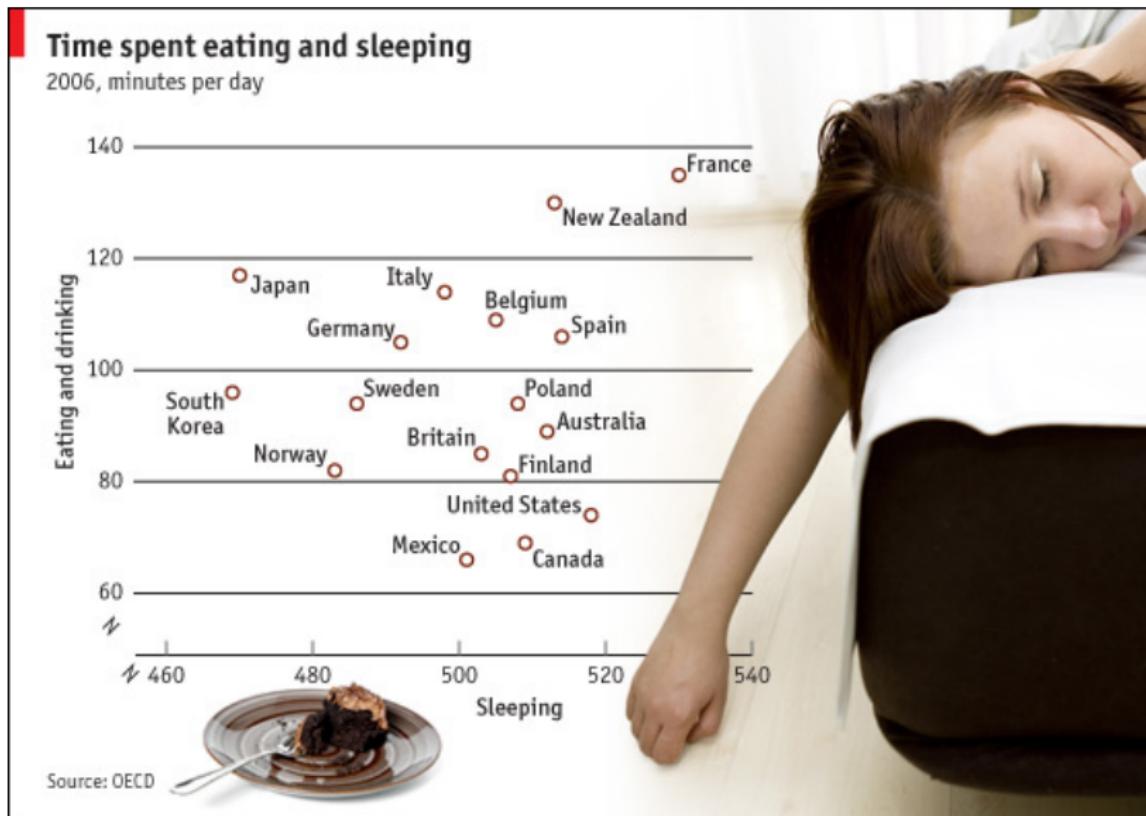
direct democracy (Frey and Stutzer, 2000)

- ◊ happiness and direct democracy (referenda) are positively related, but...
- ◊ direct democracy makes citizens happier than non-citizens
- ◊ it is not the policy outcome that matters (foreigners cannot be excluded) but the process of participating in decision-making itself

happiness is contagious (Fowler and Christakis, 2008)



Europeans Like Leisure (The Economist)



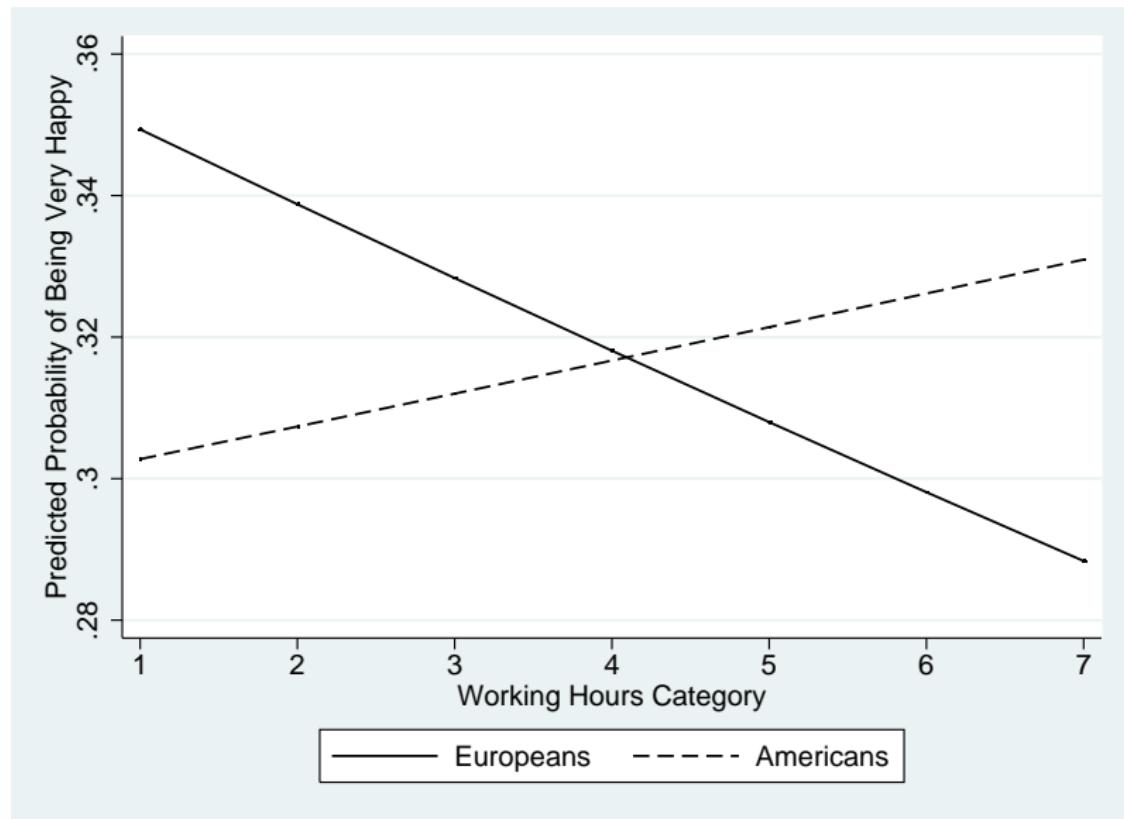
Economic

- ▶ Tax rates
- ▶ Within skill wage differences ([Michelacci and Pijoan-Mas, 07a,b](#))
- ▶ Higher Social Mobility in the US ([Alesina et al., 2001](#))
- ▶ Unionization greater in Europe ([Wharton, 06](#))

Cultural

- ▶ Protestant ethic ([Weber et al., 2003](#))
- ▶ More protestant ethic in the US ([Ferguson, 03](#))
- ▶ Americans are concerned about status, Europeans about leisure ([Wharton, 06](#))

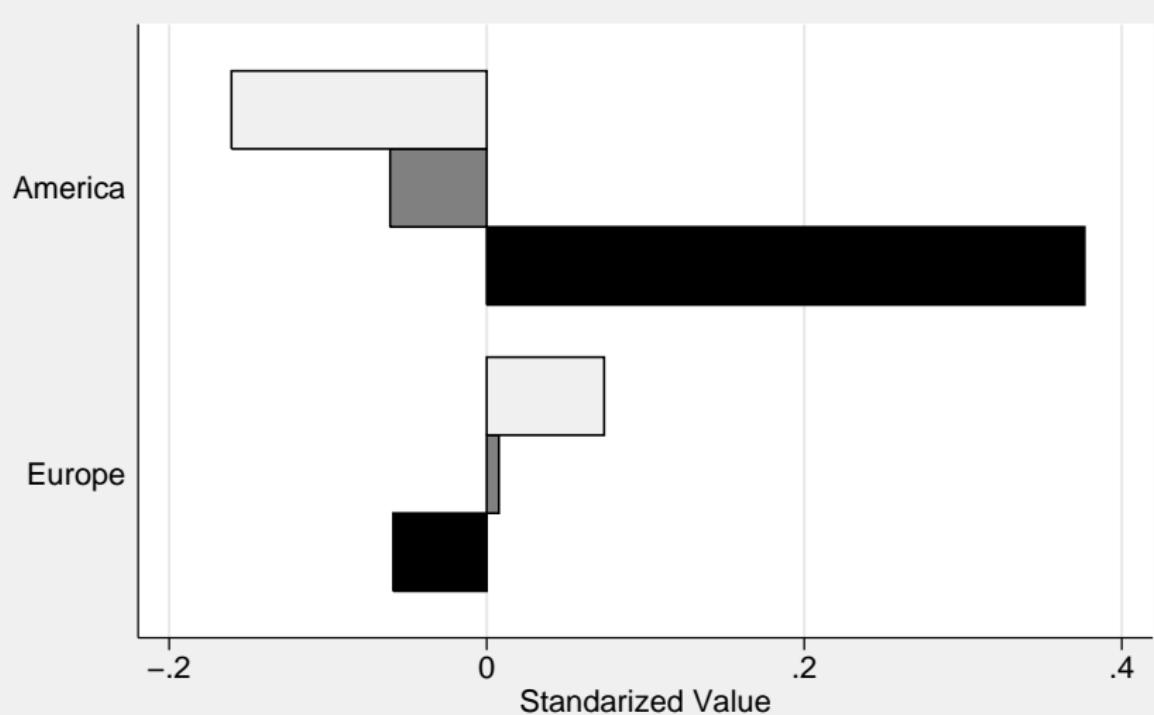
predicted probability of very happy (GSS00, EB01)



Ordered logit of happiness (OR)

| Variable | GSS96-EB96 | GSS00-EB01 | GSS02-EB01 |
|----------------------------|------------|------------|------------|
| Working Hours * Europe | 0.943* | 0.935* | 0.874*** |
| | (0.032) | (0.035) | (0.042) |
| Household Income | 1.403*** | 1.498*** | 1.507*** |
| | (0.041) | (0.041) | (0.044) |
| Working Hours | 0.964 | 1.020 | 1.091** |
| | (0.028) | (0.033) | (0.048) |
| Europe | 1.524 | 1.841* | 2.339** |
| | (0.395) | (0.575) | (0.807) |
| Married | 1.849*** | 1.629*** | 1.589*** |
| | (0.120) | (0.092) | (0.097) |
| Age | 0.922*** | 0.951*** | 0.941*** |
| | (0.014) | (0.013) | (0.013) |
| Age ² | 1.001*** | 1.000*** | 1.001*** |
| | (0.000) | (0.000) | (0.000) |
| Region and Country Dummies | Yes | Yes | Yes |
| N | 6746 | 6770 | 5956 |

work in the US and Europe



Limitations: Causality ? Endogeneity ?

- ▶ JOLE: labor supply is endogenous: people choose how many hours to work based on how happy it makes them
- ▶ ideas ? instruments? future research...

- ALESINA, A. AND E. L. FERRARA (2000): "Participation in Heterogeneous Communities 1," .
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