Subjective Well-Being, Economics, And Policy

Ed Diener
U. Of Chicago, 2009
Subjective Well-being
-- “Happiness”

- Life satisfaction
- Trust
- Positive emotions
- Low negative emotions
- Satisfaction with income, work, etc.
Some Readings

- *Happiness: Unlocking the Mysteries of Psychological Wealth* by Ed Diener and Robert Biswas-Diener
- *Well-Being for Public Policy* by Ed Diener, Richard Lucas, Ulrich Schimmack, and John Helliwell
International Differences in Well-Being

(Oxford U Press, 2009)

Editors:
Ed Diener, Daniel Kahneman, John Helliwell
Two Things Economists Should Know About Well-Being:

1. Well-being assists economic prosperity

2. Types of well-being differentially map to economic prosperity
   
   Easterlin confirmed, disconfirmed
1. Well-Being Facilitates Economic Prosperity

1. Social relationships
2. Societal benefits
3. Work and income
4. Health & longevity
College Entry Cheerfulness, and Income 19 years later

Diener, Nickerson, Lucas, & Sandvik (2002)

Mean

Not Cheerful
Most Cheerful
Health & Longevity
The Nun Study

Dr. Snowdon with Sisters Agnes and Gertrude
Psychologists

Happy live about 5 years longer

(Sarah Pressman)
• It is a reasonable idea, with some supportive indirect evidence, that subjective well-being might facilitate, along with other factors, economic development.

• And ill-being (e.g., depression and anger) might ceteris paribus interfere with it.
2. Types of Subjective Well-Being
-- “Utility”

Life satisfaction

On-line feelings
  – Enjoyment versus depression and anger
Gallup World Poll

145 nations

10: Best Possible Life
9
8
7
6
5
4
3
2
1
0: Worst Possible Life
International Differences in Life Satisfaction Scores

World Countries & “Ladder” Scores

- 3 to 5
- 5 to 6
- 6 to 8
- No data
Triple-Crown Winners

- Canada, Australia
- Scandinavia
Trifecta Losers

Algeria, Angola
Iraq, Palestine, Yemen
Predictors of forms of “Utility”:

<table>
<thead>
<tr>
<th>Life Satisfaction</th>
<th>Positive Engagement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>Social support</td>
</tr>
<tr>
<td>Conveniences</td>
<td>Safety</td>
</tr>
<tr>
<td>Basic needs</td>
<td>Public trust</td>
</tr>
</tbody>
</table>
## Correlations of Income and Well-Being

<table>
<thead>
<tr>
<th></th>
<th>Nation Level</th>
<th>Individual Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life satisfaction</td>
<td>.82</td>
<td>.42</td>
</tr>
<tr>
<td>--Easterlin disconfirmed, including income change</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Positive affect</td>
<td>.36</td>
<td>.15</td>
</tr>
<tr>
<td>--Easterlin not rejected, including income change</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Is “Happiness” having what you want or liking what you have:

Wanting Vs. Liking

Satisfaction – having the things we want

Positive Engagement – enjoying what we have
Utility

- Revealed preferences
- Desires fulfilled
- Liking experience
Conclusions

• Subjective well-being is likely both an effect AND CAUSE of economic prosperity

• Judgments of life more dependent on income than is enjoying one’s life
Thank you
Influences on Subjective Well-Being (Happiness)

- Material sufficiency (income)
- Personality
- Social support
- Etc.
Work Success and High SWB

A. Higher supervisor ratings

B. Organizational citizenship

C. Higher income
Longevity in The Nun Study

<table>
<thead>
<tr>
<th>Survival Rate at Age:</th>
<th>85</th>
<th>93</th>
</tr>
</thead>
<tbody>
<tr>
<td>Most Cheerful Quartile</td>
<td>79%</td>
<td>52%</td>
</tr>
<tr>
<td>Least Cheerful</td>
<td>54%</td>
<td>18%</td>
</tr>
</tbody>
</table>

Danner, Snowdon, & Friesen
Why happy are healthier?

• Stronger immune systems
• Better cardiovascular health
• Health behaviors (e.g., seatbelts)
• Fewer lifestyle diseases (e.g. alcoholism)
• Younger genes (telomeres)
## Life Evaluation Ladder

**Ideal to Worst (10 to 0)**

<table>
<thead>
<tr>
<th>Country</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denmark</td>
<td>8.0</td>
</tr>
<tr>
<td>Finland</td>
<td>7.7</td>
</tr>
<tr>
<td>Switzerland</td>
<td>7.5</td>
</tr>
<tr>
<td>Netherlands</td>
<td>7.5</td>
</tr>
<tr>
<td>Togo</td>
<td>3.2</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>3.6</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>3.8</td>
</tr>
<tr>
<td>West Bank/Gaza</td>
<td>4.7</td>
</tr>
</tbody>
</table>
Well-Being and Public Policy

- Environment
- Health
- Social Context
- Work and Income
Beyond Econ Indicators

Predicting beyond log GDP/capita of nations:

Corruption
Tolerance
Public trust
Nations with Similar Incomes
-- But discrepant well-being

S. Korea (low) vs. New Zealand (high) 20K

Russia (low) vs. Costa Rica (high) 10K
Societal Benefits

• Volunteering
• Trust
• Cooperative attitudes
  “Social capital”
94% of Danes are Above

97% of Togolese

Percent of Respondents

Ladder of Life Scores