

Stefano Bartolini
University of Siena

Sociability predicts happiness in nations: Evidence from macro and micro data

Abstract

In recent years, animated interdisciplinary discussion has been fuelled by the evidence that, in the long-term, people's subjective well-being is not significantly influenced by increases in their income. Other factors, as the quality of intimate and social relationships that individuals experience, have a greater influence on their well-being. I summarize the evidence, from micro and macro data in several developed and developing countries, showing that the evolution over time of sociability is a major predictor of the trends of subjective well-being.

Introduction

An intense debate involving all branches of social science – labeled as the debate on happiness – has been fueled in the recent past by the abundance of data concerning the well-being perceived by individuals, called subjective well-being. This data indicate that in many countries in the 2nd post-World War Western world, the satisfaction felt by individuals regarding their life has not shown significant improvements.

This evidence brought on the belief that the main pattern of subjective well-being over the long run is a substantial stability. It was held that the average subjective well-being in a country fluctuates in the short-term around a long-term fixed level.

The prevailing explanations for this stylized fact have focused on the roles of adaptation and social comparisons. The theory of adaptation assumes that changes in the living conditions of individuals (for example in their economic condition) have a transitory effect on their well-being. Neither rising prosperity nor severe misfortune permanently affects happiness. Over the long run people tend to revert to their baseline level of well-being. The same holds true for nations.

Social comparison theory holds that what matters for the average individual is his/her relative position with regards to a select group of people he/she respects and to whom he/she wants to resemble. These people, called reference groups, determine that to which the average individual aspires. In a given country, the relative gains and losses of different individuals cancel each other out resulting in no significant shifts, neither upward nor downward, in the well-being of a society as a whole.

The strong version of these theories concludes that the international differences in subjective levels of well-being must be ascribed to fixed cultural differences in the meaning of happiness. Low-ranking countries have always been low and will remain so.

Adaptation and social comparisons are consolidated theories that have accumulated compelling cross-sectional evidence. This theories have depressive implications with regards to the prospects for progress of our species. No improvement in our living conditions can permanently increase our well-being. At best we can be consoled by the fact that no severe individual or social misfortune can depress us permanently.

Recently the picture of the time evolution of well-being has changed. Thanks to an ever growing availability of data accumulated over time, it has become apparent that well-being varies over the long term and that it does so differently from country to country

(Stevenson and Wolfers 2008, Inglehart 2009). Well-being has increased in some countries and decreased in others. With regards, for example, to developed countries, well-being has increased in several Western European countries but decreased in the United States.

The theories employed up to now to explain the stability of well-being cannot easily explain this evidence. They can accept that adaptation and social comparisons are not complete and that they do not completely offset the effect of economic growth. They do not suggest, however, any cross-country difference in the trends of well-being. If the tendency to adapt one's self to changing circumstances or to compare one's self to others is a distinctive trait of human nature, then the trends of well-being in different countries cannot exhibit opposite signs.

So what actually does determine the long-term changes in well-being in the various countries? First of all, we know much regarding what does not determine them: changes in income. This evidence – known as the paradox of Easterlin – has been subjected to intense scientific and media attention and has come recently to be at the center of a passionate debate.

The existence of the paradox has been challenged by Stevenson and Wolfers (2008) who maintain that there is a positive and significant correlation between subjective well-being and income. On the other hand, Easterlin and Angelescu (2009) replied by showing that Stevenson and Wolfers fail to distinguish between the short and long-term relationship between subjective well-being and income. Subjective well-being and income are related in the short-term but unrelated in the long run. The results of Stevenson and Wolfers (2009) depend on a small sample of countries in transition with short time series. If these are excluded from the sample – thus limiting the analysis to the long-term – the paradox of Easterlin retains all its robustness.

We know, therefore, that income does not determine the international differences in the trends of well-being. So what does shape them? The question has a profound relevance in identifying those objectives on which to focus our efforts for increasing well-being. Indeed, we have built an entire economic, social and cultural order aimed at fostering economic growth, in the conviction that it would be the most credible path available to human societies for improving the human condition. But studies tell us that we have erred. We cannot expect growth to offer significant improvements in the perception that individuals have of their condition. Where else should we then focus our attention?

Research has recently identified an answer to this question: the sociability of individuals. As a matter of fact, the quality of the relational experience that people experience has a predominant impact on their well-being (Helliwell and Putnam (2004), Helliwell (2006), Bruni and Stanca (2008), Becchetti, Pelloni, Rossetti (2008)). The sociability of people is usually labeled in social sciences “social capital”. In the following pages I summarize the evidence that social capital is a major predictor of well-being over the long run.

Macro data: World-wide evidence

Bartolini, Bilancini and Sarracino (2009a) have brought forth world-wide evidence that changes in social capital largely predict long-term subjective well-being in nations. This is an impressive result because it utilizes the same bivariate methodology used to study the relationship between subjective well-being and income over time. Thus the same methodology that has drawn us to the conclusion that subjective well-being is unrelated to income in the long run documents also that well-being is strongly related to social capital over the long-term in developed countries and developing countries. This paper employs time series obtained from the World Values Survey encompassing the period between 1981 and 2007. The analysis employs a “classic” measure of social capital - individual

membership in groups or associations - that captures participation in social networks and civic engagement.

Micro data: The decline in social capital depressed the happiness of Americans

Let us now see if the micro data can give us a more detailed picture of what determines the changes in well-being over time. Bartolini, Bilancini and Pugno (2008) analyze the American case, which is particularly interesting, because happiness in the United States has decreased in the last 30 years despite a substantial increase in per capita income (see also Bartolini and Bonatti 2008). The study, which employs data drawn from the General Social Survey for the period 1975-2004, indicates that this decline is almost entirely explained by four forces that act in contrasting directions. The first is the increase in per capita income, which has a positive influence on happiness.

The other three affect happiness in the opposite direction. The first force that tends to reduce the happiness of the average American individual is the increase in income of other fellow Americans. The reason is social comparisons, which destroy approximately 2/3 of the positive impact that the increase in one's family income has on the average American.

Secondly, the reduction in relational goods has had a negative impact on happiness, quantitatively similar to that of social comparisons. Relational goods are a component of social capital which notoriously declined in the US in the last decades (Putnam 2000). Relational goods refer to the quality and quantity of intimate and social relationships experienced by individuals. The various indicators point to an increase in solitude, in communication difficulties, in fear, in the sense of isolation, in distrust, in the instability of families, in the generational fractures and to a decrease in civic engagement, in participation in social networks, in solidarity and honesty.

The third negative influence on happiness stems instead from the decreasing trust in institutions, a further component of social capital. The trust of American citizens in their main institutions, government, Congress, banks, corporations, unions, press, television, churches, schools, science, medicine, has lessened. The sole exception concerns trust in the Armed Forces, which has grown. Americans increasingly mistrust their institutions and this seems to produce a sense of insecurity that depresses their happiness.

The final balance of these four forces is negative. The actual observed variation in American happiness in the thirty years under consideration is predicted almost entirely by the fact that the three negative impacts on happiness have more than compensated the positive impact of the increase in income. In other words, while the income of the average American increased, the same was true for those persons to whom s/he compare her(him)self, her/his relationships worsened and her/his trust in the institutional milieu declined. These latter three influences have had a negative overall impact on happiness that has exceeded the positive impact due to the increase in income. These results predict almost all the variation in American happiness, in the sense that the unpredicted residual is small enough to allow a limited role to other predictors of the decline in happiness.

The impact of relational goods on happiness is extensive. If relational quality had remained at the levels of 1975, the happiness of Americans would have increased. Consequently a large part of the explanation of the growing unhappiness of US citizens lies in the fact that they have become richer in consumer goods and poorer in relations.

The American economy would have had to grow at a much higher rate than the one - though sustained - actually observed in the last thirty years, in order to off-set the happiness loss due to the increase in relational poverty. The growth rate in family income required to compensate the loss of happiness due to the decline in relations would have had to be more than 10%. It is important to note that we are speaking of the growth required to keep happiness unchanged at its 1975 levels and not of that to make it

increase. Not even 30 years of economic growth at Chinese rates could have increased American happiness in the presence of a worsening in relations such as that which occurred.

The predictive power of social capital is confirmed by the analysis of micro data from Germany, obtained from the German Socio-Economic Panel (Bartolini, Bilancini and Sarracino 2009b). This paper is important because the use of panel data allows us to account for individual fixed effects and adaptation. These types of controls are instead not possible on the American data from the General Social Survey, which is not panel data. The trend of subjective well-being in Germany in the past 15 years is almost entirely predicted by four forces: the changes in income and social capital, adaptation and social comparisons.

International differences in trends of social capital and happiness: Europe vs. US

The trend in subjective well-being in rich countries does not generally follow the American pattern. Western European countries have generally experienced growing or stable subjective well-being in the last decades (Stevenson and Wolfers 2008). In what measure can these differences be ascribed to differences in the trends of social capital? A study by Sarracino (2008) tackles this topic by using macro data obtained from the World Values Survey for the period 1981-2000. Sarracino estimates the trend of social capital in 11 European countries and finds that it has generally grown in Europe. The sign of its variation over time is concordant with the sign of the variation in happiness in 10 countries. We are dealing with evidence that is far from conclusive, since it is based solely on descriptive statistics, but the results of this analysis are compatible with the hypothesis that the differences in the trend of social capital play a major role in determining the differences in the trend of happiness between Western Europe and the United States.

Conclusion

The contributions summarized herein confirm the results obtained previously regarding the importance of adaptation and social comparisons. Moreover, they document that social capital is very important for well-being and above all that the trends of the former largely predict the international differences in the evolution over the long run of the latter.

What message should we draw from these results? Economic prosperity is not without influence with respect to well-being, but it is far away from bearing the expected results for well-being. A large part of the positive effects on well-being due to economic growth are frustrated by adaptation and social comparisons. Moreover both cross-country and among individuals comparisons show that the positive impact of income on well-being is strongly decreasing as income grows. In short, income is important for poor people and nations, much less so for wealthy ones. In all cases sociability is extremely relevant. Thus the message is: economic prosperity works in favor of well-being if it has not been obtained at the price of the destruction of sociability. What is important is not so much economic development as its social quality.

In conclusion, it is implausible to expect that economic growth in rich countries will result in a substantial increase in well-being. Developed countries - currently focused on growth - should reorient their efforts aimed at increasing well-being towards some other priority. This priority is sociability. On the other hand, developing countries can expect much more in terms of well-being from economic growth compared to developed ones, but only if this growth is obtained with a great attention to the containment of its social costs. There is a large space for policies aimed at increasing sociability. Namely urban, educational, work, health system, media policies (Bartolini 2010).

References

Bartolini Stefano, “Manifesto per la felicità: Come passare dalla società del ben-avere a quella del ben-essere”, forthcoming, Baldini, Castoldi, Dalai, Milano 2010

Bartolini Stefano, Ennio Bilancini and Maurizio Pugno, “Did the Decline in Social Capital Depress Americans’ Happiness?”, Quaderni del Dipartimento di Economia Politica, Università degli Studi di Siena, N. 540, 2008

Bartolini Stefano, Ennio Bilancini and Francesco Sarracino, “Are happiness and Social Capital Related in The Long Run? Some World-Wide Evidence”, presented at the Symposium on Does Economic Growth Improve the Human Lot? Reassessing the Easterlin Paradox, IX ISQOLS Conference, July 19-23, Florence, 2009a

Bartolini Stefano, Ennio Bilancini, Francesco Sarracino, “Predicting the Life Satisfaction of Germans: The Role of Sociability, Comparisons and Adaptation”, Mimeo, University of Siena, 2009b

Bartolini Stefano and Bonatti Luigi, “Endogenous growth, decline in social capital and expansion of market activities”, (con L. Bonatti), *Journal of Economic Behavior and Organization*, 67 (3), p.917-926, 2008

Becchetti L., Pelloni A., Rossetti F., “Relational Goods, Sociability and Happiness”, *Kyklos*, 61 (3), 343–63, 2008

Bruni, Luigino and Stanca, Luca, "Watching alone. Happiness, Relational goods and television", *Journal of Economic Behaviour and Organization*, Volume 65, Issues 3-4: 506-528, 2008

Gui B. and R. Sugden., *Economics and Social Interaction*, Cambridge University Press, Cambridge, 2005

Helliwell, John F. and R.D. Putnam, “The social context of well-being” *Philosophical Transactions*, Volume 359, Number 1449, pp. 1435-46. Reprinted in F.A. Huppert, B. Kaverne and N. Baylis, eds., *The Science of Well-Being*. London: Oxford University Press, 2004

Helliwell, John F., “Well-Being, Social Capital and Public Policy: What's New?” *The Economic Journal* 116 (510), C34–C45, 2006

Inglehart Ronald F., “Faith and Freedom: Traditional and Modern Ways to Happiness”, Mimeo, University of Michigan, 2009.

Putnam, R.D., *Bowling Alone. The Collapse and Revival of American Community*. Simon & Schuster: NY, 2000.

Sarracino Francesco, Social capital and subjective well-being trends: comparing 11 European countries, forthcoming on *Journal of Socio-Economics*, 2009

Stevenson, Betsey and Justin Wolfers , “Economic Growth and Happiness: Reassessing the Easterlin Paradox”. *Brookings Papers on Economic Activity*, 2008