



Scientific Report on the European Science
Foundation Exploratory Workshop

Income, Interactions and Subjective Well-Being

Convened by Andrew Clark and Claudia Senik

25th-26th September 2003

DELTA (Fédération Paris-Jourdan)
48 Boulevard Jourdan
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Executive Summary

This Workshop brought together an interdisciplinary group of researchers from seven different countries to present summaries of recent research in the area of subjective measures of well-being, their relation to income, and interactions between individuals.

The workshop had a number of key aims. One was to bring together a disparate group of researchers who did not necessarily know each other personally. Another was to have an open meeting, allowing some areas of recent research to be disseminated to a wide audience.

The analysis of subjective well-being and interactions is firmly interdisciplinary. As such, we invited sociologists, political scientists and epidemiologists. While most papers were empirical, approaches used both field and experimental data. One lesson was that different disciplines and different approaches are complements rather than substitutes. We were pleasantly surprised by the ease with which attendees intermingled, and the almost unflinching courtesy of interdisciplinary questioning.

Concretely, the conference consisted of two days of fairly intense interaction, both scientific and social. Sixteen papers of 45 minutes each were presented over the two days. Half of these covered income, well-being and interactions; others concerned the household, applications and methodology. We finished with two papers on government policy in the field of subjective well-being. All sessions were chaired, and each paper was assigned a discussant.

We decided to make the workshop open, and questions were taken from the floor. We encouraged interaction between younger researchers and invitees, by inviting a selection of the former to join us at lunch on both days. Coffee breaks and the drinks reception were open to all-comers. The audience ranged from a low in the thirties to over sixty people. As such, the conference served an important proselytising function. With respect to the latter, we most

often chose discussants who had some knowledge of the broad area or of the methodology used, but had not worked in the area of subjective well-being. Last, the conference served as an important focal point for the researchers in the six different research centres that make up the Fédération Jourdan.

One question which we asked ourselves before convening this meeting was whether there was enough bedrock support to set up a research network. The answer to this question is undoubtedly yes, and we

The workshop allowed both initial contact between many of the participants, and a deepening of contacts between others. In spite of the recent expansion of empirical research using subjective data across different fields in Social Science, there is no established institution or academic conference which would enable researchers in this field to meet and exchange their research findings. The opportunity for network building that the workshop produced was both obvious and appealing to most participants. It is thus likely that the workshop could lead to a longer term, more structured collaboration network.

Scientific Content of the Event

This workshop has its roots in the analysis of individual subjective data, such as life satisfaction scores, in order to assess the links between various economic and social variables and individual well-being. In Economics, this type of research first came to the fore in the work of the Leyden school, starting in the early 1970's. The increased availability of large-scale datasets, and reduced reluctance by economists to analyse subjective measures, have contributed to renewed interest in the field in recent years. At the same time, there is a long tradition in Sociology and Psychology of the empirical analysis of measures of subjective well-being.

This new wave of research in Economics has distinguished itself from its antecedents in at least two ways. First, it has been able to draw on panel datasets (which include subjective information, such as self-reported satisfaction levels), in which the same individuals are interviewed many times over a period of years. The availability of panel data is extremely important in the analysis of subjective information. First, differences in the way individuals interpret subjective questions (which economists call *unobserved individual heterogeneity*), make it potentially hazardous to compare satisfaction scores between different individuals, whereas it makes more sense to compare the **changes** in satisfaction scores between individuals, relating these to changes in other observable variables. In addition, panel data enables us to make use of the uni-directional arrow of time to answer questions such as: Are individuals who are less satisfied at work more likely to later quit their jobs?; and Are happier individuals more likely to marry in the future? (The answer to both questions is Yes). Such analyses provide robust evidence of the predictive power of subjective data.

The second specificity of the new body of research is its willingness to confront policy questions. Without providing an exhaustive list, recent research has used subjective data to analyse:

- Political preferences, and the demand for redistribution (Alesina, di Tella, and MacCulloch, 2000, Corneo and Grüner 2000, 2001, Corneo 2000, Ravallion and Lokshin 2000).

- The relative importance of inflation and unemployment in social welfare (Di Tella, MacCulloch and Oswald, 2001)
- Policy with respect to unemployment (Clark, 2003)
- The nuisance value of aircraft noise by examining life satisfaction scores as a function of distance from aeroplanes' flight paths (Van Praag and Baarsma, 2000).
- The dollar cost of different health problems (Ferrer-i-Carbonell and Van Praag, 2002).

The primary scientific purpose of the workshop was to enrich our knowledge of individual well-being or utility, departing from the usual revealed preferences method and appealing directly to the statistical analysis of measures of self-reported well-being, or to experimental techniques. The workshop considered the broad questions of individual well-being and income on the one hand, and possible interactions between individuals' behaviour on the other hand. A number of papers dealt with both at once.

A longer-term goal was to initiate more formal contact across countries and across disciplines of those working on related topics. In spite of the recent expansion of empirical research using subjective data across different fields in Social Science, there is no institution or academic conference which enables researchers in this field to meet and exchange their research findings. This is regrettable as there seems to be large scope for positive externalities from such interaction, in particular concerning data collection and comparative analysis. In addition, the workshop's topic is one of the relatively few genuinely interdisciplinary areas in Social Science, attracting Economists, Psychologists, Sociologists and Statisticians.

One area in which such interactions may be particularly fruitful is the statistical analysis of the data that is now available concerning various Eastern European countries. A number of papers have looked at individual countries (Ravallion and Loshkin, 2001, for Russia; Lelkes, 2002, for Hungary, Senik, 2003, on Russia), but to date there has been no multi-country research using comparable survey data. This would be an important step to take. In this perspective, we had invited a number of researchers who work with such data (Senik, Schyns, Rose, Van Praag, Ravallion). This created a relatively unique opportunity for people dealing

with such issues to meet and discuss the opportunities for comparative research. *De facto*, research projects in comparative studies were initiated at the workshop (e.g. Clark and Lelkes on religion, using British and Hungarian data).

Organisation of the workshop

All papers were invited by a Scientific Committee consisting of Andrew Clark (DELTA), Dick Easterlin (University of Southern California), Andrew Oswald (University of Warwick), Claudia Senik (University of Paris IV and DELTA), and Bernard van Praag (University of Amsterdam). Over two days, sixteen papers were presented in plenary sessions. Each paper was allotted 45 minutes.

There were eight different sessions, two in the morning and two in the afternoon. Half of these covered income, well-being and interactions with others. The four others concerned the household, applications, methodology, and government policy. All sessions were chaired, and each paper was assigned a discussant. We decided to make the workshop open, and questions were taken from the floor after the discussant's comments.

We were particularly aware that open conferences can remain effectively closed, especially for younger researchers, if there is no opportunity to talk with the more senior invitees. Although some conference events were indeed closed (the restaurant dinner on Friday night), we invited a selection of attendees to join us at lunch on both days. A reasonable amount of intermingling was obtained at coffee breaks, and at the drinks reception which was open to all on the Thursday evening.

Assessment of the results

The conference went off without major technical hiccups. The only disappointment was that Arie Kapteyn was not able to attend, for administrative reasons, leaving us with fifteen presentations instead of sixteen. Taking account of Arie Kapteyn's absence, we had twenty one official invitees (note that the participants list at the end of this document includes local chairs and discussants).

Network building

It is no exaggeration to say that most of the participants had met personally less than half of the other attendees, despite likely knowing each other's papers. Hence, we think that one of the achievements of the workshop was to allow initial contact between many of the participants, this bilateral contact being a pre-condition for the launching of collaborative research projects.

The workshop has also established contacts between institutions: the well-established school of Leyden in Holland, represented at the workshop by Van Praag, Ferrer-i-Carbonell, Frijters, etc., and researchers from other parts of Europe, in particular Zurich, and from the United States (Easterlin, Ravallion, etc.). This was one of the main objectives of the workshop, as we regretted that in spite of the recent expansion of empirical research using subjective data across different fields in Social Science, there is no established institution or academic conference which would enable researchers in this field to meet and exchange their research findings. We believe that the time is ripe to help create the intellectual and institutional infrastructure allowing such interactions to take place. With hindsight, we have the impression that this opportunity for network building was obvious and appealing to all participants. It appeared that the workshop could naturally lead to a longer term, more structured collaboration network, possibly supported by the ESF "Scientific Network Programme".

Dissemination

A particular mention should be made of the use of the workshop for younger researchers. In addition to the younger Lecturers on the participant list, we also invited a dozen PhD students and young Lecturers in the Paris area who are working on closely-related topics to attend the research presentations. Hence the workshop was useful in terms of dissemination of the methods and topics specific to the field of research. The workshop was open to anyone interested, which proved to be a good idea, as attested by the number of attendees which went from a low of just over thirty (Friday afternoon) to over sixty (the first day).

Discussants were not necessarily chosen from invitees, or even from people who had worked on the specific area. Of the fifteen, eleven had no link with the conference. Five of these eleven were from the site of the Fédération Jourdan and six were external. As such, we tried to make this at least partly a non-sectarian meeting. If the analysis of subjective data and social interactions is interesting and useful, it should be able to convince in its own right, as well as in front of an audience of the converted. Hence, one of the attainments of the workshop was to promote some vulgarisation of the field.

We would also like to mention that the workshop turned out to be an occasion of fairly intense interaction on the Jourdan campus, whose research centres (DELTA, CEPREMAP, CERAS, LEA-INRA, LSS-ENS) include many people involved in labour market issues and public economics, hence whose interests were naturally in the topics addressed during the workshop. This phenomenon was attested by the size of the local audience.

References

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European Science Foundation Exploratory Workshop

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Final Programme

25th September 2003

Coffee **8:45-9:15**

Welcoming Address **9:15-9:45**

Andrew Clark and Claudia Senik (DELTA)

Michal Illner (ESF Representative)

Income Distribution and Well-Being **9:45-11:15**

Chair: Andrew Clark (DELTA-Fédération Jourdan)

Rafael Di Tella (Harvard Business School) and Robert MacCulloch (Princeton and LSE)

“Income, Happiness and Inequality as Measures of Welfare”

Discussant: Eric Maurin (CREST)

Christina Fong (Carnegie Mellon)

“Subjective Prospects of Mobility and Redistributive Politics”

Discussant: Ada Ferrer-i-Carbonell (University of Amsterdam)

Coffee **11:15-11:45**

Income Distribution and Well-Being-continued **11:45-12:30**

Chair: Joachim Vogel (Statistics Sweden)

Claudia Senik (University of Paris IV and DELTA- Fédération Jourdan)

“When Information Dominates Comparison”

Discussant: Ruut Veenhoven (Erasmus University)

Lunch **12:30-14:00**

Relative Income and Well-Being **14:00-16:15**

Chair: Claudia Senik (University of Paris IV and DELTA- Fédération Jourdan)

Alois Stutzer (Berkeley and University of Zurich)

“Income Aspirations, Subjective Well-Being and Labor Supply”

Discussant: Marc Gurgand (CEE and CREST)

Bernard van Praag (University of Amsterdam)

“Income Satisfaction Inequality and its Causes”

Discussant: Sylvie Lambert (INRA-LEA, Fédération Jourdan)

Martin Ravallion (World Bank)

“Rich and Powerful? Subjective Power and Welfare in Russia”

Discussant: Thomas Piketty (EHESS and CEPREMAP-Fédération Jourdan)

Coffee **16:15-16:45**

Peer Groups

16:45-18:15

Chair: Thomas Piketty (EHESS and CEPREMAP-Fédération Jourdan)

Armin Falk (University of Zurich and University of Bonn)

“Clean Evidence on Peer Pressure”

Discussant: Christophe Chamley (Boston University and DELTA-Fédération Jourdan)

Bruce Sacerdote (Dartmouth)

“How Friendships Form”

Discussant: Thierry Verdier (DELTA-Fédération Jourdan)

Drinks Reception at DELTA

18:15

26th September

The Household

9:00-10:30

Chair: Ioannis Theodossiou (University of Aberdeen)

Richard Easterlin (University of Southern California)

“Do Aspirations Adjust to the Level of Achievement?”

Discussant: Jon Haisken-DeNew (RIW-Essen)

Stephen Jenkins (ISER, University of Essex)

“Nobody to play with? The implications of leisure coordination”

Discussant: Giacomo Corneo (Osnabrueck)

Coffee

10:30-11:00

Methodology

11:00-12:30

Chair: Martin Ravallion (World Bank)

Ada Ferrer-i-Carbonell (University of Amsterdam) & Paul Frijters (University of Amsterdam and ANU)

“How important is methodology for the estimates of the determinants of happiness?”

Discussant: Alain Trognon (ENSAE)

Johannes Siegrist (University of Duesseldorf)

“Subjective well-being: new conceptual and methodological developments in health-related social sciences”

Discussant: Brigitte Dormont (THEMA, University of Paris X)

Lunch

12:30-14:00

Applications

14:00-15:30

Chair: Giacomo Corneo (University of Osnabrueck)

Arie Kapteyn (RAND)

“Saving and subjective well-being”

Discussant: Pierre Pestieau (University of Liège, CORE, and DELTA-Fédération Jourdan)

Brendan Burchell (Cambridge)

“Teleworking and participation in the community: are we becoming an 'autistic' society?”

Discussant: Pierre Cahuc (University of Paris 1 and CREST)

Coffee

15:30-16:00

Policy Implications: East and West

16:00-17:30

Chair: Thierry Verdier (DELTA-Fédération Jourdan)

Richard Rose (Strathclyde)

“Happiness, Wealth and Health: Individual Response to Post-Soviet Transformation”

Discussant: Daniel Cohen (Ecole Normale Supérieure)

David Halpern (Prime Minister’s Strategy Office - UK)

“Life Satisfaction: the state of knowledge and implications for government”

Discussant: Alain Quinet (Prime Minister’s Cabinet Office - France)

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Statistical Information on Participants

Note that the participant list above includes all chairs and discussants. The statistical profile below refers only to our twenty one official invitees.

Geography

Invitees were geographically split 50:50 anglophones and other countries. Specifically:

UK	5
USA	5
Holland	4
Germany	3
Switzerland	2
Australia	1
Sweden	1

Countries refer to current place of work, rather than nationality.

Sex

Gender equality was not attained. Only three women figured in the invitee list. That they were almost the three youngest participants leaves some hope towards a better gender balance in the future.

Age

The conference was evenly split around the age of forty. Ten participants were over forty (3 in the 40-50 age group, and 7 aged 50+), while eleven were aged under forty.