Comments on Knight and Gunatilaka’s Paper

Subjective Well-being and Social Evaluation: A Case Study of China

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Extremely Important Topic

• The paper first summarizes the empirical results based on a few recently published papers by John and his co-authors on the topic:
  • Despite rapid growth in per capita income and improvement in human development index in China, subjective well-being has barely changed, if not declined.

• Next, the paper asks: whether we should use subjective well-being for social evaluation.
Highly Influential Work

• John’s work on subjective well-being in China is trail blazing. For example, his *China Economic Review* 2009 paper is ranked the third most cited article published in the journal in the past five years (would be the first in 2013).

• Given that the paper mainly synthesizes peer-reviewed published journal papers, I won’t focus on the methodology in my discussion.

• Inspired by John’s thought-provoking paper, I will offer a new and speculative explanation to the paradox.
Prevailing Views

• Income growth itself cannot explain the decline in subjective well-being.

• Inequality has barely changed from 2002 to 2007. So we cannot attribute the declined subjective well-being to rising inequality either.

• The massive rural-to-urban migration might be a key reason: because rural people are happier than urban residents, as they move to cities, the average happiness score naturally drops.
The Role of Demographic Change

• If migrants are much less happier than those staying in villages, why do they migrate to cities in the first place?

• Demographic change may matter:
  • China’s one child policy took place in the late 1970s.
  • One consequence: rising sex ratio imbalance (five women for every six men); over 30 million excess men in the marriage market.
Coping Strategies

• With greater rewards, parents with sons have to compete very hard to help their sons find wives:
  • They tend to save more (Wei and Zhang, 2011 JPE), work harder (Wei and Zhang, 2010), and build/buy bigger and more expensive houses (Wei and Zhang, 2011).
  • They are also likely to spend more on visible goods, such as throwing extravagant banquets and extending larger gifts (Bulte, Brown and Zhang, 2011).
  • The competition imposes a negative squeeze effect on the poor (Chen and Zhang, 2011).
Marriage and Housing Markets in Rural China

- Having their son married is a top concern.
- 87% of marriages occur within the same county.
- Arranged marriages still dominate.
- Groom families are supposed to offer a (new) house, bride price to brides’ parents, and a lavish wedding banquet.

- Hopkins and Kornienko (2010) argue that greater inequality of rewards hurts most people – in particular the poor -- who are forced into greater effort.

- In Wei and Zhang (2011), we found that more than 20% of the rising housing price can be attributable to the marriage market squeeze.
When they have extra money, the poor tend to spend a larger share of their cash income on visible goods: gifts and social festivals. (Brown, Bulte, and Zhang, *Journal of Development Economics*, 2011).
Gift Record Book: Every Household Has One

Gift giving is reciprocal
Child Health Outcome

Because the poor live on the margin and they spend more on social status goods, they often have to cut back food intake. This extracts a long-term toll on child health outcome (Chen and Zhang, 2011).
Mating Competition and the Happiness Paradox

- The marriage market squeeze can explain why rural residents still want to migrate to cities despite lower degree of happiness over there: They are forced to greater effort. Otherwise no money no wives.

- It can also explain why people feel increasingly unhappier despite rising income: because they are forced to run on the ever faster treadmill but in the end, some people are doomed to fail. The number of unmarried men will increase as sex ratio imbalance worsens.
For the One-Child Generation

- When young at home, they were over protected and called “small emperors.”

- However, after growing up, they (in particular young men) are suddenly exposed to an extremely competitive real world. The transition may undermine a person’s emotion, resulting a drop in happiness.
Should We Care About Subjective Well-Being?

• Yes. A drop in happiness amid rapid economic growth must mean something undesirable. We need to figure out the underlying mechanisms.

• However, we cannot rely on subjective well-being as the sole social evaluation measure.
  • If so, migrations will be contained.
  • Religion will be the best policy intervention.
A Unique Dataset to Understand the Paradox

• We have followed 18 natural villages (more than 800 households) in Guizhou Province (the poorest in China) and conducted four-wave of census-type surveys since 2004.
• I treat these villages as my observatory: going there every year, staying and eating in farmers’ homes.
• Both objective & subjective measures.

Average 45 households