

China's Life Satisfaction 1990-2010

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Purpose

Determine trends, 1990-2010 in:

1. Mean Life Satisfaction (LS), and
2. LS differences by level of income.

Main Issue

Rapid economic growth and the transition from centrally planned to free market economy lead to increasing per capita income.

Does LS increase as a result? And is it equally shared across income groups?

China's economic growth

Δ GDP per capita: >8%/yr, 1990-2009.

Four-fold multiplication of real consumption per capita.

Ownership by urban households, ca. 2008:

Color television sets	>100%
Refrigerators, washing machines	95%
Automobiles	10%

Transition in China vs. Europe

	<u>Europe</u>	<u>China</u>
Δ GDP per capita	Collapse, recovery	Rapid growth
Urban labor market	Deterioration	Deterioration
Social safety net	Dissolution	Dissolution
Life satisfaction	Collapse, mild recovery	??

Measures of Well-being

WVS: All things considered, how satisfied are you with your life these days? Please use this card to help with your answer.

1 'Dissatisfied' 2 3 4 5 6 7 8 9 10 'Satisfied'

Also, Ladder of life (0-10 scale)

Happiness (1-5 scale)

Are subjective measures meaningful?

“Research has shown that it is possible to collect meaningful and reliable data on subjective as well as objective well-being.”

Stiglitz-Sen-Fitoussi Report, 2009

Previous studies: Mixed results

SWB declining: Brockmann et al, J. Hap. Stud. 2009.

? Kahneman and Krueger, JEP, 2006.

Constant: Kahneman and Krueger, JEP, 2006.

2 Gallup reports, 2005, 2011.

Knight and Gunatilaka, Ox.Dev.Stud, 2011.

Easterlin and Sawangfa, Diener Vol., 2010.

Rising: PEW survey, 2011.

LS data: 6 surveys, 5 organizations

World Values Survey (WVS): 1990, 95, 01, 07.

Gallup 1: 1997, 99, 04, 06.

Gallup 2: 1999, 04, 06-11.

Asiabarometer (AB): 2003, 06, 08.

PEW: 2002, 05, 07, 10.

Horizon Research (cities): 1997-2010.

(sample size: 1,000-5,000)

LS Data: Problems

Somewhat different questions and response options.

No full period annual series.

Samples: Nominally total population, but typically biased toward urban areas. However growth policy favored urban sector.

Economic Data

Urban unemployment rate,

Population Census (Knight and Xue, 2005)

CHIPS (China Household Income Project)

OECD

(problems similar to those for LS)

Output:

Penn World Table

China Economy Yearbook, Vol. 5

Preview of results

Trend in mean LS:

U-shaped.

Over whole period, constant or declining.

Fig. 1. Mean Life Satisfaction, Six Series, 1990-2010

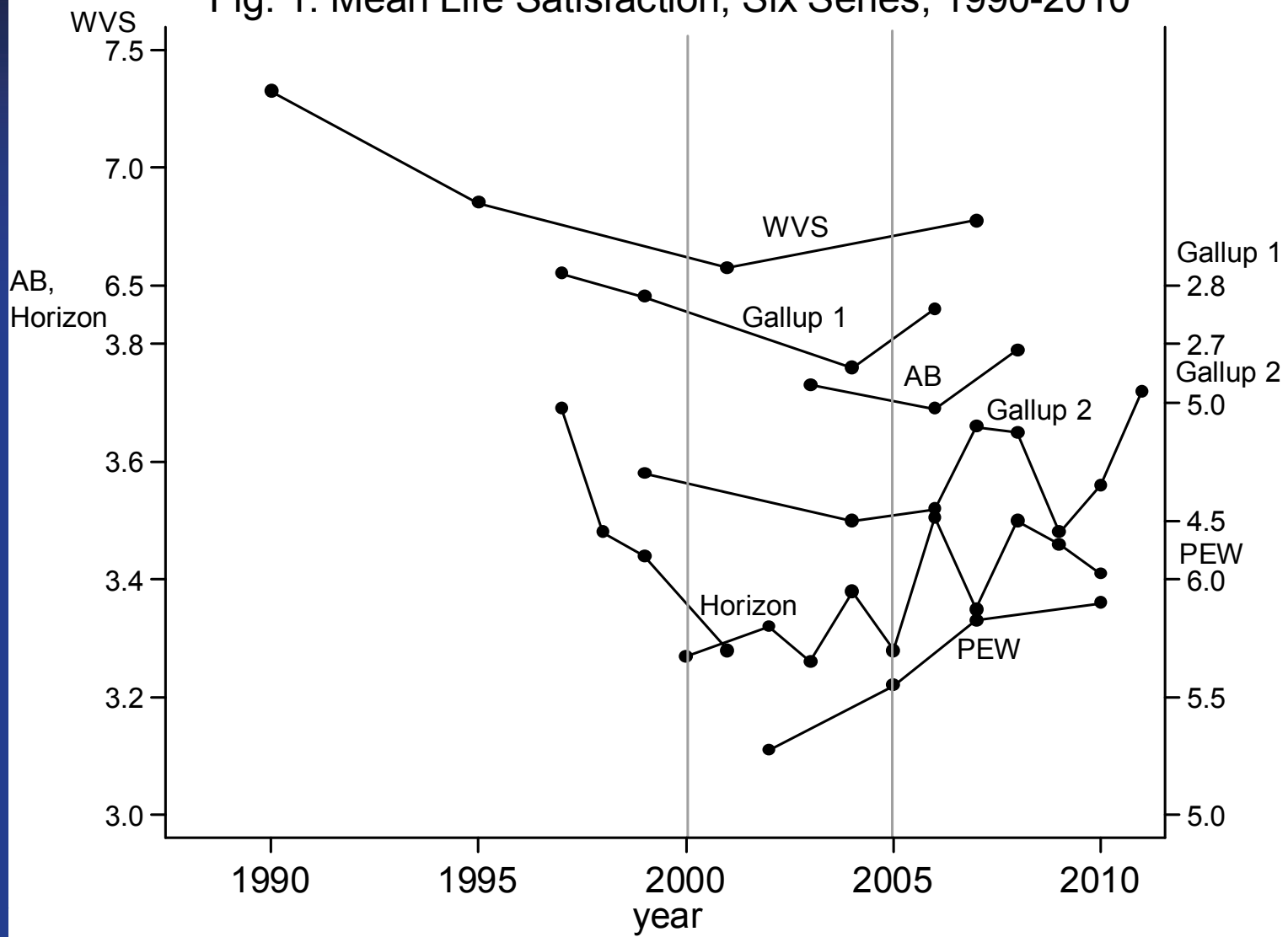


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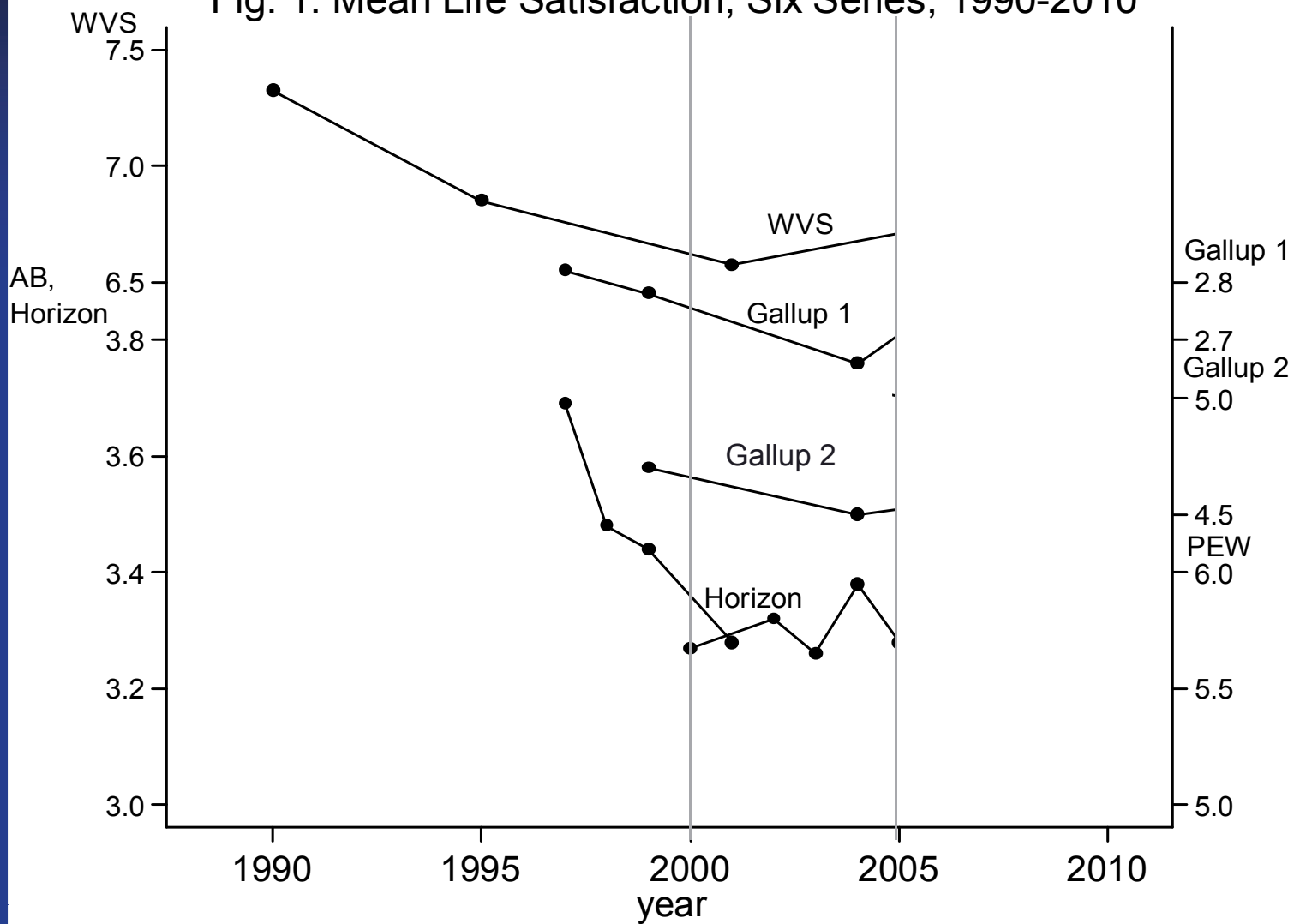


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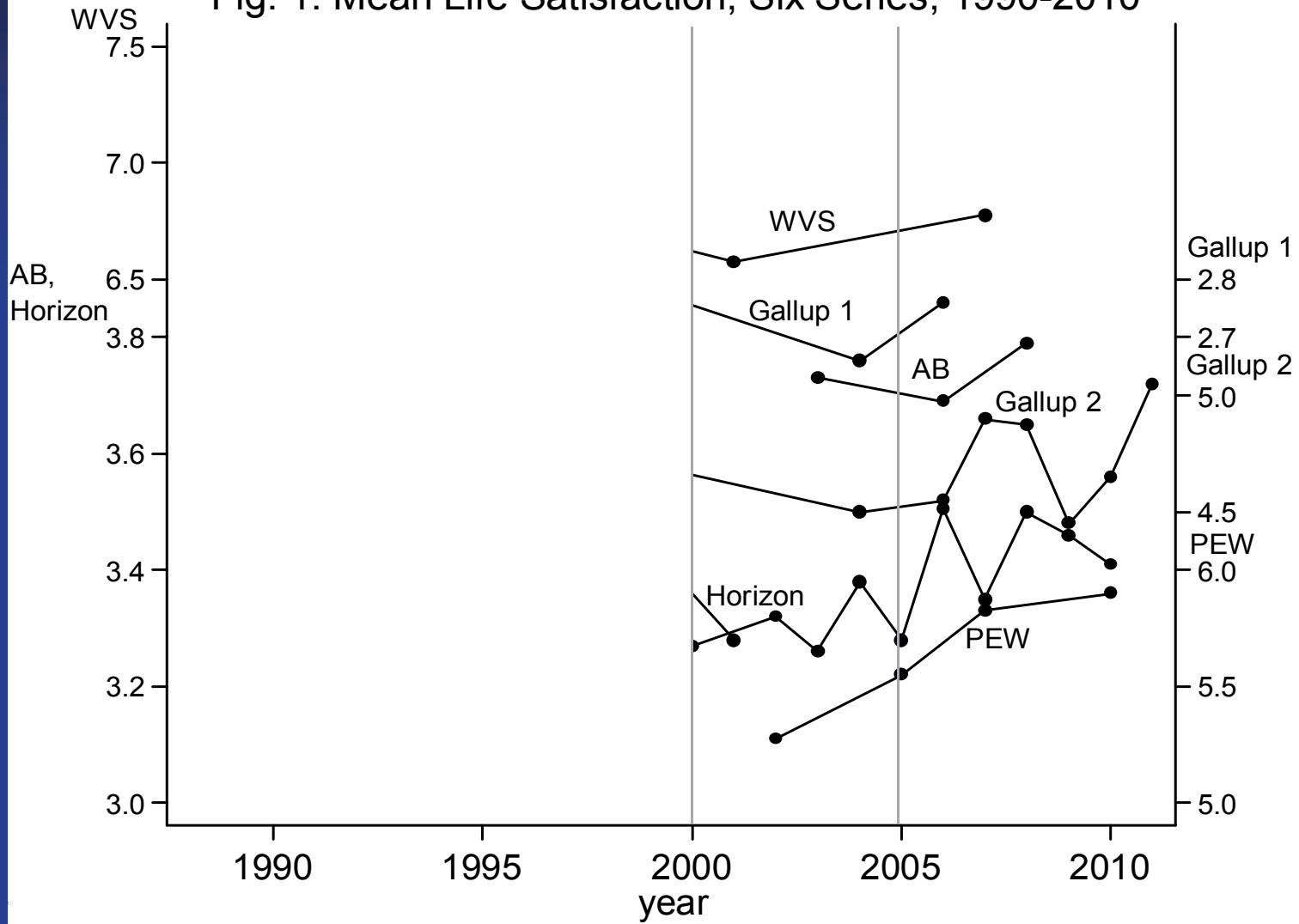
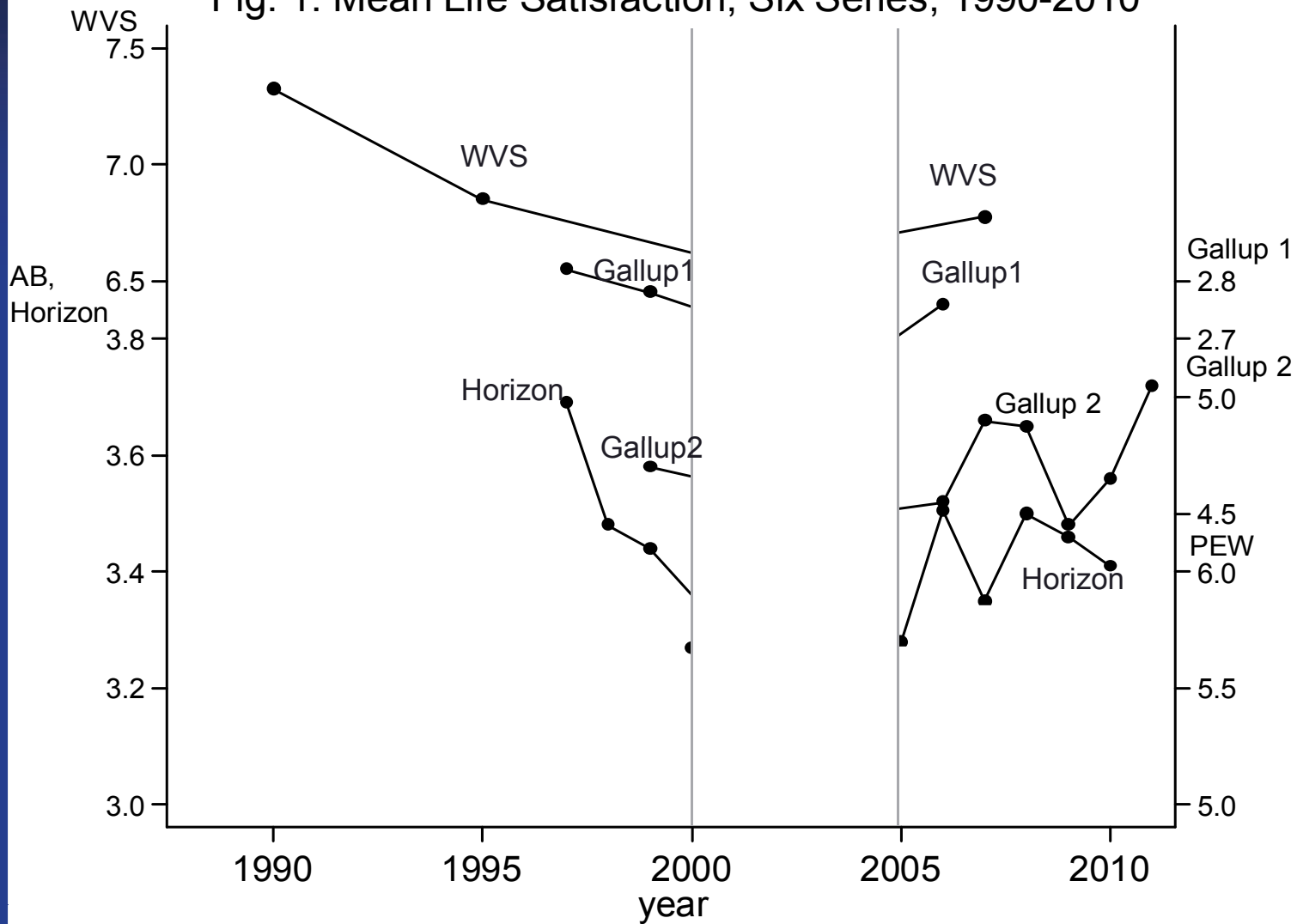


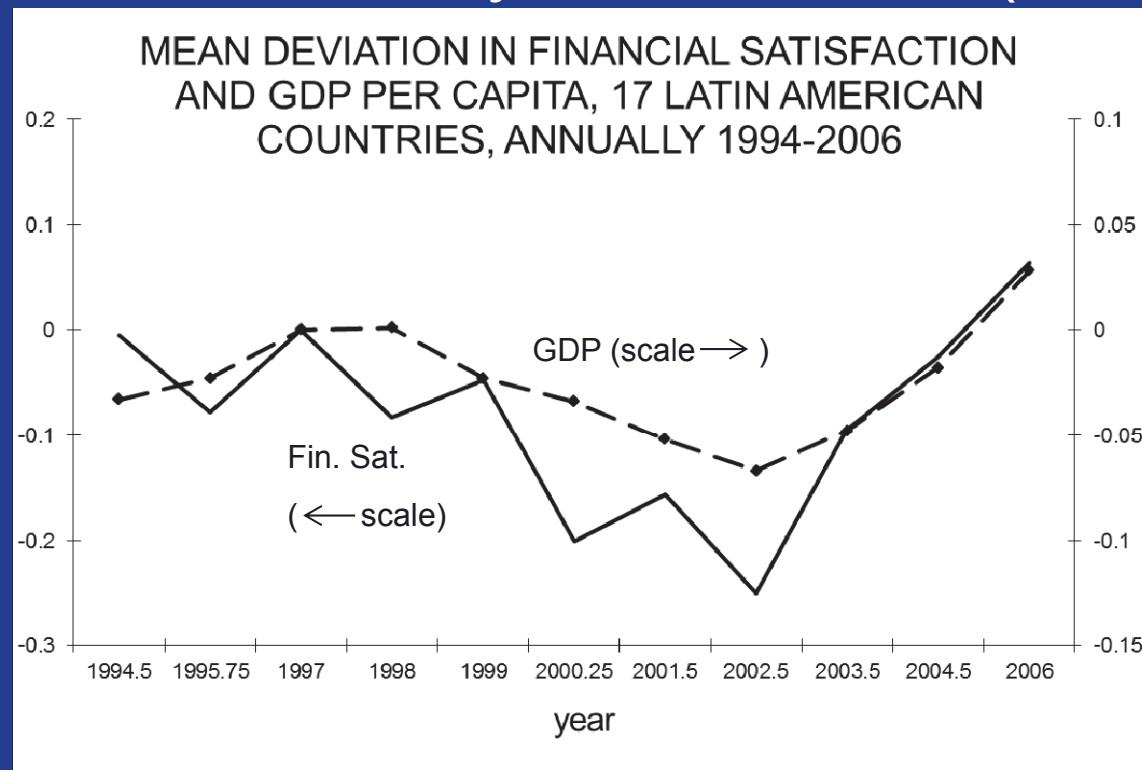
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LS similarities between China and other countries (1)

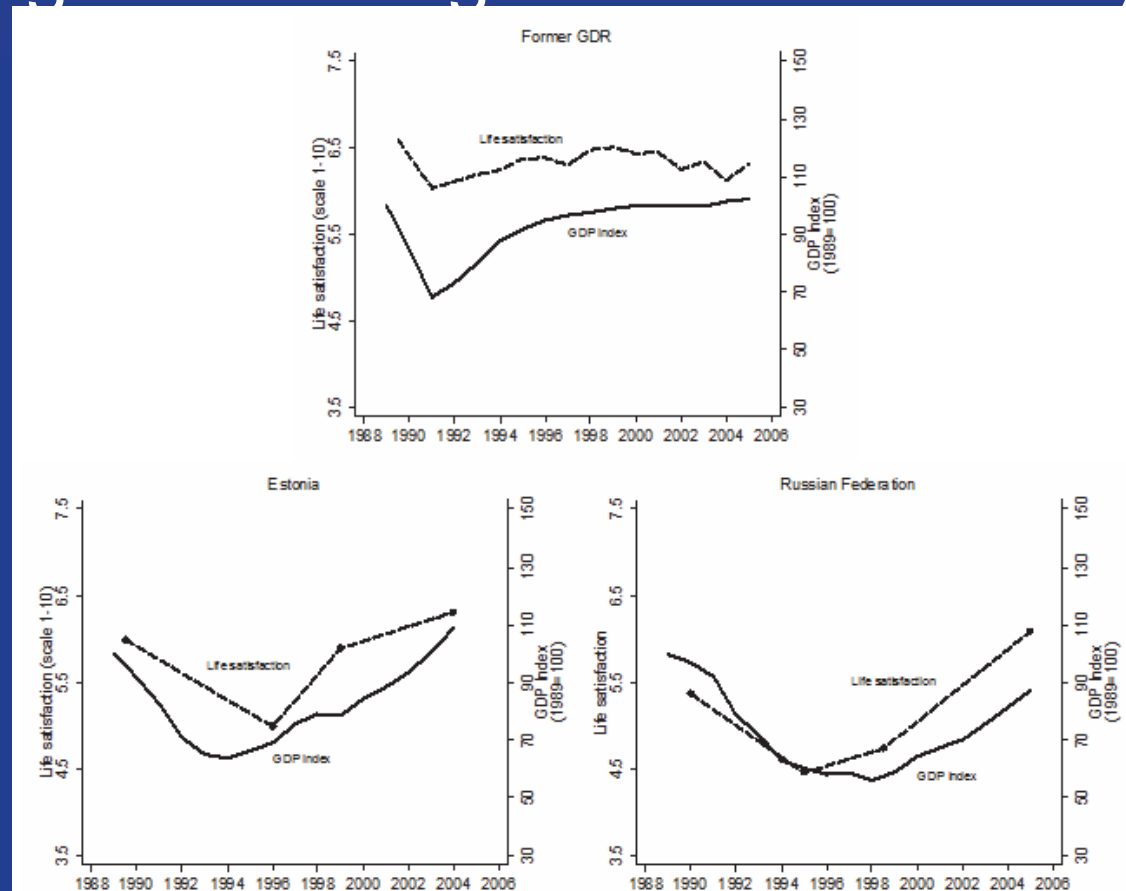
Developing countries: 2000-2005 trough

- Latin America (Latinobarometro)
- Korea, Turkey, South Africa (WVS)



LS similarities between China and other countries

European transition countries: U-shape (though timing and average level is different)



Previous China studies are segments of U

Brockmann et al
Kahneman & Krueger(?)



Based on declining (early)
segment of U

Gallup
Knight and Gunatilaka
Easterlin-Sawangfa



Straddle 2000-2005 trough

PEW

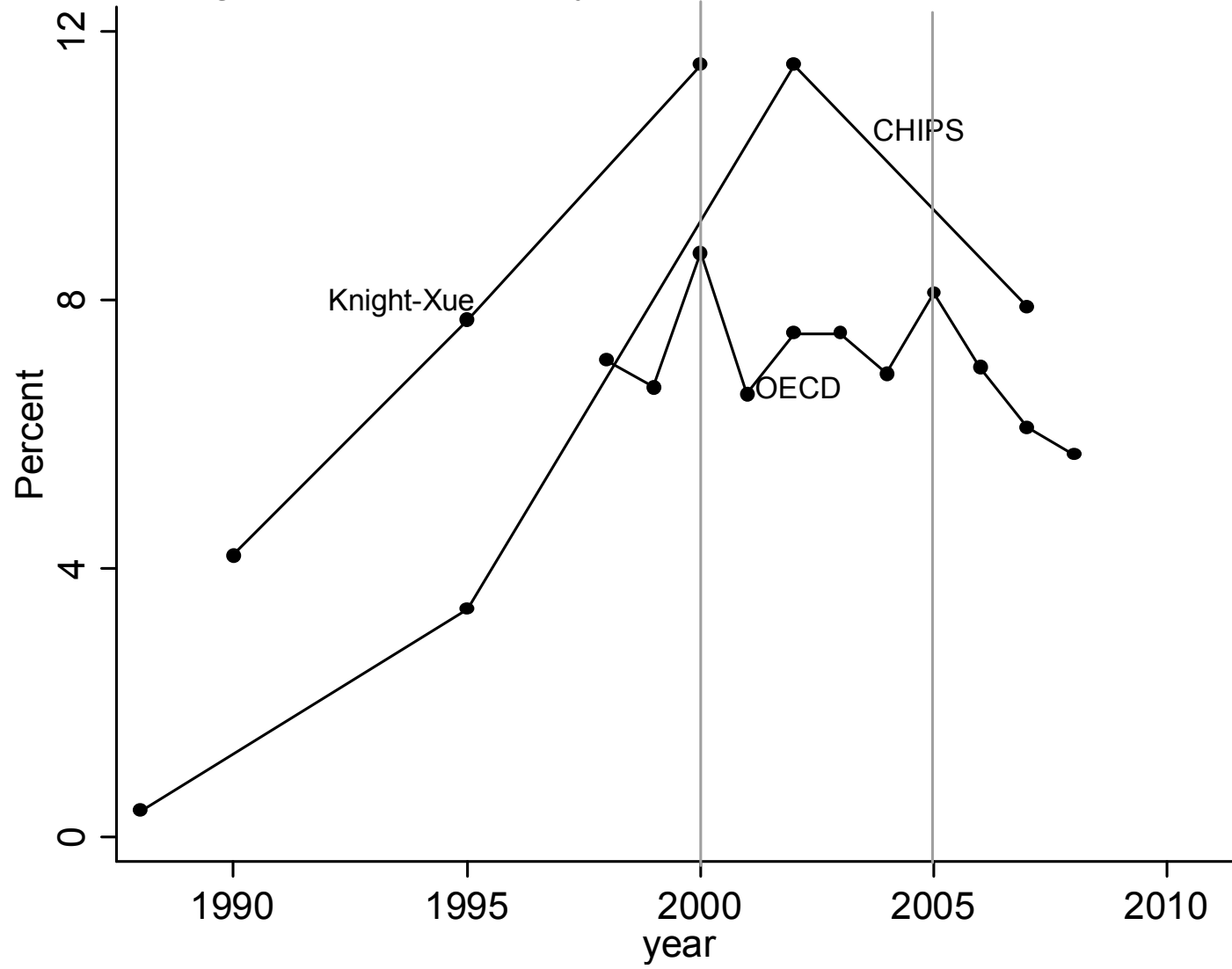
Based on rising (later)
segment of U

LS and Unemployment Rate (U.R.): Findings in the Literature

Increase in U.R. has sizable significant negative effect on LS (Blanchflower and Oswald 2004, and Clark et al 2001).

The effect is observed among employed as well as unemployed (DiTella, MacCulloch, and Oswald 2001).

Fig.2 Urban Unemployment Rate, 3 Series, 1988-2008



LS and U.R.: PEW Surveys, the question

“Now thinking about our economic situation, how would you describe the current economic situation in China – is it very good, somewhat good, somewhat bad, or very bad?”

LS and U.R.: PEW Surveys, the Evidence

Year	%Somewhat or very bad	LS (0-10 scale)
2002	48	5.27
2007	14	5.82
2010	7	5.85

Causes of Δ U.R.

- 1) Slump in world economy around start of millenium
- 2) Government policy: Restructuring of S.O.E.'s 94-03 vs. 04-present

World Bank on effect of restructuring on employment

“By all measures, S.O.E. restructuring had a profound effect on the functioning of the labor market and the welfare of millions of urban workers. Most urban centers experienced a sharp rise in unemployment and a large reduction in labor force participation as many older and discouraged workers left the labor force.” (2007, p. 19)

World Bank on Dissolution of Social Safety Net

“S.O.E. restructuring ... mark[ed] the end of the 'iron rice bowl' of guaranteed lifetime employment and benefits for urban workers.”
(World Bank, 2007, p. 17)

Parallels to European Transition Countries

1. Emergence and rise of substantial unemployment.
2. Substantial drop in employment rate (especially females, older workers).
3. Dissolution of employer-provided social safety net.
4. Decline and upturn in life satisfaction. Nil trend.

Contrast with European TCs

Output and wage growth in China vs. decline and recovery in Europe.

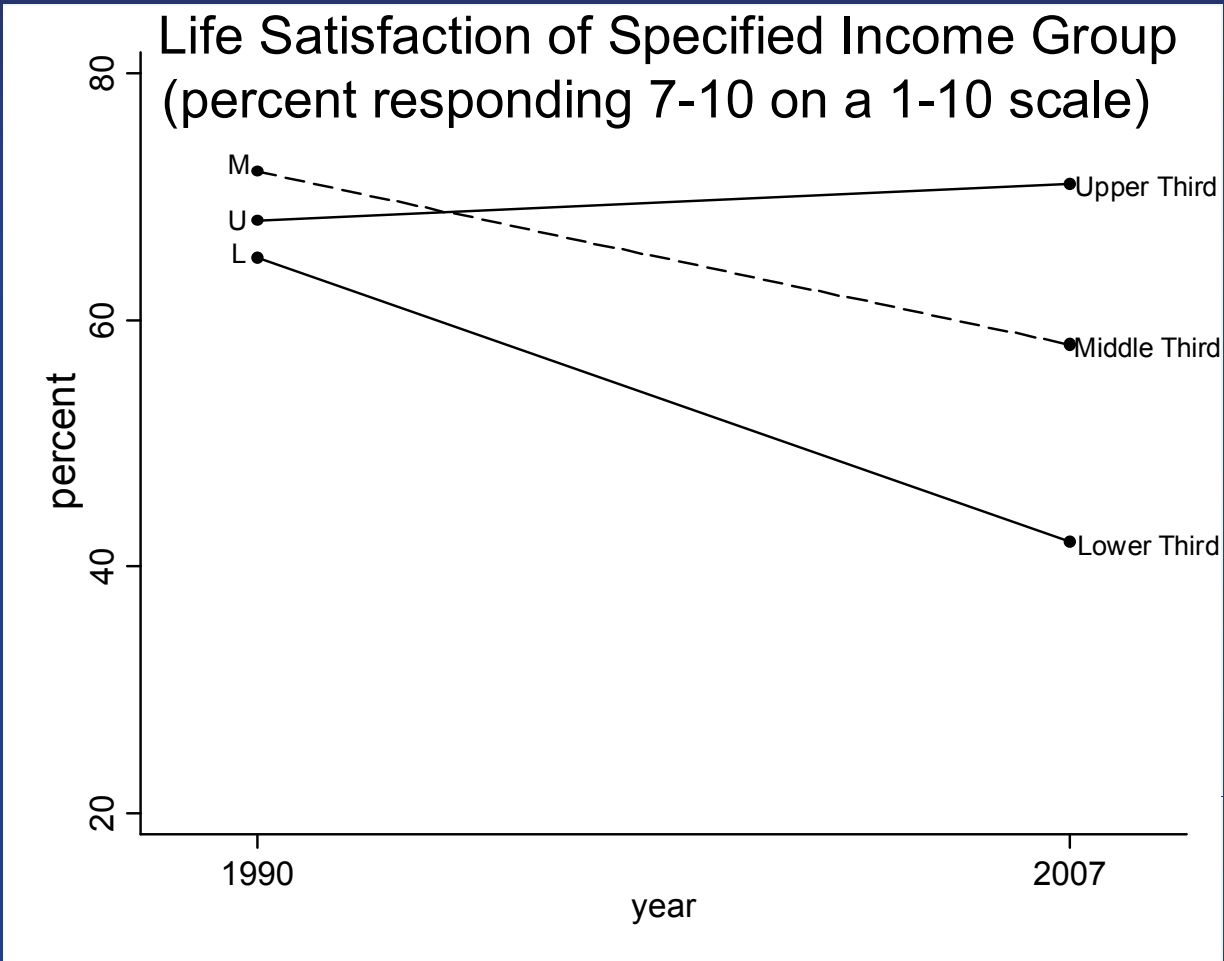
Implication: Dominant importance in determination of LS of employment conditions and social safety net.

Trend in LS differences by level of income: Preview of results

Initially egalitarian.

Subsequently: Marked increase in inequality.

Trend in LS Inequality



Trend in *income inequality*

Increasing income inequality due to rising inequality:

Between the urban and rural sectors.

Within both the urban and rural sectors.

Gini coefficient, China as a whole:

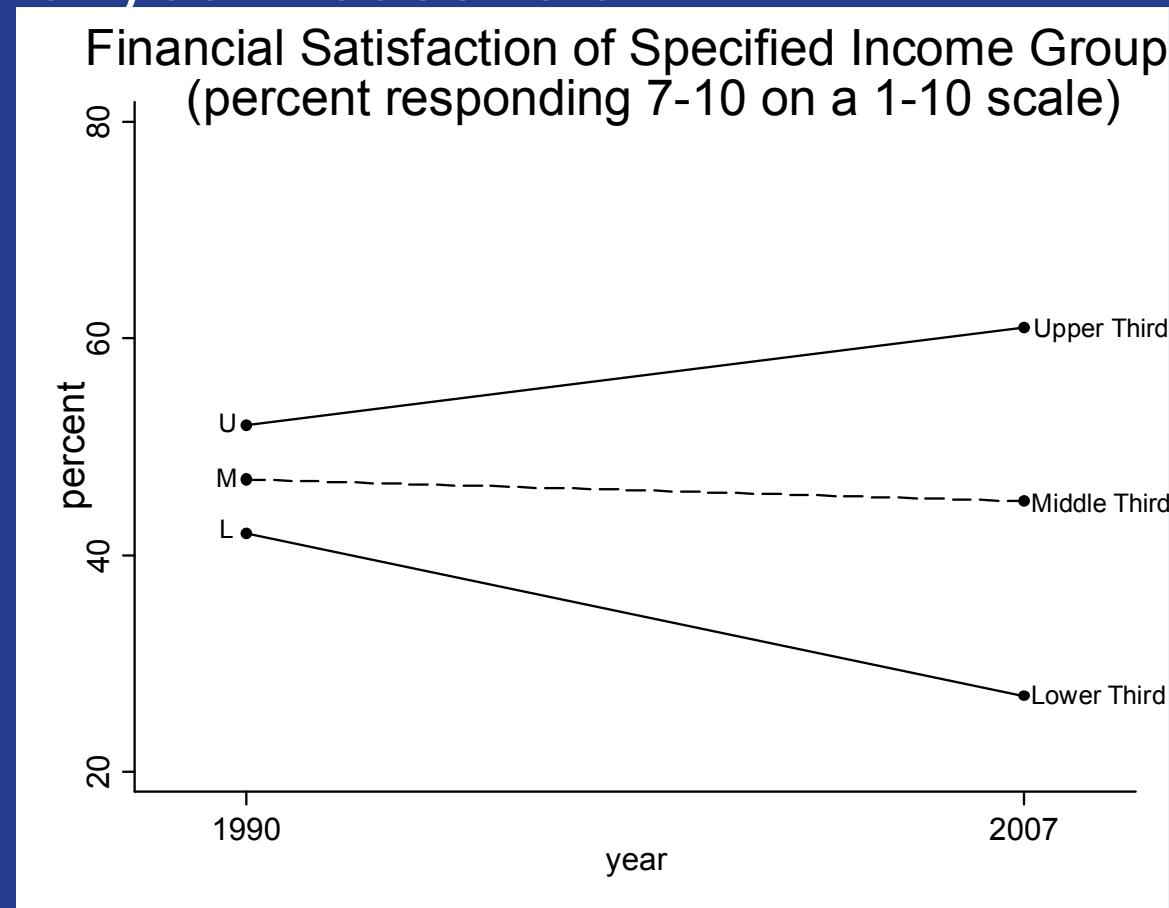
	<u>1985</u>	<u>2002</u>
Gustafsson et al (2008)	.395	.468
	<u>1990</u>	<u>2004</u>
World Development Indicators	.357	.469

Government policy and income inequality

“In adapting its reform policies, ... [China’s] leadership espoused output objectives above all else. Where there was a conflict between efficiency objectives and equality objectives, egalitarianism was played down.”
(Knight and Song 2005, p. 23)

Link between LS and income inequality

WVS: “How satisfied are you with the financial situation of your household?”



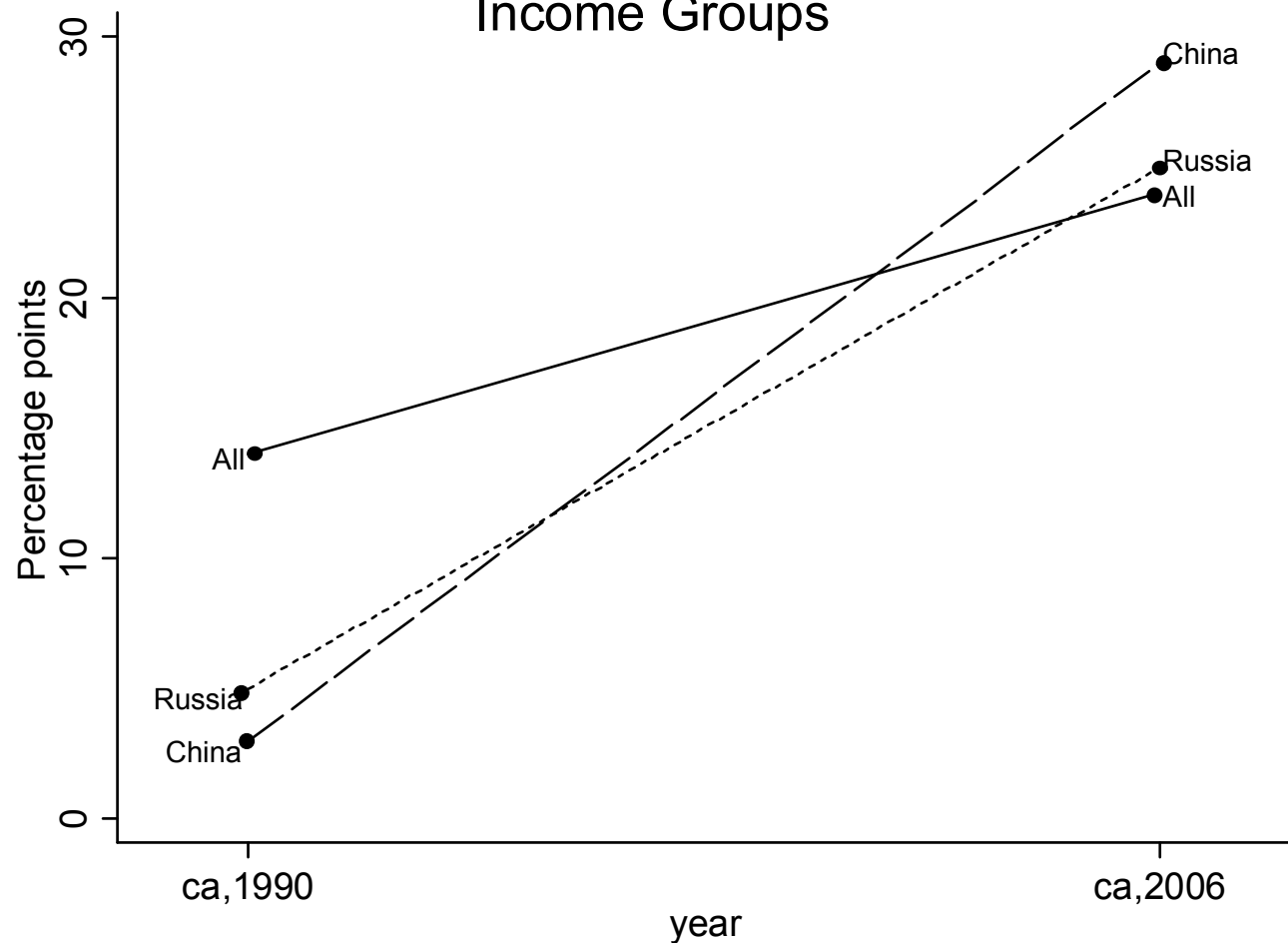
Link between LS and social safety net

WVS: “How would you describe your health these days?
Would you say it is very good, good, fair, poor, or very poor?”



Trends in LS inequality: China and other Countries

Difference in Life Satisfaction between Upper and Lower Income Groups



Conclusions

1. Trend in mean LS: U shaped; constant or declining over period as a whole.
2. LS differences by SES: Initially egalitarian, sharp rise in inequality.

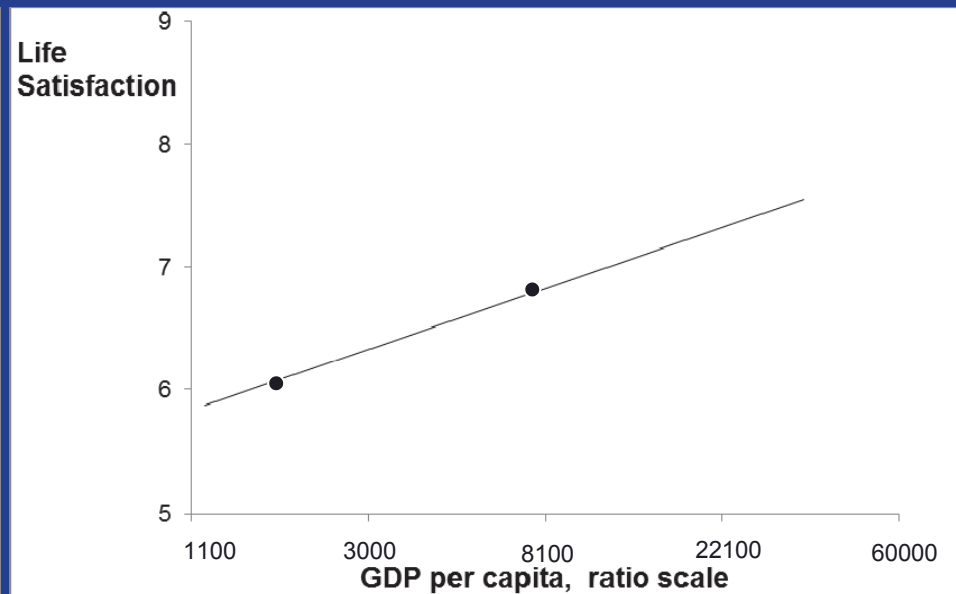
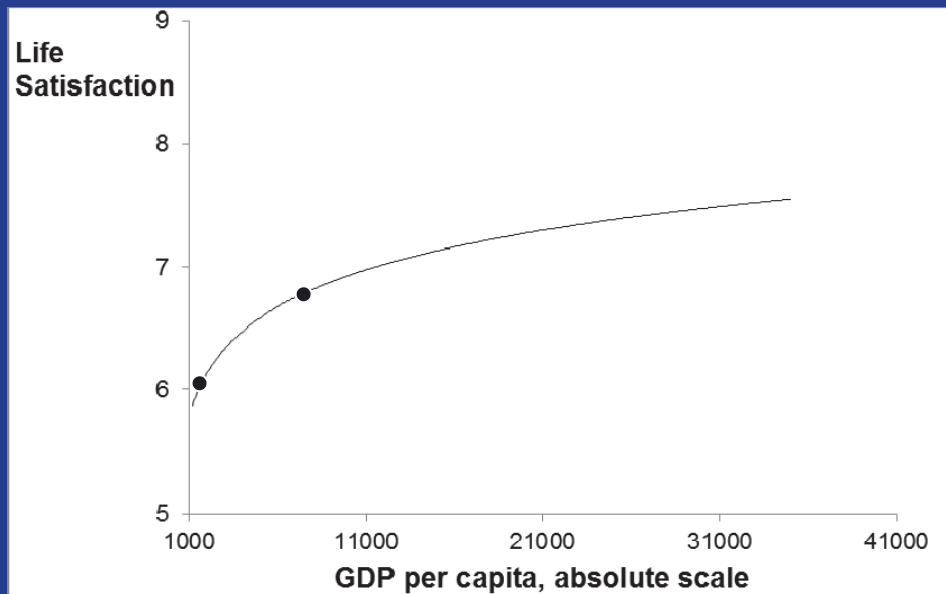
General observations (1)

Consistency of results between China and:

1. European TCs. Both U-shape and nil trend.
2. Developing countries and world economy.
Trough ca. 2000-2005.
3. Japan – long term trend. Nil.

General observations (2)

Cross section regression: Life satisfaction vs. GDP per capita, ca. 1990, WVS, 35 countries



(points on curves: China's 1990 and 2009 GDP per capita)

General observations (2 cont.)

Contradiction between CS and TS results:

1. CS Relationship of LS and GDP per capita:
Significantly positive

2. TS Relationship:

Lack of evidence of increasing LS, despite unprecedented growth of GDP per capita (nil relationship).

General observations (3)

Implications regarding measures of well-being:

GDP per capita: Sharply upward (material conditions)

Life satisfaction: Nil or declining (overall well-being)

Satisfaction with various areas ("domains") of life: Former GDR



1990

2004

Positive changes: (pre-transition) (post-transition) Change

Satisfaction with: (0-10 scale)

Environment	3.11	6.47	+3.36
Goods availability	3.16	6.20	+3.04
Dwelling	6.93	7.36	+0.43
Standard of living	6.34	6.63	+0.29
Household income	5.52	5.61	+0.09

And yet...

Life Satisfaction	6.57	6.55	-0.02
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Satisfaction with various areas (“domains”) of life: Former GDR



<u>Negative changes:</u>	<u>1990</u>	<u>2004</u>	<u>Change</u>
Satisfaction with:			
Health	6.62	6.20	-0.42
Work	7.23	6.48	-0.75
Childcare	7.54	6.48	-1.06
Net balance			
Life Satisfaction	6.57	6.55	-0.02



Conclusion: LS is a more comprehensive measure of well-being.

General observations (4)

Policy

1. Back to socialism?..... NON!
2. Jobs and social safety net are of major importance for LS..... OUI!

Thank you

