

## Statement of research interests

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My current research focuses on topics in the economics of subjective well-being, ranging from the effects of economic transition on well-being, to the relationship between economic growth and well-being, and the differences in subjective well-being between rural and urban areas. In the past few years, economists have shown increasing acceptance of subjective measures of well-being as an addition to the objective measures typically used. Thus, according to ECONLIT, of the 465 articles published between 1960 and 2006 whose titles include “happiness”, “life satisfaction”, or “well-being”, one third have appeared in print in just the last three years of the interval (Clark et al, 2008). Furthermore, the recent report commissioned by French President Nicolas Sarkozy from a panel of highly distinguished economists, including Nobel prize winners Joseph Stiglitz and Amartya Sen, called for new measures of growth including subjective well-being.

The two essays of my dissertation share in common an attempt to study the transition process, i.e. the process through which the countries of Central and Eastern Europe switched from a planned economy to a Western free market model, in terms of its effect on people’s subjective well-being in addition to the objective conditions traditionally emphasized in economics. The first essay deals with the particular area of job satisfaction, while the second focuses on overall life satisfaction.

The first essay is a comparative analysis of job satisfaction in Eastern and Western Europe, using data from the World Values Survey and the International Social Survey Programme “Work Orientations” module. At the start of the transition to a market economy, workers in Eastern Europe were less satisfied with their jobs than workers in Western Europe. As the transition progresses is there a convergence in terms of job satisfaction between the two regions? My research shows that between 1990 and 1999, job satisfaction in the former communist countries actually decreases, despite a fairly swift economic recovery. As a result, Eastern Europe falls even further behind the West, where job satisfaction shows no significant change in this same time interval. At both dates, the observed difference in satisfaction with work is mainly the result of differences in objective macroeconomic conditions between the two regions. From 1997 to 2005, the Western countries continue to remain fairly stable, while transition countries show a significant increase in job satisfaction, although this is not enough to close the gap with the West. Not everyone in Eastern Europe is affected in the same way by the transition, young and more educated, more skilled individuals being among the winners of the process.

The second essay focuses on overall life satisfaction during the transition in Poland. Since 1989 Poland has been considered a leader in economic reform. At the same time, however, “the sudden switch to a market economy [...] aroused profound anxieties, as most households [...] wondered whether they would be able to stay afloat - much less prosper - in the new system” (Sachs, 1990, p. A23). Using data from the World Values Survey and the Eurobarometer, I find a collapse followed by recovery in life satisfaction. In 1999 the Poles are significantly less happy than in 1989, despite the fact that GDP per capita has already recovered to pre-transition levels. High unemployment and involuntary early retirement have taken a toll on the happiness of the Poles. By 2005, however, life satisfaction in Poland reaches levels significantly higher than in 1989, although the unemployment rate remains high. What significantly improves in this time interval is GDP – by 2005 it is around 50 percent higher than at the onset of transition, and this raises life satisfaction. Another factor playing a role in the recovery of life satisfaction is the fact that ‘new’ cohorts entering the sample are much happier than ‘old’ cohorts exiting the sample. Young people appear to be better adjusted to this new society and better equipped to deal with the challenges of transition. This is consistent

with the higher degree of adaptation among younger generations that Alesina and Fuchs-Schündeln (2007) find in the former GDR.

Both essays point to a slower recovery in terms of subjective well-being compared with the pace of the economic recovery in former communist countries. Young and more educated people are also consistently found to be among the winners of the transition process.

In addition to the single-authored essays of my dissertation, I have also co-authored a few papers with Richard A. Easterlin. “Modern Economic Growth and Quality of Life: Cross Sectional and Time Series Evidence” will appear in the *Handbook of Social Indicators and Quality-of-Life Research*, published by Springer. If one focuses on living conditions, there can be no disputing that modern economic growth has improved quality of life. If objective indicators in the social and political areas, such as health, education, and political and human rights, are considered, the central role of economic growth becomes more dubious, since improvements in these areas sometimes precede, other times follow the turning point in GDP per capita. Finally, if one turns to subjective measures of well-being rather than objective indicators, the breakdown between economic growth and quality of life becomes even greater, with time series failing to confirm the cross sectional association between the two measures.

“Happiness and Growth the World Over: Time Series Evidence on the Happiness - Income Paradox” has been included in the IZA volume *Happiness, Growth, and the Life Cycle*. It finds that there is no significant relationship between improvements in happiness and the long term rate of growth of GDP per capita, whether we look at developed, developing, or transition countries, separately and pooled. Time series studies reporting a positive relationship confuse a short-term positive association between the growth of happiness and income, arising from fluctuations in macroeconomic conditions, with the long-term relationship, which is nil. A similar study, “The Happiness Income Paradox Revisited”, has been submitted for publication.

Another paper, “The Impact of Modern Economic Growth on Urban-Rural Differences in Subjective Well-Being”, co-authored with Richard A. Easterlin and Jacqueline S. Zweig, has also been submitted for publication. Using 2005-2008 data from the Gallup World Poll, we find an excess of urban over rural life satisfaction which is typically large at low levels of development, but tends to disappear or even reverse at advanced levels. This leveling of life satisfaction differences by location is due largely to a convergence in urban and rural occupational structures, income levels, and education. Noneconomic factors such as neighborhood, environment, family, and social capital cannot account for the urban-rural differences in life satisfaction, but health differences do seem to play a part. This decrease in urban-rural life satisfaction differences is not an automatic by-product of rising GDP per capita. Rather, it was made possible by a weakening of the close bond between place-of-work and place-of-residence, and by the growth in the share of the total population accounted for by older age persons, who are free to make residence decisions unconstrained by place of work.

Overall, my research suggests that income is not the only important factor affecting subjective well-being. In the case of transition countries, the increased uncertainty, due among other things to higher unemployment, is an important reason why the recovery in subjective well-being is slower than the economic recovery.

### **The nature and causes of changes in marital status during the economic transition**

add submission status of dissertation chapters

My research plans include a project which will extend my analysis of transition countries to the realm of family life. Given that a number of papers have found that marriage has a strong positive

effect on life satisfaction (Waite, 1995; Waite and Lehrer, 2003; Zimmermann and Easterlin, 2006), this project bears directly on my current research on subjective well-being.

For two or three decades before the start of the transition from a planned to a market economy, the countries of Central and Eastern Europe displayed a pattern of early and nearly universal entry into marriage. This pattern was generally stable during this long time span, with some moderate changes due primarily to the effect of pro-natal policies which provoked a slightly earlier entry into first marriages (Philipov and Dorbritz, 2003). With the transition came dramatic changes in the family and demographic behavior. From 1989 to 1999, the crude marriage and birth rates generally fell by between one-quarter and one-half (UNICEF, 2001). Substantial delays in the timing of marriage occurred, as well as significant increases in nonmarital cohabitation and childbearing outside of marriage (Thornton and Philipov, 2007).

Is the drop in marriage rates and the corresponding increase in cohabitation and divorce part of a wide adoption of “individualistic Western values”, including a change in people’s attitudes toward marriage? Or are such phenomena mainly the result of the need to adjust to the economic shocks brought about by transition in the form of lower household incomes, higher unemployment and resulting job insecurity, high inflation, and so on? My objective is to test these two hypotheses regarding the sources of the changes in family life that accompanied the transition to a market economy in Central and Eastern Europe.

I use data from the World Values Survey, including a series of questions on the importance in people’s lives of various domains (family, friends, leisure, politics, work, religion). These questions can show any changes that might occur in people’s attitudes. There are also questions regarding the respondents’ attitudes towards the institution of marriage, divorce, single parenting, ideal family size, as well as questions on religious attitudes.

My preliminary analysis of the data shows that the importance of family stayed fairly constant after the fall of communism, despite a considerable decrease in the percentage of married individuals. Across countries however, harsher economic conditions, such as a higher unemployment rate, are usually associated with a lower percentage of married people. This points toward changing economic circumstances as the source of changing marriage patterns, rather than a fundamental shift in attitudes toward family formation and dissolution.

### **Life satisfaction over the life cycle for men and women**

Another topic I am interested in is the relationship between well-being and age. How does satisfaction with life change as individuals move from youth into middle age, and finally into older age? Do declines in the objective quality of life of older people translate into similar declines in subjective well-being? In general, what are the determinants behind changes in life satisfaction over the life course?

The question of how life satisfaction varies over the life course is certainly not a new one. This relationship has been widely studied in psychology, sociology, economics, or gerontology. However, the evidence is far from conclusive, both in studies looking at the general population, and in studies focusing on the elderly. There are a number of possible reasons why there is so little agreement. The age coverage and the type of age variables used vary, the number and types of correlates included in the multivariate analysis differ, various measures of well-being are used, and the geographic focus is not always on the United States. The degree to which cohort effects are taken into account also varies. An important step in my research will be to reconcile the various views on the relationship between happiness and age. Furthermore, I think gender differences in the relationship between happiness and age deserve further scrutiny.

I plan to use data from the German Socio-Economic Panel (GSOEP) survey, as well as from the Health and Retirement Study (HRS), a longitudinal survey conducted in the United States. This will allow me to carry out a comparative study that looks not only at the United States, but Europe as well.

### **Domain satisfaction in East and West Germany**

I also want to continue my research on the effects of transition on subjective well-being by looking at domain satisfaction in East and West Germany. It has been shown that overall satisfaction depends on satisfaction with various domains of life, such as family, health and work (Campbell et al, 1976; Easterlin, 2006). The German Socio Economic Panel (GSOEP), carried out in West Germany starting in 1984 and in East Germany starting in 1990, contains information not only on respondents' overall life satisfaction, but also on their satisfaction with a variety of life domains, such as living level, health, household income, work, child care, the supply of goods and services in the area, and so on. Before unification, one would expect substantial differences in these domains between East and West Germany. For instance, child care was more readily available in East Germany, while goods availability was much better in the West. Have such differences become narrower since the unification? Is the impact of these life domains on overall subjective well-being different in East and West Germany? These are some of the questions I want to investigate.

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