

## **The Reasons for Conflicting Results on the Relationship between Objective and Subjective Well-Being**

**SALNIKOVA Daria** — Postgraduate Student (School of Sociology), Independent Department of Higher Mathematics, lecturer, National Research University Higher School of Economics (NRU HSE)

**E-mail:** 1) [dsalnikova@hse.ru](mailto:dsalnikova@hse.ru) 2) [darysalnikova@yandex.ru](mailto:darysalnikova@yandex.ru)

### ***Abstract***

The results known in academic literature as the Easterlin paradox, which states that economic growth does not have any significant effect on happiness in a society in the long-time perspective (10 years and longer), have been discussed till now. These results became a trigger for the subsequent discussion on the gap between objective and subjective measures of well-being. In particular, there is still no consensus on the explanatory mechanism underlying the relationship between objective and subjective well-being. The analysis of transition economies and developing countries gives the most inconsistent and contradictory results. I consider not only the original interpretation of the Easterlin paradox that is true only for the aggregated country level. This report traces the discussion on the gap between objective and subjective well-being both on country and individual levels. I aim to define relevant research strategies that explain why the inferences about the relationship between economic well-being and its perception are inconsistent. The results are summarized in Table 1.

**Table 1. The Reasons for Conflicting Results on the Relationship  
between Objective and Subjective Well-Being and the Appropriate Research Strategies**

<b>Reasons for inconsistency</b>	<b>Research strategy</b>
The context matters. Social embeddedness of subjective well-being.	Testing significant factors that moderate the relationship between objective and subjective well-being
The absence of unified criteria for defining reference groups	Additional instruments that explain how individuals weigh the well-being of other people and their own well-being in preceding time periods: <i>subjective inequality, consumer behavior types</i>

The original question of the discussion was “Does the Easterlin paradox really exist?” But now the focus changed. The key question of the contemporary discussion on the gap between material prosperity and subjective well-being is “Under what conditions does the Easterlin paradox take place?” The afore-mentioned research strategies help us explain why the relationship between economic indicators and subjective measures varies across countries and time. Under a given set of conditions, different results can be equally true. This approach mitigates the conflict between the original supporters and critics of the Easterlin paradox. Let us discuss the reasons for conflicting results and appropriate strategies to deal with this inconsistency in more details.

### **1. The context matters. The social embeddedness of subjective well-being**

The inconsistent results of cross-sectional studies rise the following questions. Do developing and transition countries have their own peculiar type of the relationship between subjective and objective well-being as compared to developed countries? Does the context matter? To answer these questions, researchers test the effect of country socio-economic characteristics and cultural peculiarities on the relationship between objective and subjective well-being. Values, social capital and corruption are often used as moderators.

This strategy – a moderation analysis – takes into account the social embeddedness of a cognitive component of subjective well-being. The understanding of happiness and well-being varies across cultures. For example, happiness in individualistic cultures is associated with self-expression, goal attainment and financial independence. Those who share a collectivist culture consider social contacts and implementation of social obligations to be indispensable components of subjective well-being.

### **2. The absence of unified criteria for defining reference groups**

As a rule, the gap between objective and subjective well-being is explained within the relative-income theoretical framework. The social comparison and habituation theories are the two most widely-spread explanations. According to the social comparison theory, people compare their well-being with the well-being of their reference group. The latter one states that people tend to compare their well-being with their own well-being in the preceding periods. Numerous empirical studies also confirm that relative income (in other words, self-identification of respondents within the existing social hierarchy, income quintile) is a statistically significant predictor of subjective well-being. One can observe that there is still a rather large gap between a theoretical and an empirical part of studies on subjective well-being. To test relative-income theories, we should divide our sample into groups. In other words, the idea is to test the

relationship between subjective and objective well-being on different sub-samples. However, the problem is there are no unified criteria for defining reference groups. Firstly, due to the multiple membership reference groups can overlap. Secondly, in some cases such as an adaptation period of migrants it is difficult to define the most important reference group: it is unclear whether migrants consider a country of origin or a receiving country to be more significant.

Some researchers used inequality as an instrument to emphasize the differences between social groups. However, the problem is that inequality has a different connotation in different societies. Russian researchers consider social inequality to be an important determinant of social tension as a result of decreasing satisfaction with life conditions. Historical events evidence the extreme sensitivity of Russian people to inequality issues. The peasant and worker revolts, revolutionary actions were held under the slogans of social fairness and equal redistribution. Russian studies do not give evidence in favour of the alternative research position about social inequality as an indicator of social mobility and life chances. On the contrary, Russian researchers focus on the problem of unequal access to paid medical and educational service which reproduces the wide gap between social groups and leads to low life satisfaction of the vulnerable social groups.

To avoid the dependence of the research results on different understandings of inequality we can use additional instruments that explain how the individuals weigh the well-being of other individuals. It is rather subjective inequality than inequality that explains the gap between subjective and objective well-being. Individuals ascribe weights to the income of other individuals on the basis of their perception of inequality. *It makes sense to test the hypothesis that the smaller gap between inequality and subjective inequality is, the stronger the relationship between objective and subjective well-being becomes. Different types of consumer behavior can also explain how individuals ascribe the weights to the income of other people.*

### **3. Individual trajectories of subjective well-being vary over a long-term period**

The Easterlin paradox presupposes that there is a gap between objective and subjective well-being in the long-time perspective (10 years and more). The empirical results can be driven by the changes in the understanding of subjective well-being through the time. Latent curve modeling is the appropriate method to trace these changes. What are the advantages of latent curve modeling? In contrast to other popular methods for longitudinal and panel data analysis, latent curve models predict the values of a dependent variable not on the basis of the value in the preceding time point that was estimated for the whole sample but rather on the individual trajectory estimated on the basis of all the available time points. The latent curve model includes both fixed and random effects for the intercept and the slope. Fixed effects reflect mean values of

a dependent variable in the starting time point and mean values of the slope estimated on the basis of the whole sample. In contrast to fixed components, random effects reflect individual deviations from the mean intercepts and slopes. Therefore, latent curve modeling enables us to trace the changes in a latent construct of subjective well-being and find the significant factors that have an effect on the dynamics of subjective well-being. In other words, we do not have to work with separate indicators such as job satisfaction, life satisfaction etc. At the preliminary step, we define the latent concept and its structure. The variation of this concept explains the variation of separate indicators. At the same time, it is possible to take into account the unexplained share of variance in the model.