

Economics 3710
Economic Analysis of Canadian Public Issues
Spring 2012

Tuesday, March 6, and Thursday, March 8, 2012

Readings:

Kahneman, Daniel, and Angus Deaton. 2010. "High Income Improves Evaluation of Life but not Emotional Well-being," *Proceedings of the National Academy of Sciences* 107, 16489-93.

Burton, Peter, and Shelley Phipps. 2011. "Families, Time, and Well-Being in Canada," *Canadian Public Policy* 37, 395-423.

Discussion Questions #8

1. What is the difference between well-being and happiness? (Hint: one is temporary and the other more permanent). What terms do the authors of the first article use to describe these two?
2. Although gaining increasing popularity in the economics literature, subjective well-being studies are often scorned by economists because of the use of subjective interpretations of well-being or happiness. Why do you think this is the case? How might this impact cross-national or cross-person comparisons of well-being or happiness?
3. Why is the Cantril ladder an important step in the evolution of improving the methodology in this literature?
4. In the "Materials and Methods" part of the first paper, the authors say "To broaden coverage and representativeness, cell phones were part of the sampling design." What is meant by this? Is this important? Compared to 10 years ago, what has changed? Will this methodology become more or less important in the future?
5. What is the argument for using the logarithm of income instead of the dollar value of income in the empirical part of the first paper? Does this make sense to you?
6. How do the authors of the first paper define positive affect and blue affect?
7. On page 16490, the authors say: "The correlations between the emotional well-being measure and the ladder values had the expected sign but were modest in size (all <0.31)." What exactly does this mean? Are you surprised by this finding?
8. What do you think are some of the interesting results in Table 1? Anything surprising here?
9. Hypothesize as to why religious people are more likely to report a positive affect and less stress?
10. The data used in this study are for the United States. Keeping this fact in mind, why do you think that emotional well-being doesn't increase after about \$75k in income, whereas life evaluation continues to increase (apparently without satiation)? Would these results differ for Canada? How about for other countries?
11. Hypothesize as to why being low-income is associated with more pain as the result of some of life's misfortunes (i.e., Table 3).
12. The results in this paper may be suggestive of the "keeping up with the Jones hypothesis." Explain.
13. The second paper shows that families in the middle of the income distribution have suffered recently in two ways. What are they?
14. What is the methodological reason for focusing on two-parent families in this paper?
15. In terms of happiness, why is the result above (in question 13) important? Or is it?
16. What is the purpose of disaggregating the sample into income deciles?
17. Why has there been faster growth in two-income families in the middle of the income distribution over the 1971-2006 period (Table 2)?
18. What has happened to absolute incomes for each of the income declines over the 1971-2006 period?
19. How might changes in *relative* incomes be driving these results (as opposed to changes in *absolute* incomes)?
20. How have two-parent families increased the hours that they collectively work?
21. How does the life satisfaction question in this paper (p. 412) compare to the Cantril ladder used in the first paper?

22. How are time crunch and real incomes related to life satisfaction?
23. According to this paper, have real income increases “compensated” for time crunch in middle- and lower-income families?
24. GDP per capita has long been considered the appropriate (although imperfect measure) of well being in Canada. What are the limitations of this measure? How might we arrive at a more realistic measure? What types of things should be we consider? Are there limitations to any new measure of well being you have?
25. What are the implications of all of the above for economic policy in Canada?