“Income or Consumption: Which Better Predicts Subjective Wellbeing?” by Carver and Grimes

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Overview

- Interesting paper that provides an empirical assessment of the relationship between subjective wellbeing and income vs. ELSI (a measure of consumption)
  - income is not statistically significant but ELSI is for the same regression
  - income is only marginally significant when the objective component of ELSI is included
  - income is not statistically significant for subpopulation groups, incl. young people, lower-income and Maori.

Comments/ Questions (1)

- Data concerns
  - Income data are provided in 16 bands. Eg., 0, $1-$5,000, $5,001-$10,000,…., $100,000-$150,000, $150,000 or more.
  - ELSI consists of three components
    - i) **Essentials**: telephone, washing machine, computer, …, have holidays away from home every year, …., have family/ friends over for a meal at least once a month
    - ii) **Economising**: gone without fresh fruits/ vegetables to help keep costs down,…, stayed in bed longer to save heating costs,…, done without or cut back on trips to the shops/ local places to help keep costs down
    - iii) **Self-assessment**: ratings of own material standards of living (0-4), satisfaction with own material standards of living (0-4), and money sufficiency for everyday needs (0-4)

Comments/ Questions (2)

- Multicollinearity issues, especially with the subjective component of ELSI?

Table A9: ELSI decomposition

Variable	Coefficient	Full ELSI	Objective ELSI	Subjective ELSI
Ln(y)	β_2	-0.0146	0.0307*	-0.0391**
		(0.0165)	(0.0166)	(0.0162)
ELSI (C)	β_3	0.0393***	0.0362***	0.1356***
		(0.0019)	(0.0025)	(0.0052)
Adj-R^2		0.2995	0.2767	0.3232
Std-err		0.7121	0.7905	0.6999

Comments/ Questions (3)

- Other concerns…
  - A cross sectional round from 2012 was analyzed. Do results change for more recent data, or other rounds, or panel data?
  - What is the reason for the switch to the new Material Wellbeing Index (MWI) in the NZGSS? Does the new MWI capture subjective wellbeing as well?

- Other minor issues
  - more discussion on truncation method to deal with outliers (i.e., removing those with a value less than 10)
  - stretching/ rescaling the narrower log of income range (Figure 3) can mechanically result in the displayed zigzagging

Comments/ Questions (4)

- Are results robust to other contexts?

Table 1: Correlates of Life Satisfaction for Russia, 1994-2015

	Model 1	Model 2	Model 3
Log of income per capita	0.145***	0.135***	0.139***
Log of consumption per capita	0.065***	0.063***	0.067***
Unemployed		-0.381***	-0.376***
Inactive		-0.127***	-0.129***
Age16_20		0.250***	0.305***
Age21_30		0.022	0.038**
Age31_40		-0.004	-0.013
Age51_60		0.062***	0.063***
Age61_70		0.118***	0.125***
Age71_80		0.100***	0.125***
Age80plus		0.092***	0.127***
Less than high school			0.011
High school			-0.018
High school or more			-0.064
Single			-0.156***
Divorced			-0.248***
Widowed			-0.260***
No of children			0.027***
Constant	0.735***	0.809***	0.789***
Overall R2	0.14	0.16	0.17
No of individuals	42118	42118	42082
No of observations	224767	224767	224383

Note: All regressions use individual fixed effects, and control for year fixed effects.