

Reign in Hell or Serve in Heav'n?

A Cross-country Journey into the Absolutist vs
Relativist Perceptions of Wellbeing

[WORK IN PROGRESS]

Lucio Esposito and Francesca Majorano

School of Development Studies, UEA, Norwich, UK

Department of Public Economics, University of Pavia, Italy

lucio.esposito@uea.ac.uk

Outline

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John Milton's *Paradise Lost*

“To reign is worth ambition though in Hell:

Better to reign in Hell, than serve in Heav'n”

(1667, Book I, l. 262-263)

Satan prefers a microcosm where, despite a less desirable *absolute* array of benefits, he can enjoy a superior *relative* position within his cohort to a microcosm where ‘superior benefits’ imply a lower hierarchical position.

Relativist concern in the literature

- present in Adam Smith (1776), Veblen (1899), J.S. Mill (1907), Pigou (1920) and formalised in Duesenberry's *Relative-income Hypothesis* (1949);
- at the base of Hirsch's (1976) and Frank (1985) analysis of consumption behaviour and demand for *positional goods*;
- motivating various models for taxation schemes, labour supply, etc., where relative income is the key variable [Abel (1990), etc.];
- cornerstone of the sociologic approach to relative deprivation [Stouffer *et al.* (1949), Runciman (1966), Townsend (1979)];
- explanation for the *Easterlin Paradox* (1974), i.e. the constant trend in self-reported happiness despite the increase in mean income.

Research questions (some of)

We investigate whether:

- interpersonal comparisons are “pure Pareto”, “share of the pie” or “compromise Pareto” [terminology from Leibenstein (1962)];
- the level of absolute income affects the relevance of relative income;
- people look upward, downward or both ways;
- there are cross-country and cross-discipline patterns;
- certain personal characteristics and family circumstances influence the absolutist/relativist attitude to wellbeing.

Methodology

Kahneman's critique to studies based on self-reported happiness:

because of imperfect recall of past events, duration neglect, oversized effect of factors such as recent events, present mood, current weather, etc., people are unable to evaluate experience that extend over time.



The LHS of the model $H = f(x, y, \textit{relative income}, \dots)$ is biased.

We look for evidence of a different nature. In supervised classroom sessions, we administer to students structured questionnaires eliciting their relativist/absolutist attitude to wellbeing.

Data collection

3,885 undergraduate students filled our questionnaire in their native language.

8 countries:

4 HICs: Italy, Sweden, Switzerland and UK (**1,959 respondents**)

4 LICs: Bolivia, Brazil, Kenya and Laos (**1,926 respondents**)

21 academic disciplines, grouped into:

Health (605)

Humanities (188)

Economics/Business (1,155)

Other Social Sciences (1,258)

Science (679)

Part I

A and B are two islands where the inhabitants are all identical in all respects other than income. Below you will find different hypothetical situations where the income levels of the inhabitants of each island A and B are indicated in brackets -i.e. each number corresponds to the income level of a certain individual. Those income values remain constant throughout people's lives. Prices are the same in the two islands.

ພາກທີ I

A ແລະ B ແມ່ນເກາະດອນສອງແຫ່ງ ຊຶ່ງແມ່ນບ່ອນທີ່ແຕ່ລະຄົນຄ້າຍຄືກັນທັງໝົດທາງດ້ານລັກສະນະຕ່າງໆນອກເໜືອຈາກລາຍໄດ້. ພວກທ່ານຈະໄດ້ເຫັນບັນດາເງື່ອນໄຂສົມມຸດຖານທີ່ແຕກຕ່າງກັນທີ່ລາຍໄດ້ຂອງປະຊາຊົນຂອງແຕ່ລະເກາະດອນ A ແລະ B ດັ່ງລຸ່ມນີ້ ຊຶ່ງໄດ້ຖືກສະແດງອອກໃຫ້ເຫັນຢູ່ໃນວົງເລັບ ຊຶ່ງໝາຍຄວາມວ່າຕົວເລກແຕ່ລະຕົວສະແດງເຖິງລະດັບລາຍໄດ້ຂອງແຕ່ລະບຸກຄົນທີ່ແນ່ນອນ. ມູນຄ່າຂອງລາຍໄດ້ເຫຼົ່ານັ້ນແມ່ນຄົງທີ່ຕະຫຼອດຊີວິດຂອງປະຊາຊົນ.

The questionnaire

I) 6 Comparative Situations (CS1-6) represented by income vectors:

e.g. CS1: $A = (6, 8, 9, 11, 12, \underbrace{14}_{John})$ $B = (\underbrace{16}_{Paul}, 35, 40, 55, 65, 80)$

Which of J and P is better-off? (J, P, equally well-off)

II) 3 spelt-out questions;

III) Info on personal characteristics and family circumstances.

Descriptive results: CS1-6 general

Modal answers

(**R** and **A** for responses denoting a relativist and an absolutist stance, respectively)

	1	2	3	4	5	6
UBN	R	R	R	A	R	R
SBN	A	A	A	A	A	R

CS4: $A = (6, 8, 9, 11, 12, \underbrace{14}_{John})$ $B = (6, 9, 12, 13, \underbrace{16}_{Paul}, 35, 40, 55, 65, 80)$

CS6: $A = (6, 8, 9, 11, 12, \underbrace{16}_{John})$ $B = (\underbrace{16}_{Paul}, 35, 40, 55, 65, 80)$

Descriptive results: CS1-6 HICs vs LICs

	Modal answers											
	UBN						SBN					
	1	2	3	4	5	6	1	2	3	4	5	6
HICs	R	R	R	A	R	R	A	R	A	A	R	A
LICs	A	A	A	A	A	A	A	A	A	A	A	A

Most absolutist in direct HICs (H) vs LICs (L) comparisons

	UBN						SBN					
	1	2	3	4	5	6	1	2	3	4	5	6
	L	L	L	L	L	L	L	L	L	H	L	L

Explanatory variables

Age;

Gender;

Ethnicity;

Parents' job;

Perceived current family income;

6-levels scale from “very low” to “excellent”;

Perceived family lifestyle relative to others;

5-levels scale from “very much lower” to “very much higher”;

Experience of material hardship;

5-levels scale from “never” to “all the time”;

Political view;

7-levels scale from “extreme L” to “extreme R”

Year of study;

Country;

Discipline.

Econometric analysis: CS1-6 general

	PROBIT Y=1 if Rel=6 (>3)		OPROBIT Y=No of Rel	
	UBN (=6)	SBN (>3)	UBN	SBN
HICs	(always +***)		(always +***)	
MATHARD	0.238***	-0.158***	0.121**	-0.087**
AGE	0.032***	-0.003	0.014*	-0.004
PINC	-0.177**	0.062	-0.040	0.053
YEAR	0.020	-0.108**	0.011	-0.017
N	1,126	1,104	1,126	1,104
Prob>chi2	0.000	0.000	0.000	0.000
Pseudo R ²	0.1053	0.0502	0.0482	0.0254

(controlling for all independent variables)

We find that people do look downward...

... and who are the 'bad guys' looking downward?

Young relatively deprived Swiss Economists?!?

AGE* (- 0.0233765)

PERLST*** (-0.2128730)

MATHARD* (-0.1178629)

BRAZIL*** (-0.5513621)

ITALY*** (-0.5249971)

LAOS* (-0.4606786)

SWEDEN** (-0.4285914)

BOLIVIA** (-0.5750658)

SOCIALSC** (-0.3200886)

Probit model, Y=1 if 'look downward'

Country and discipline dummies against CH and ECOBUS, respectively.

N=869

Prob > chi2 = 0.018

Pseudo R2 = 0.0416

The 'Island dilemma'



Where would **you** go?
(respondent's involvement)

SBN: $Y_{BN}=15$

Descriptive results

Options (paraphrased):

- 1) Would go for 18 and wouldn't care about others; (**A**)
- 2) Would go for 18 but... would weigh on me; (**AR**)
- 3) Would go for 13. (**R**)

	Responses in %			
	1	2	3	N
UBN	19	16	65	1916
SBN	28	35	37	1902

HICs more relativist

Ordered Probit for degree of relativist concern

Y=1,2,3 if **A**, **AR**, **R**, respectively

	<i>UBN</i>	<i>SBN</i>	<i>All data</i>
MALE	-0.160***	-0.173***	-0.164***
MATHARD	0.090**	0.021	0.055**
PINC	-0.119***	0.001	-0.058**
UBN dummy			0.554***
Country dummies (against BOLIVIA)	All +***	All non sign	All +***
Disc dummies (against SCIENCE)	All +***	All non sign	All non sign
N	1,845	1,845	3,690
Prob>chi2	0.000	0.000	0.000
Pseudo R ²	0.0236	0.0111	0.0385

Some preliminary conclusions

- Predominant relativist view, but conditional on sufficiency.
- Interpersonal comparisons take place by looking both 'upward' and 'downward'.
- HICs more relativist attitude to wellbeing than LICs.

In particular: Sweden $>^R$ other HICs $>^R$ Brazil $>^R$ other LICs.

- Relevant influence of experience of material hardship, still to be fully interpreted.

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