Social Capital as a Major Predictor of Subjective Well-Being in the Long-Run

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In recent years, animated interdisciplinary discussion has been fuelled by the evidence that, in the long-term, people's subjective well-being (SWB) is not significantly influenced by an increase in their income. This evidence, labelled Easterlin paradox, has been recently questioned by Stevenson and Wolfers (2008). However, Easterlin and Angelescu (2009) have provided conclusive evidence on the robustness of the paradox, showing that Stevenson and Wolfers fail to distinguish between the short and long-term relationship between SWB and income. Using a bivariate methodology with SWB growth regressed on the GDP rate of growth, they document that in the short term SWB and income are related but unrelated in the long run, in: i) developed countries ii) developing countries iii) transition countries iiii) all countries together. These results raise a question: If income does not predict SWB in the long-run, what variables are able to predict it? We provide some macro evidence - from several developed and developing countries - showing that the trends of social capital (SC) are a major predictor of the trends of SWB, in the long-run. We run regressions similar to Easterlin and Angelescu (2009) **substituting for income with social capital.** Our measure of SC is the individual membership in groups or associations. We provide a long-term analysis (SC time series spanning at least 15 years). While in the case of Easterlin and Angelescu the sample is limited by the availability of SWB long time series, in our case the limit lies in social capital long time series. Since long-term time series are unavailable for transition countries, our analysis is limited to developed and developing countries. World Values Survey is the only suitable dataset for these purposes. We confirm that in the long-term SWB and income are unrelated and document that SWB and social capital are strongly and positively related. Indeed, SC coefficients are big and significant for i) developed countries ii) developing countries iii) all countries together. Moreover, we provide several robustness checks of Easterlin and Angelescu's and our analysis, confirming the results. This paper is a part of a larger research project aimed at showing that social capital is a major predictor of SWB, in the long-run. This has been has been previously documented for the US in the last 30 years (Bartolini, Bilancini and Pugno 2008) and the Germany in the last 20 years (Bartolini, Bilancini and Sarracino 2009), using micro data.