

Is the Evolution of Subjective Well-Being Predetermined over the Life Cycle? Evidence from the German Socioeconomic Panel

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1 Abstract

Many cross-sectional subjective well-being (SWB) studies find that subjective well-being is U-shaped over the life cycle. Several recent papers using repeated cross-sections (Blanchflower & Oswald, 2007) or panel data (Clark, 2007; Clark & Oswald, 2007) have investigated whether this pattern is caused by cohort effects rather than aging. Indeed, some people are born in better times than others. These studies, based on evidence from Europe and the U.S., confirm the U-shaped pattern.

This paper tries to offer a twofold contribution to the existing literature. First, following Fuchs-Schuendeln & Schuendeln (2005), information from the German Socioeconomic Panel (GSOEP) allows the construction of a household's wealth estimate. This offers the opportunity to further integrate the empirical research on subjective well-being and aging with economic theory, more in particular with the well-known life-cycle model. Second, there is only panel data evidence from the British Household Panel Survey (BHPS). As the methodology proposed by Clark & Oswald, allowing for simultaneous identification of time and aging, requires a long time dimension for a sound statistical analysis, the empirical research may benefit from insights obtained from the GSOEP, which is likely to be the longest-running panel containing an SWB-indicator.

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An additional incentive to study life-cycle well-being in the GSOEP is provided by the dissimilarities between the history of Germany and both the rest of Europe and the U.S.. As an extension to current research, an attempt is made to relax the assumptions that the effects of one's birth cohort are fully captured by an intercept and that there are no interaction effects between one's age and other (socioeconomic) variables.

Results show that the relationship between age and subjective well-being varies dramatically between the model specifications. While the findings seem to comply with the well-established U-shape, the findings also strongly suggest that life-cycle well-being can be influenced and altered by socioeconomic factors: the cycle of SWB over age is not predetermined. Moreover, results provide some evidence that preferences can change over the life cycle and that they can be shaped by birth cohort.

2 References

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