Explorations of welfare and well-being

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In this book, an attempt is made to show that the economic analysis of self-reported levels of satisfaction is meaningful and fills a void in economics. As such, this book incorporates case studies of the determinants of satisfaction with income, termed welfare, and of satisfaction with life as a whole, termed well-being. The case studies looking at welfare are based on Russian data, whereas the case studies looking only at well-being are based on Russian and German data. The analysis of welfare in Russia in the period 1991-1996 revealed that welfare poverty, which is very low in Western Europe, reached very high levels in 1991 and has not changed substantially ever since. An analysis of the reliability of self-reported income levels revealed that it was likely that incomes are substantially under-reported in Russia.

If the methodology used is validated, the results indicate that the unreported, 'grey' economy, is as big as the reported, 'official', economy. The cold climate affected welfare and well-being negatively in Russia, indicating that global warming is likely to have some beneficial effects on the welfare of Russian individuals. Russian and German individuals were more likely to intend to change and to actually change aspects of their lives if they were unsatisfied with that area of their lives. Also, they seemed to value and remember those areas of their lives more if they were satisfied with that area. These findings give limited support to the hypothesis that individuals try to maximize well-being. If this hypothesis is true, satisfaction levels could be used as the basis of micro-economics and as the basis of public choice.

Paul Frijters (1970) studied econometrics at the RijksUniversiteit Groningen. His final project was an empirical investigation into discrimination, education and productivity in the clothing industry in South Africa. During his Ph.D. project he became actively involved in research on poverty, discrimination, unemployment, coordination, and the economics of finite resources. He currently works at the VU on projects concerning the in and outflow of individuals in the benefit system.