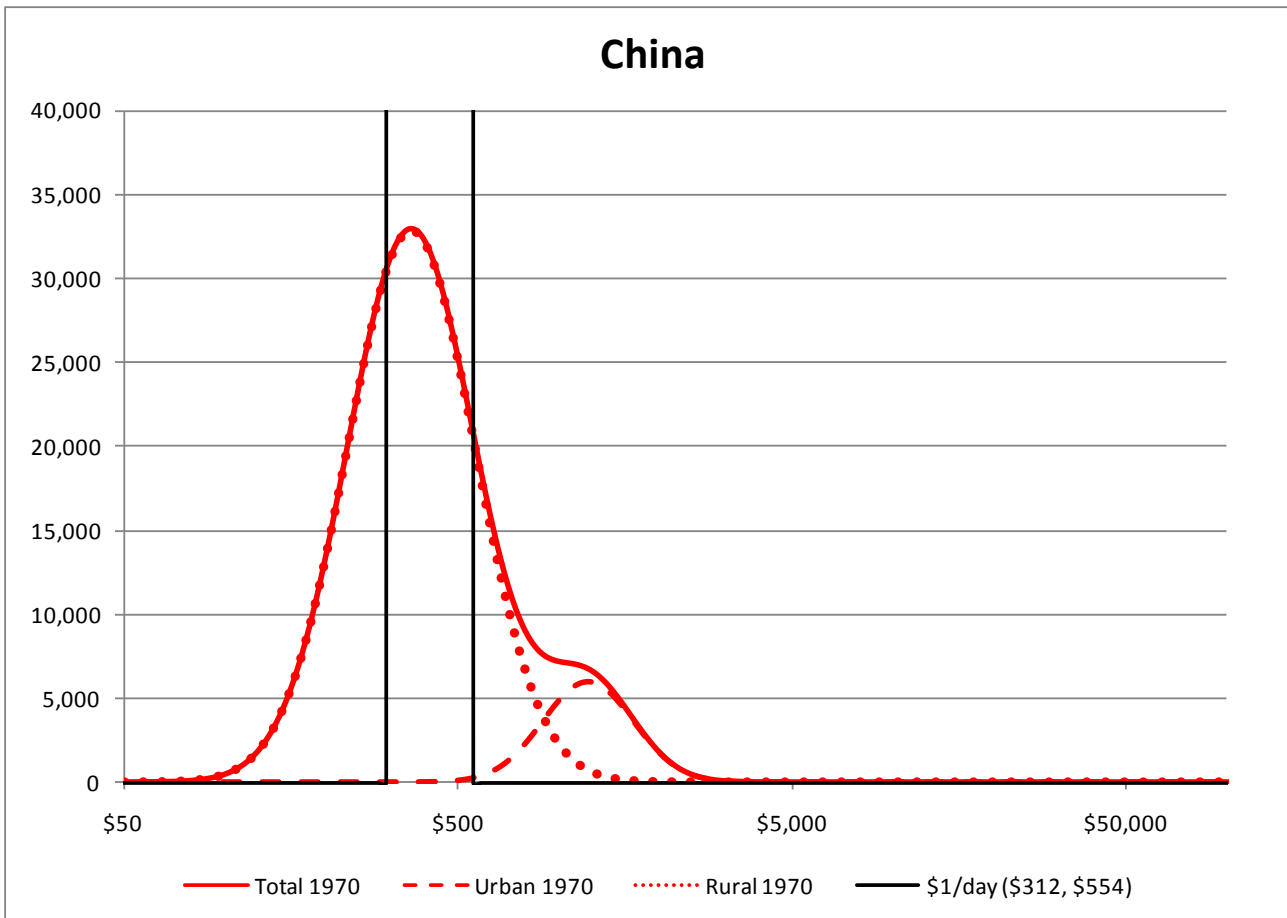
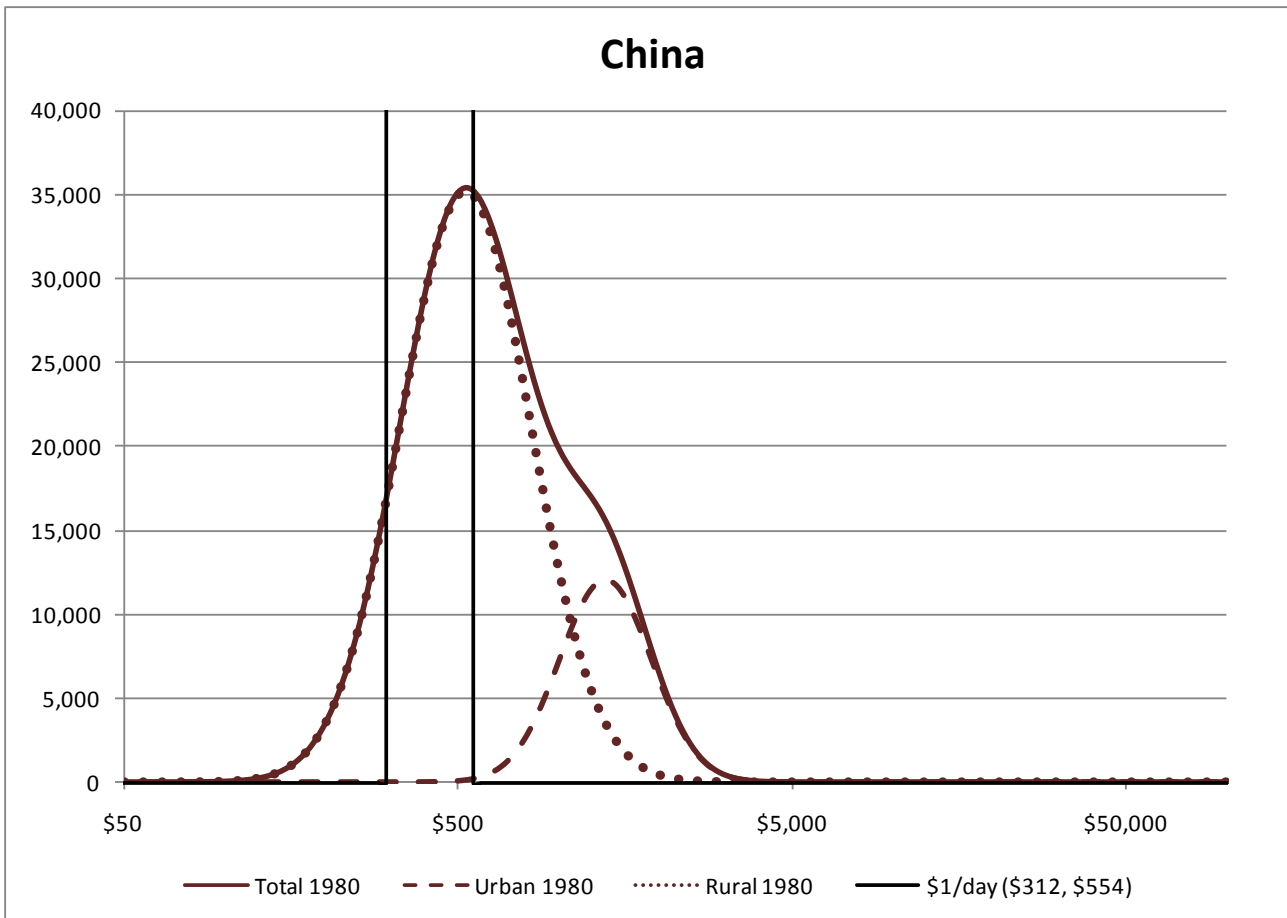


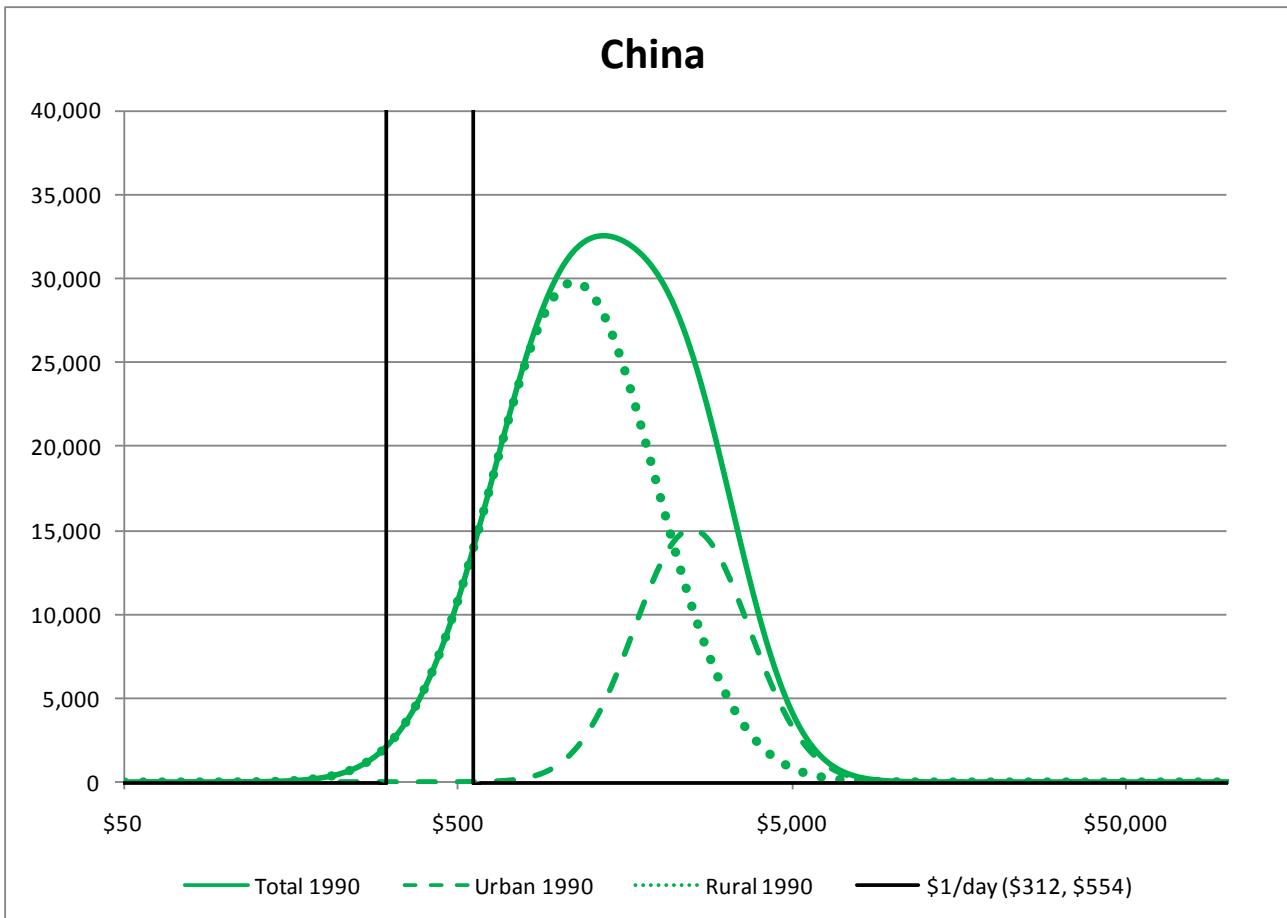
# China



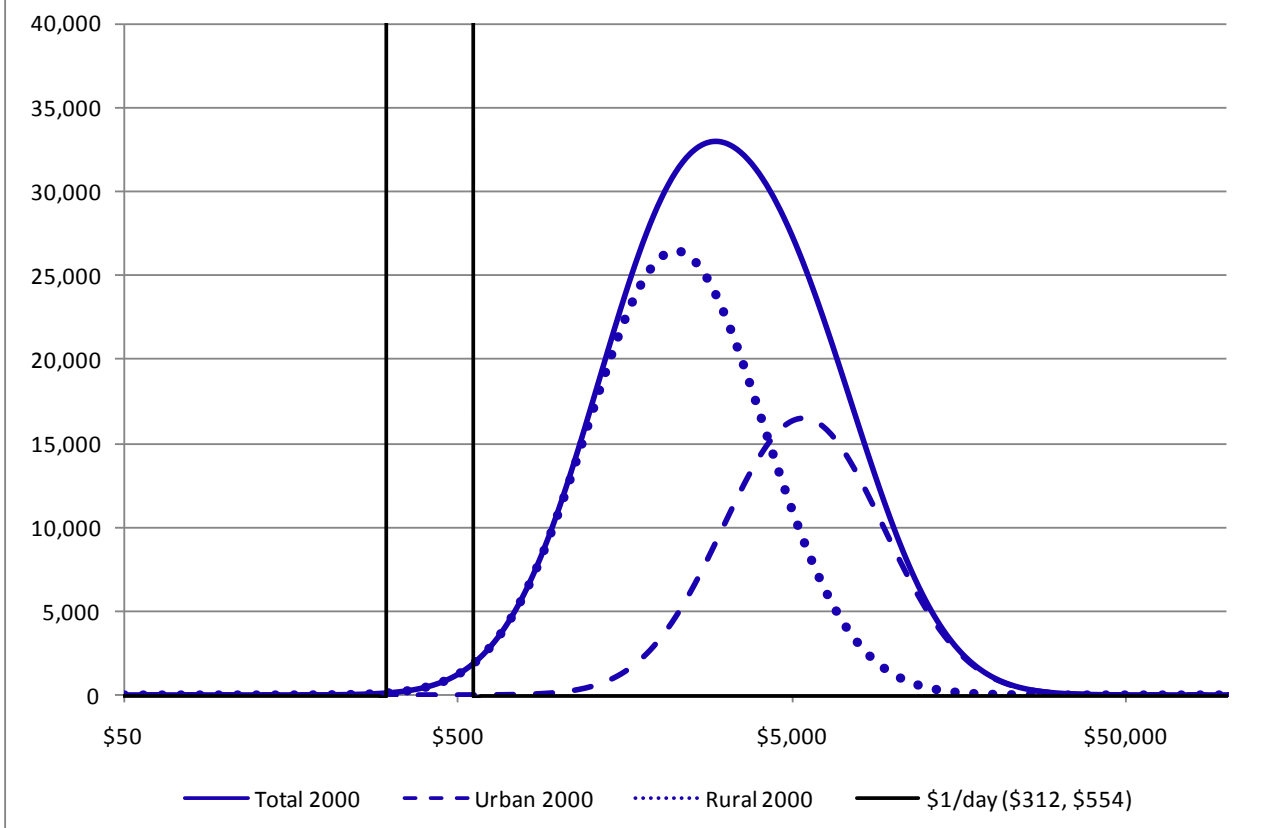
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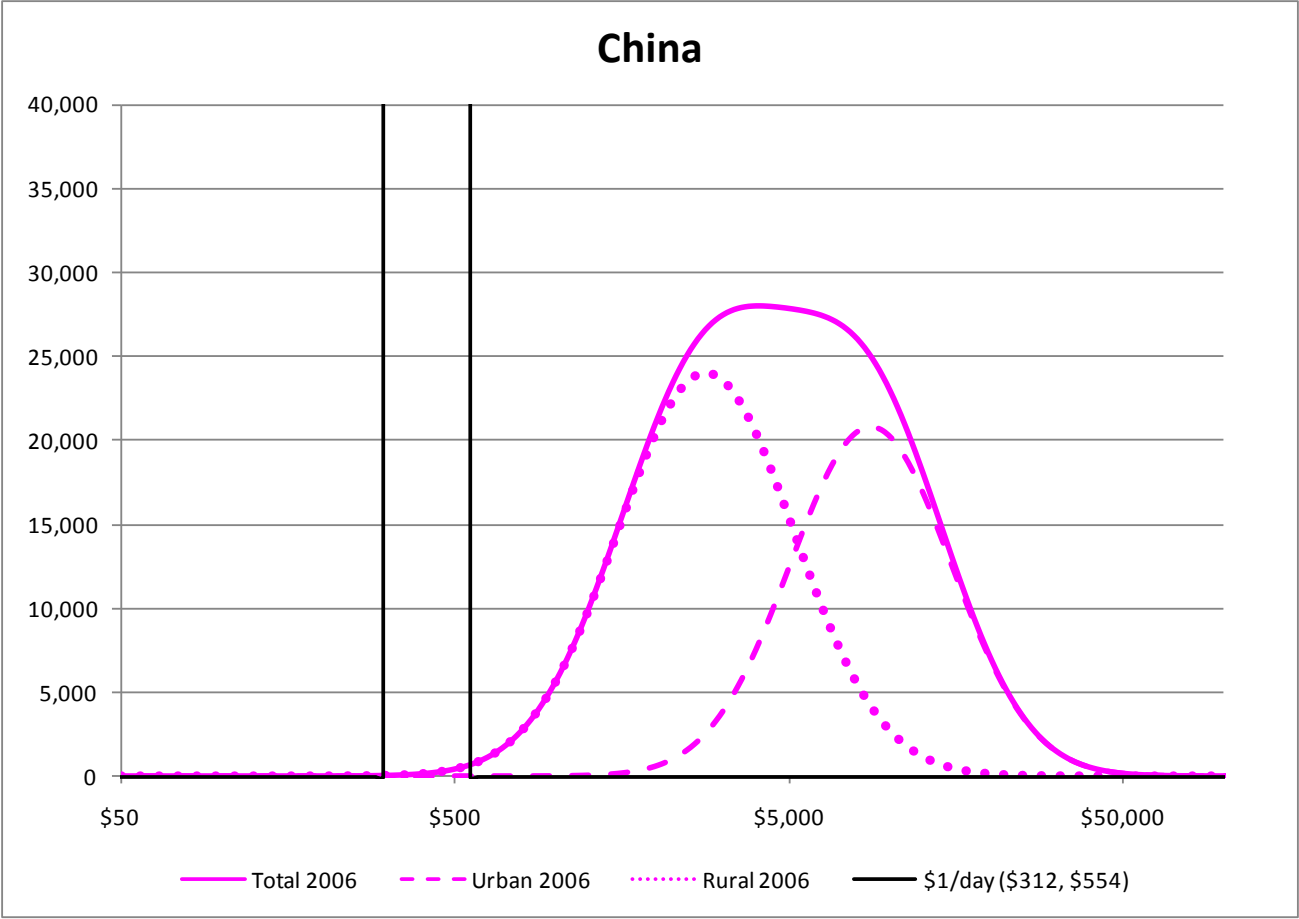


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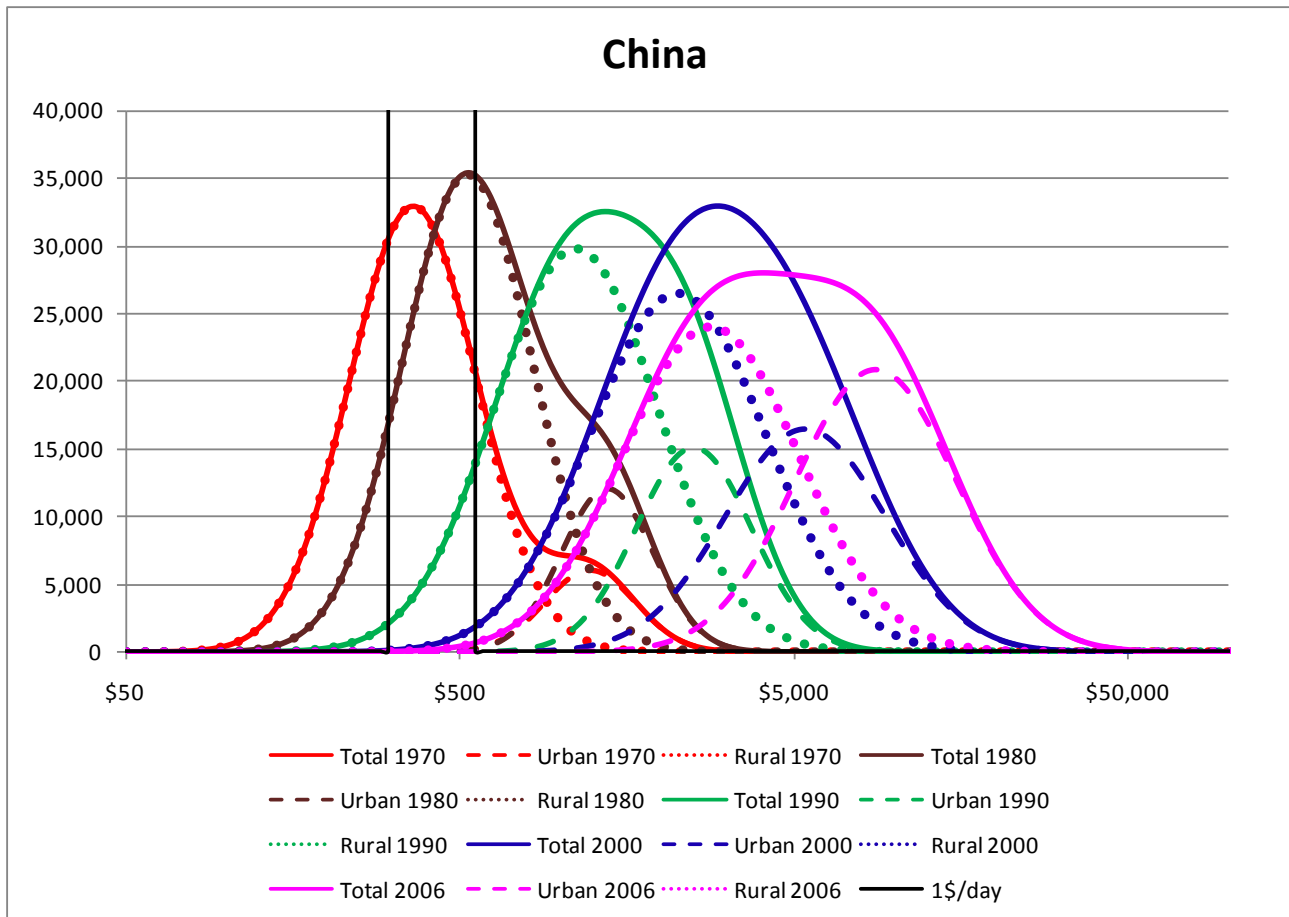
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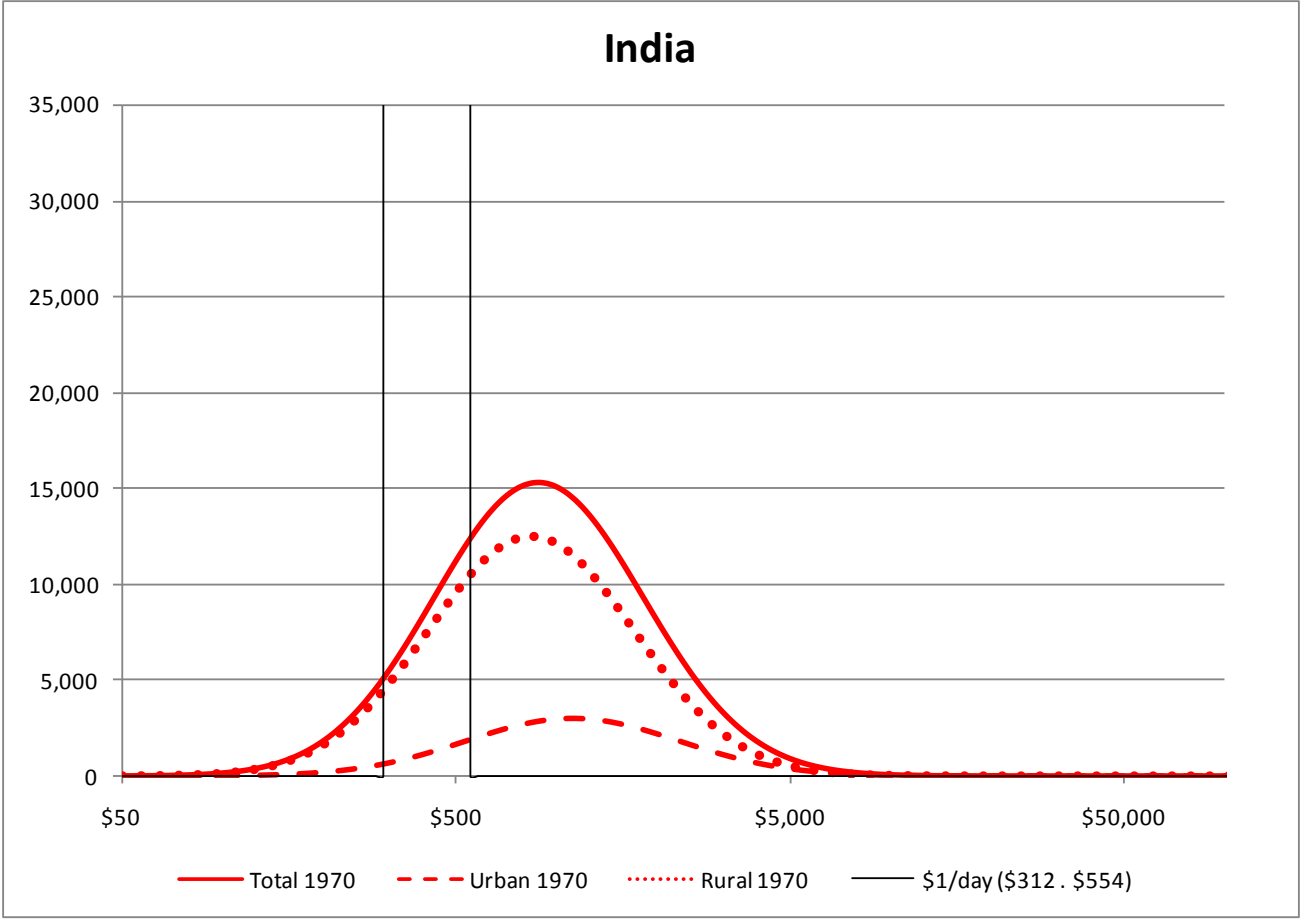


[Back](#)

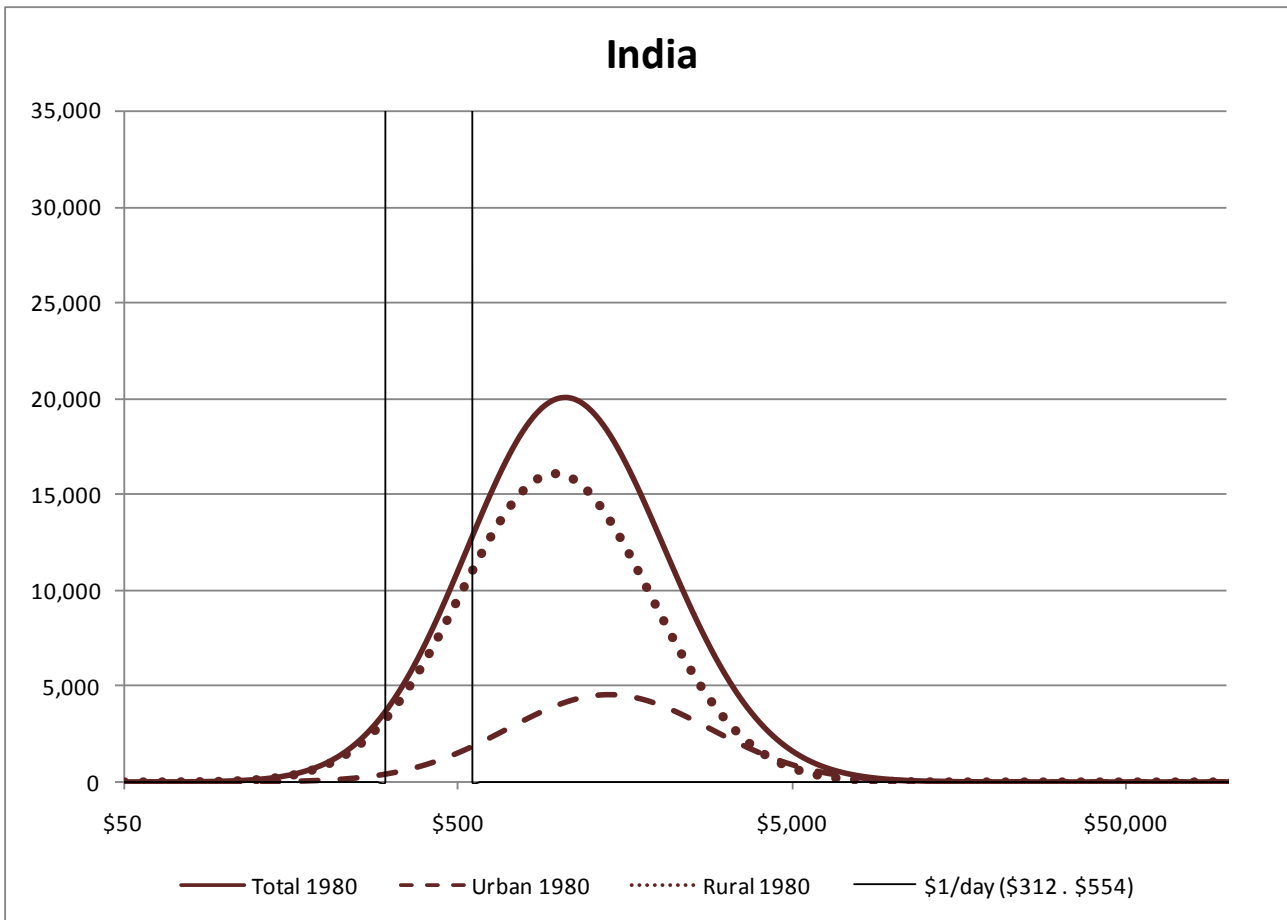
# Distribution of income



# India

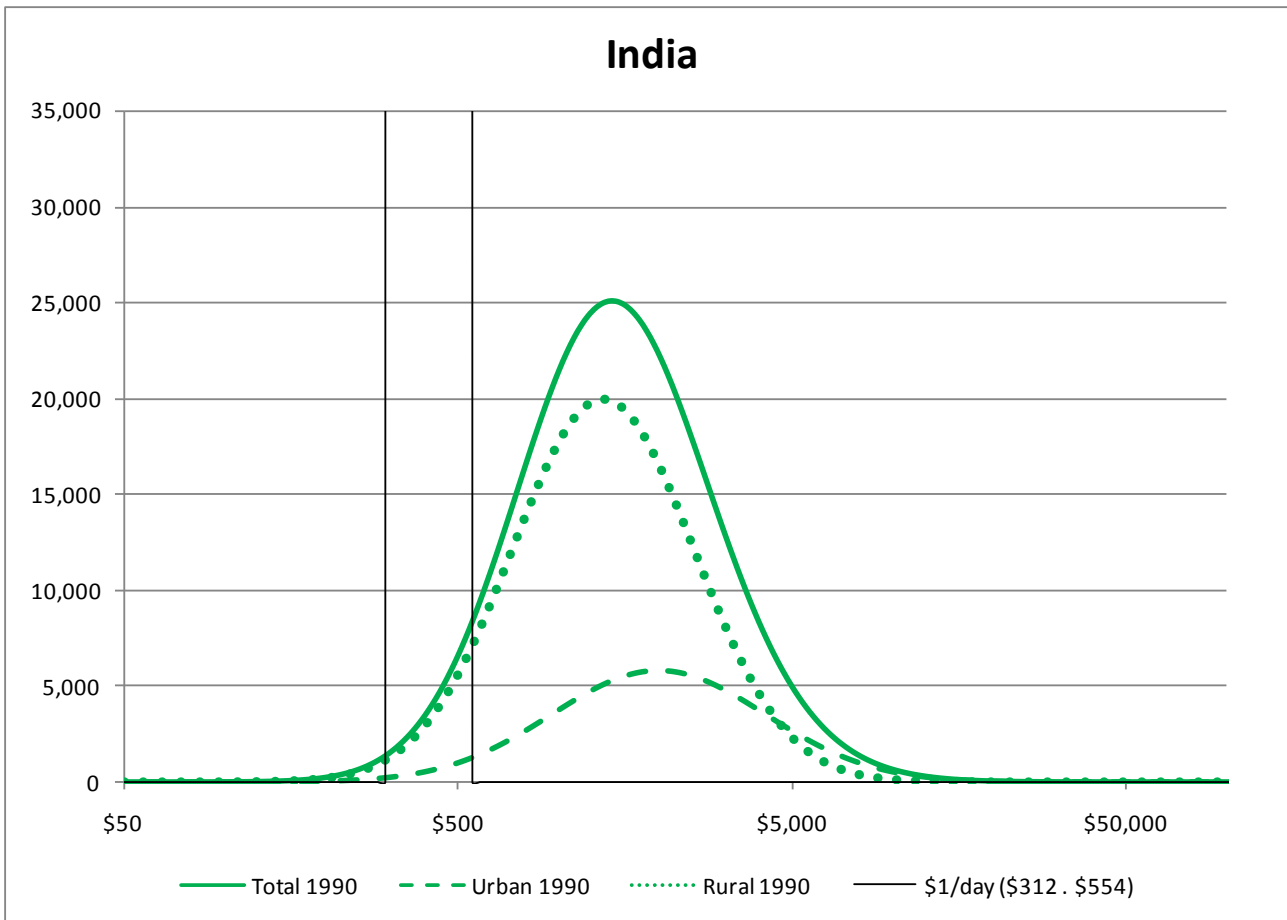


# India

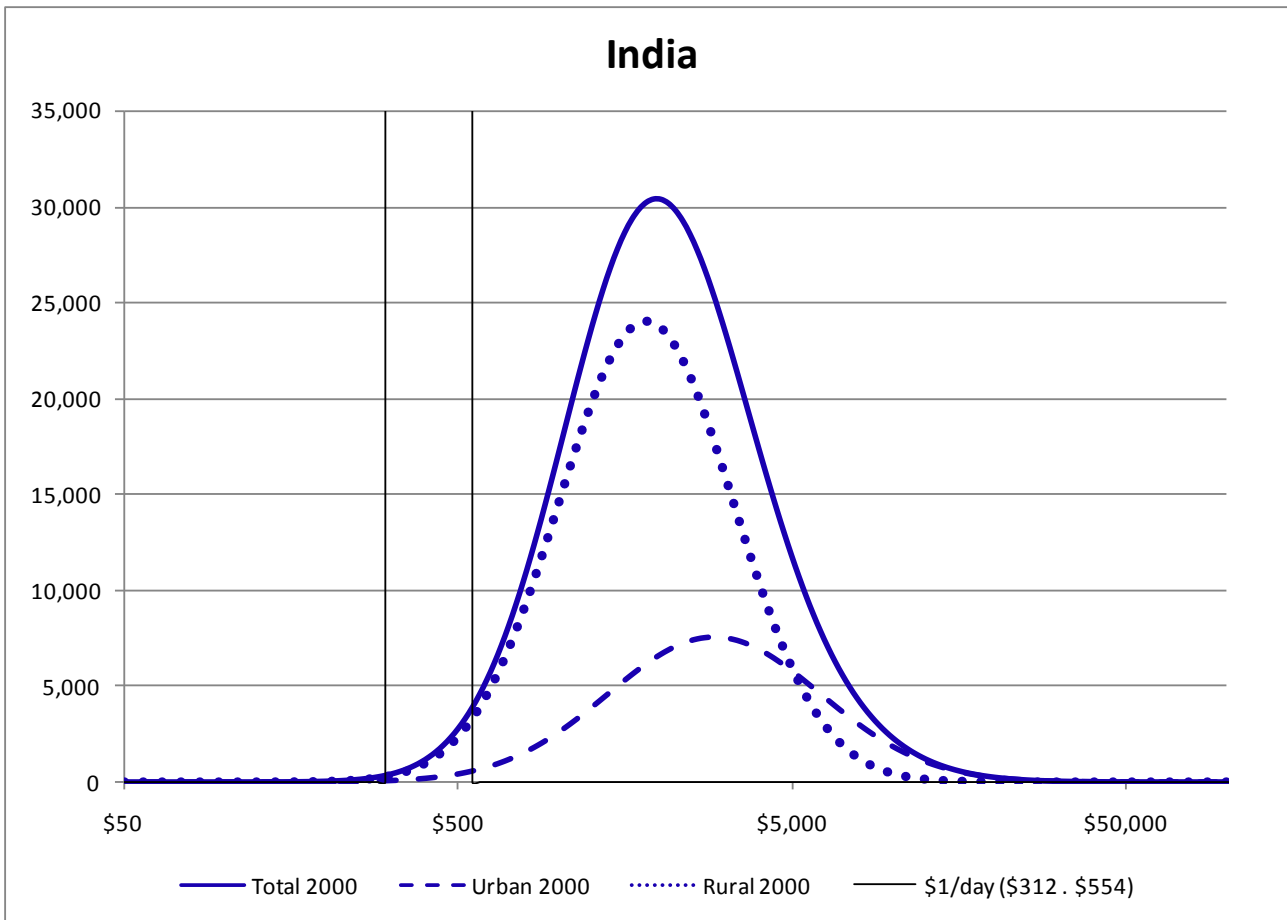


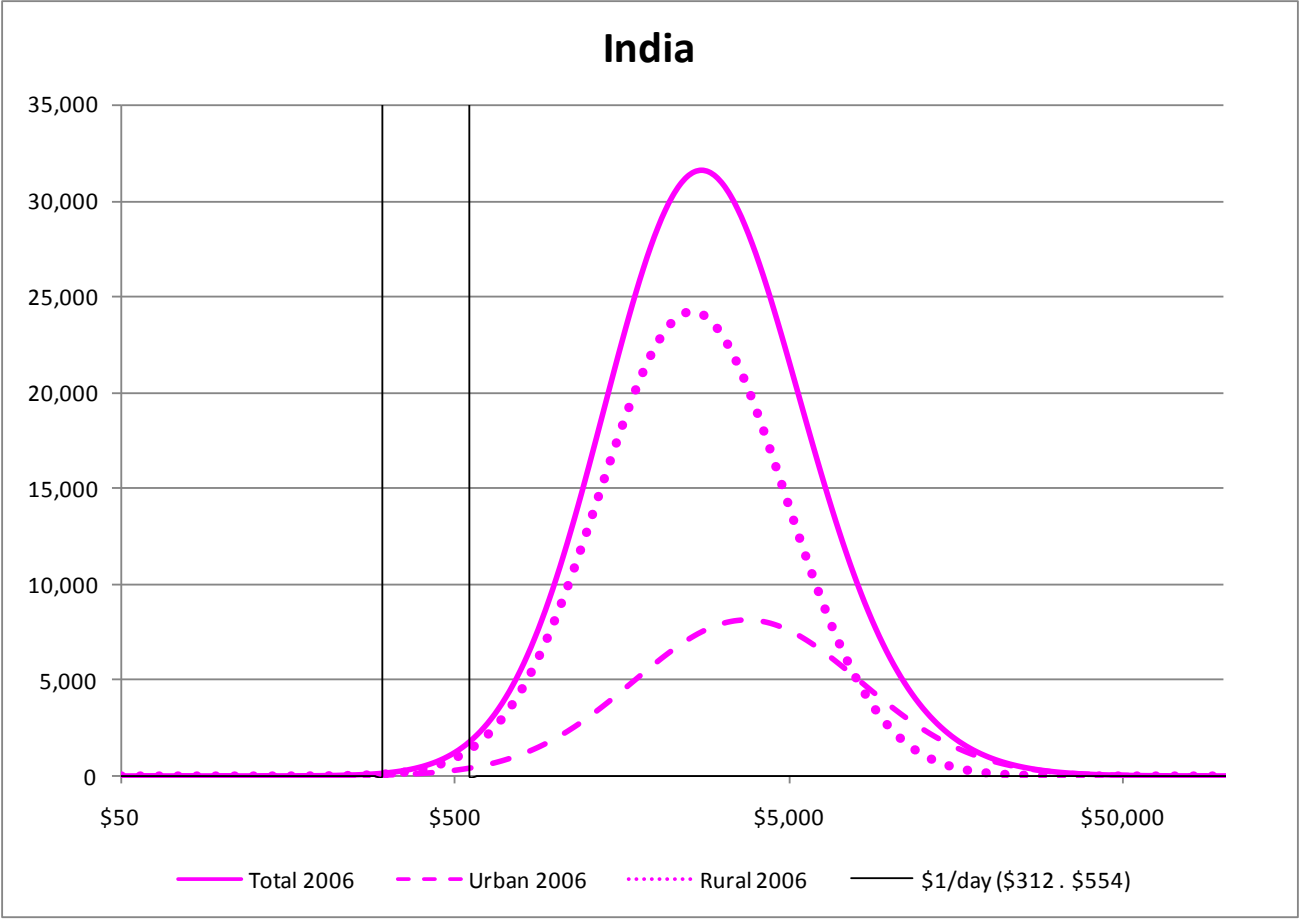


# India

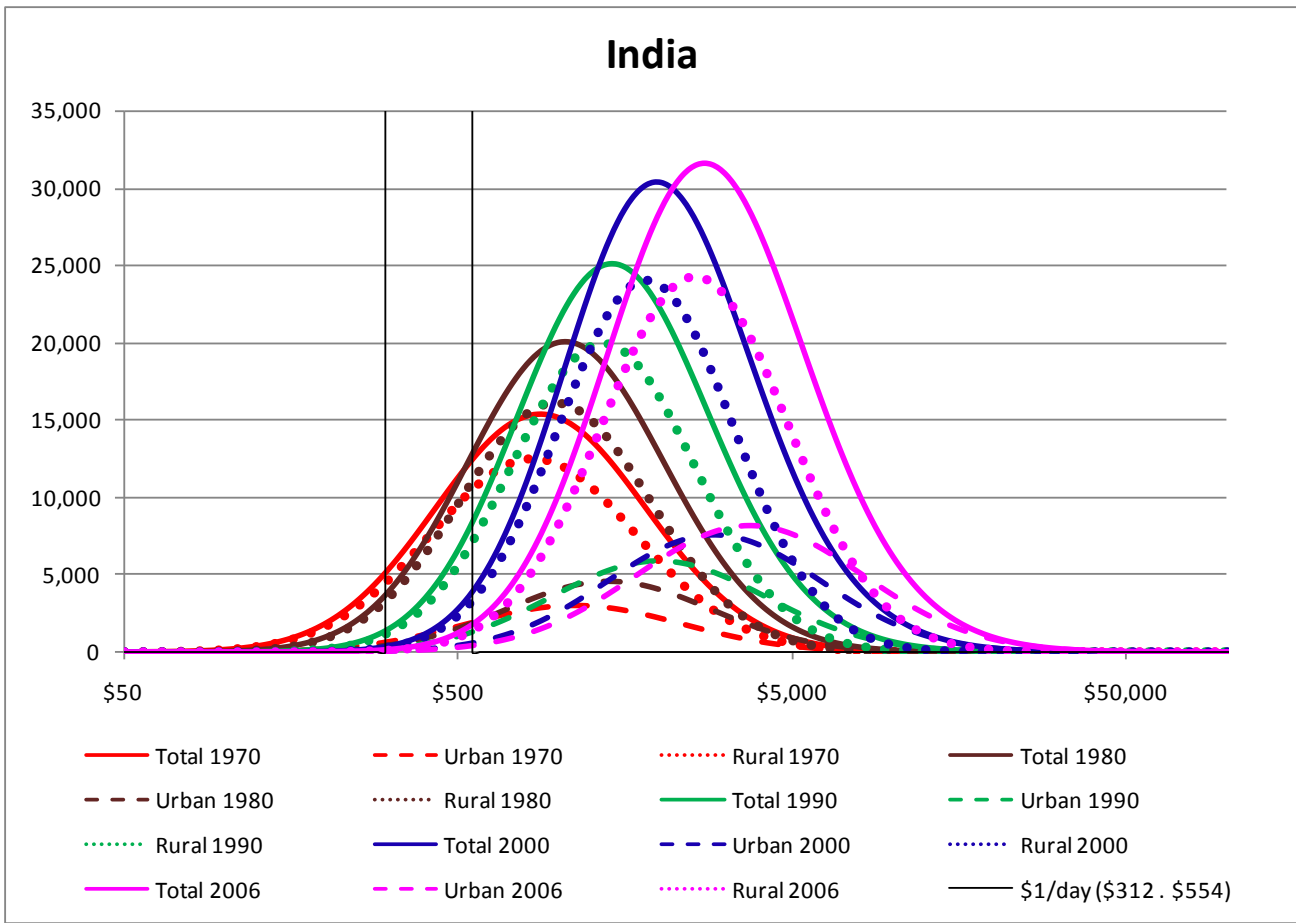


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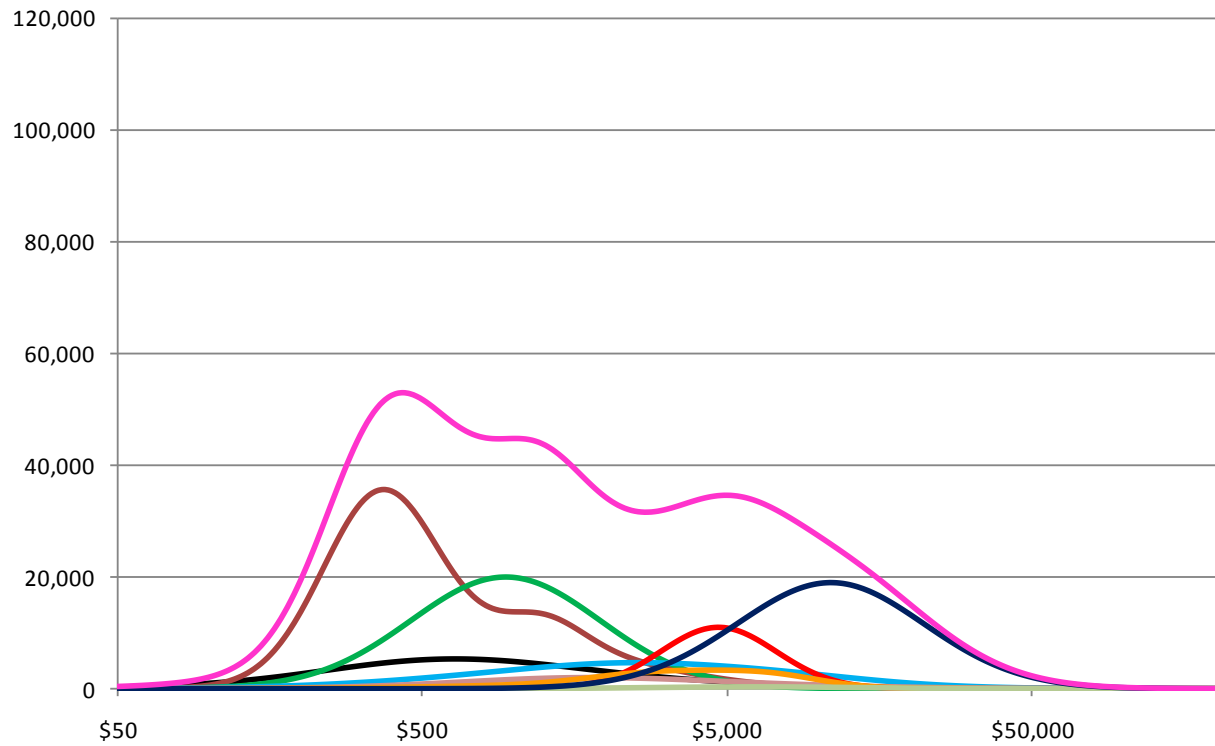




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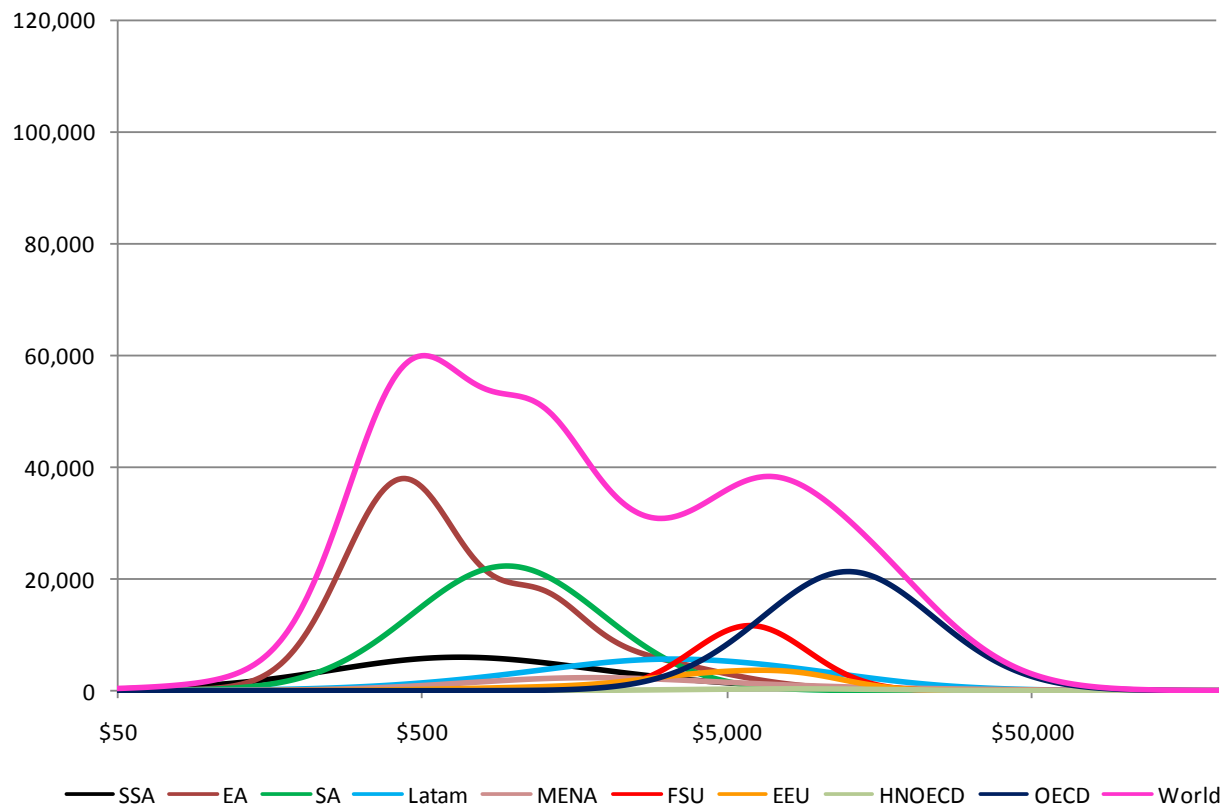


1970

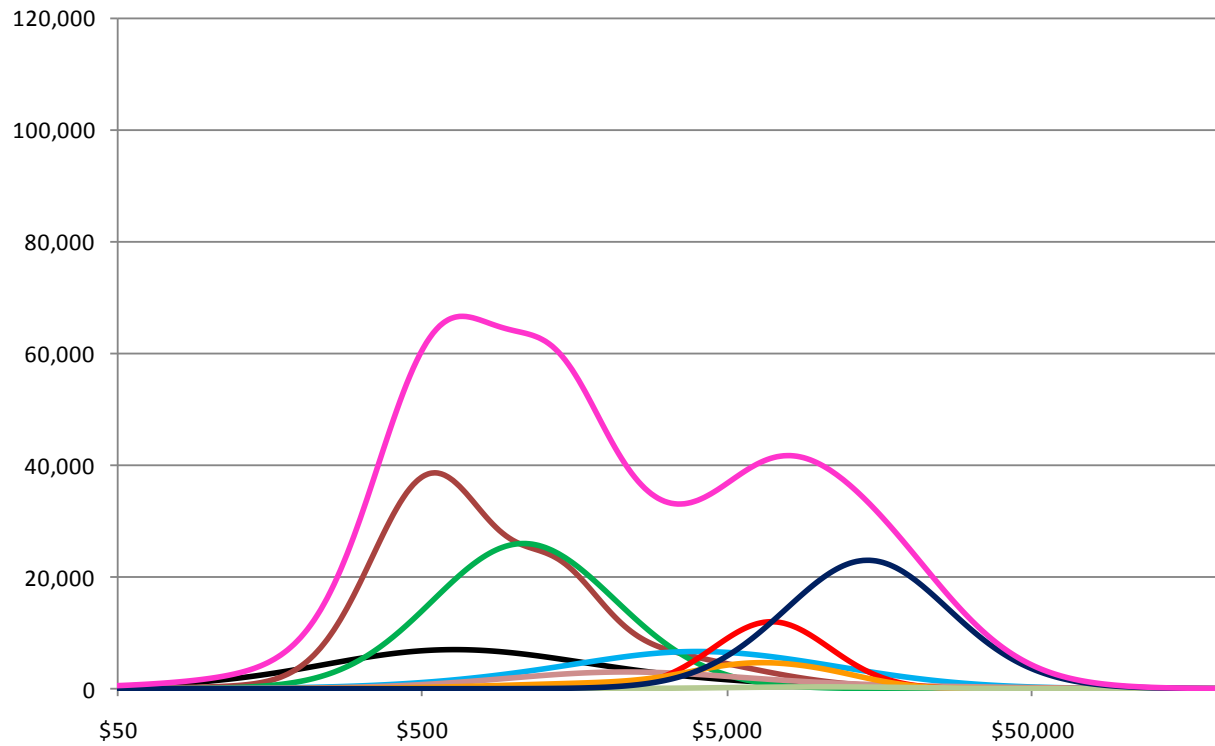


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1975

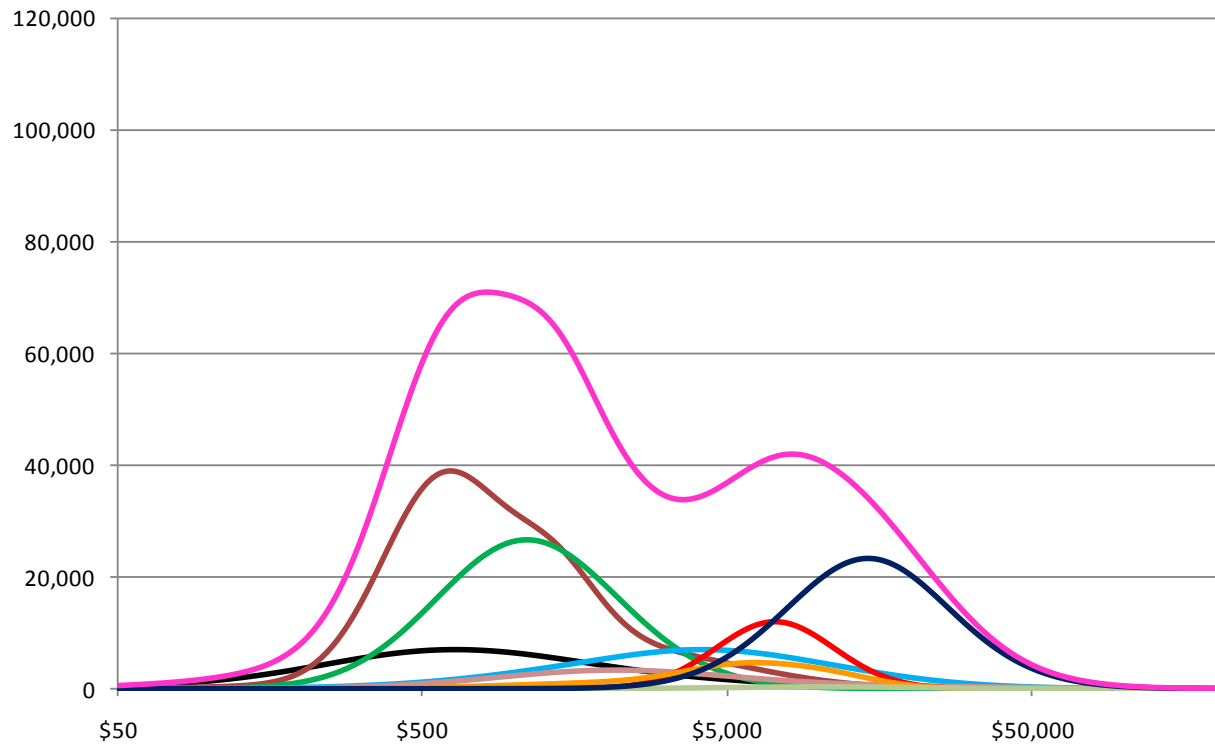


1980



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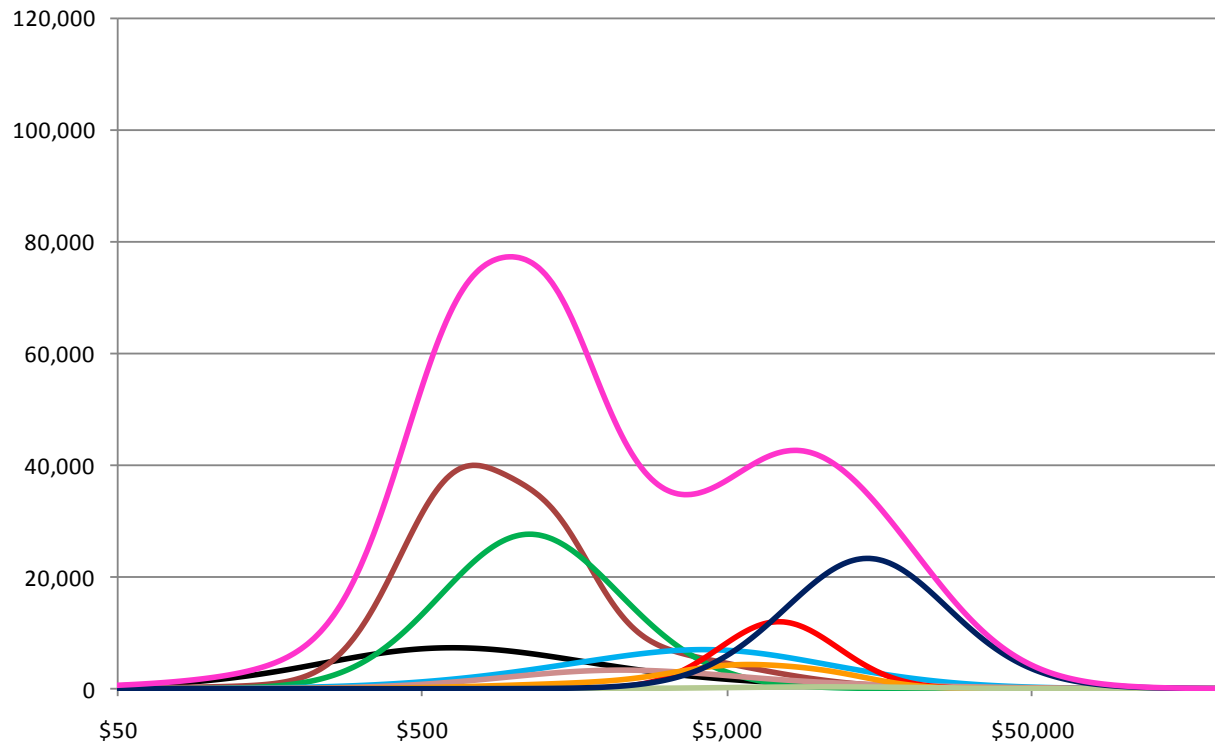
1981



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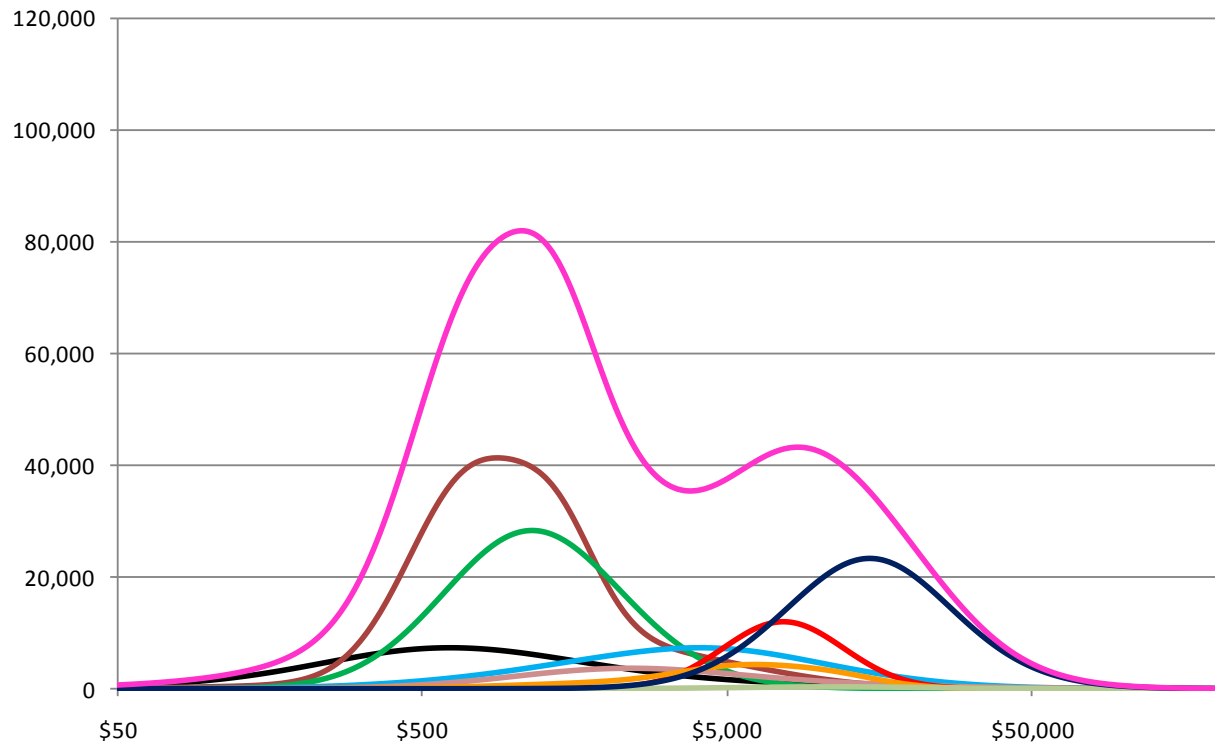


1982



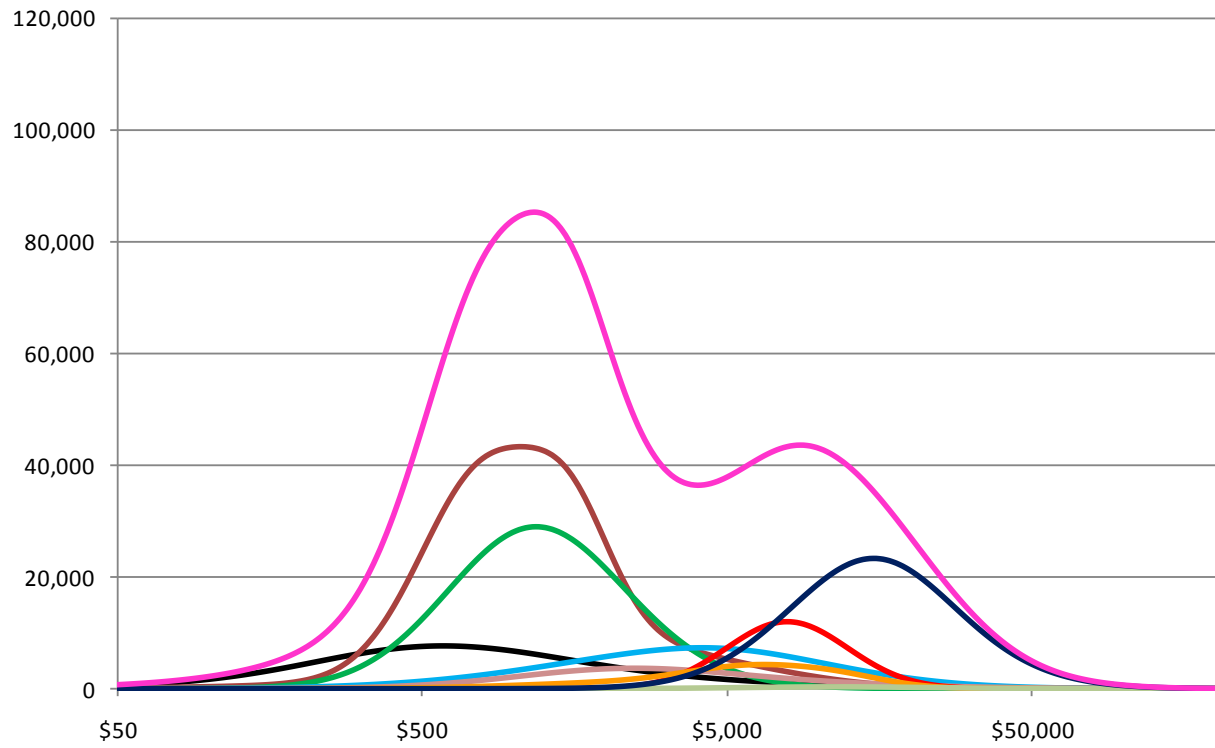
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1983



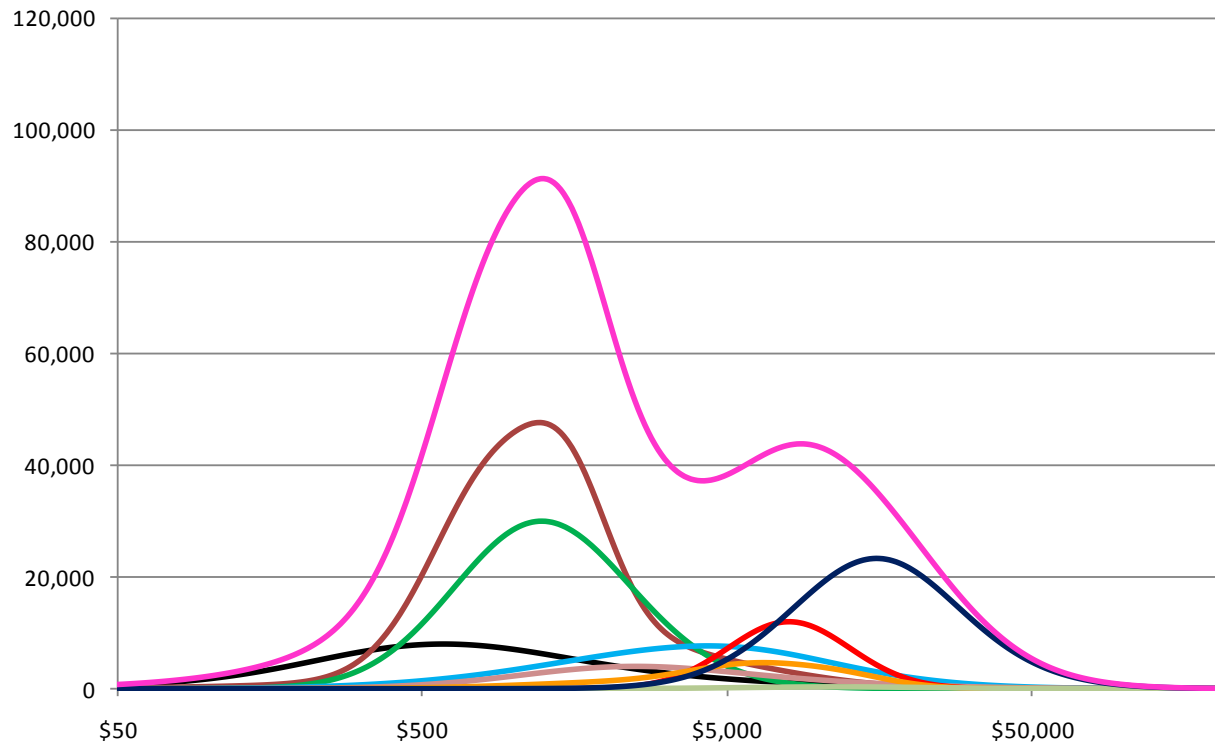
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1984



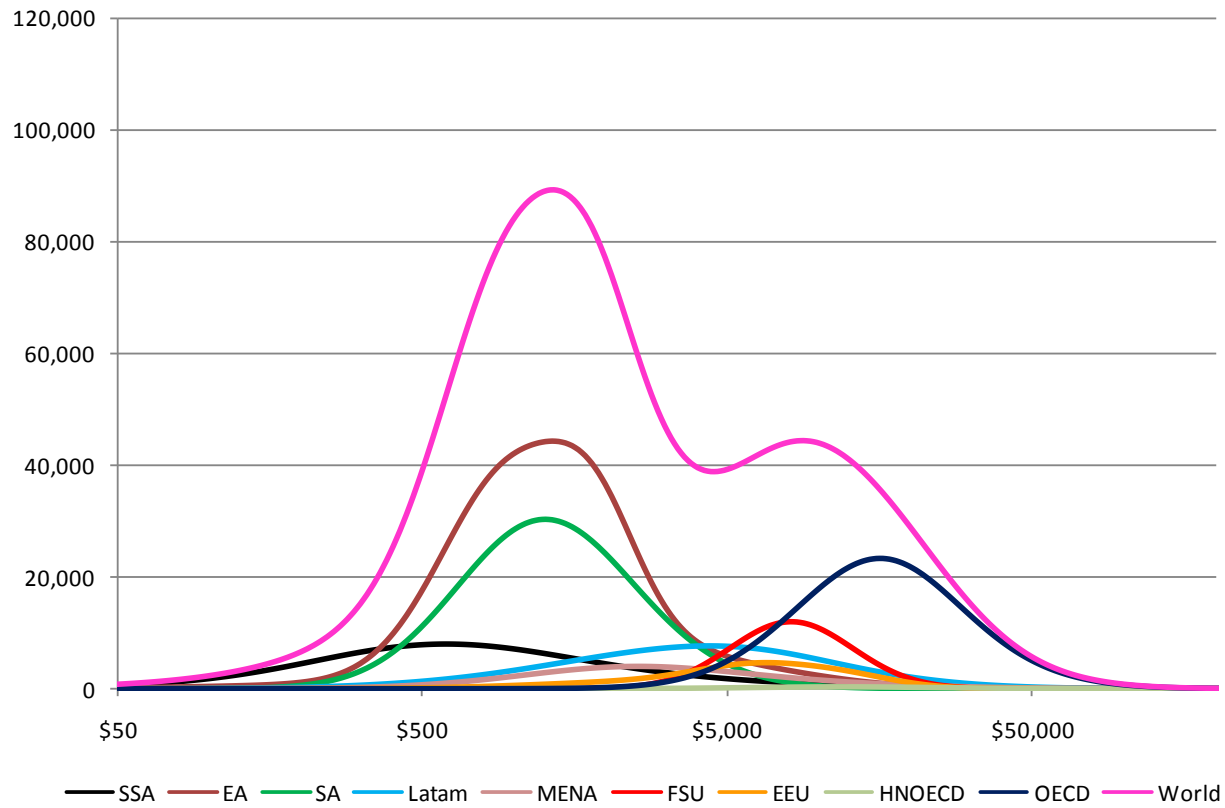
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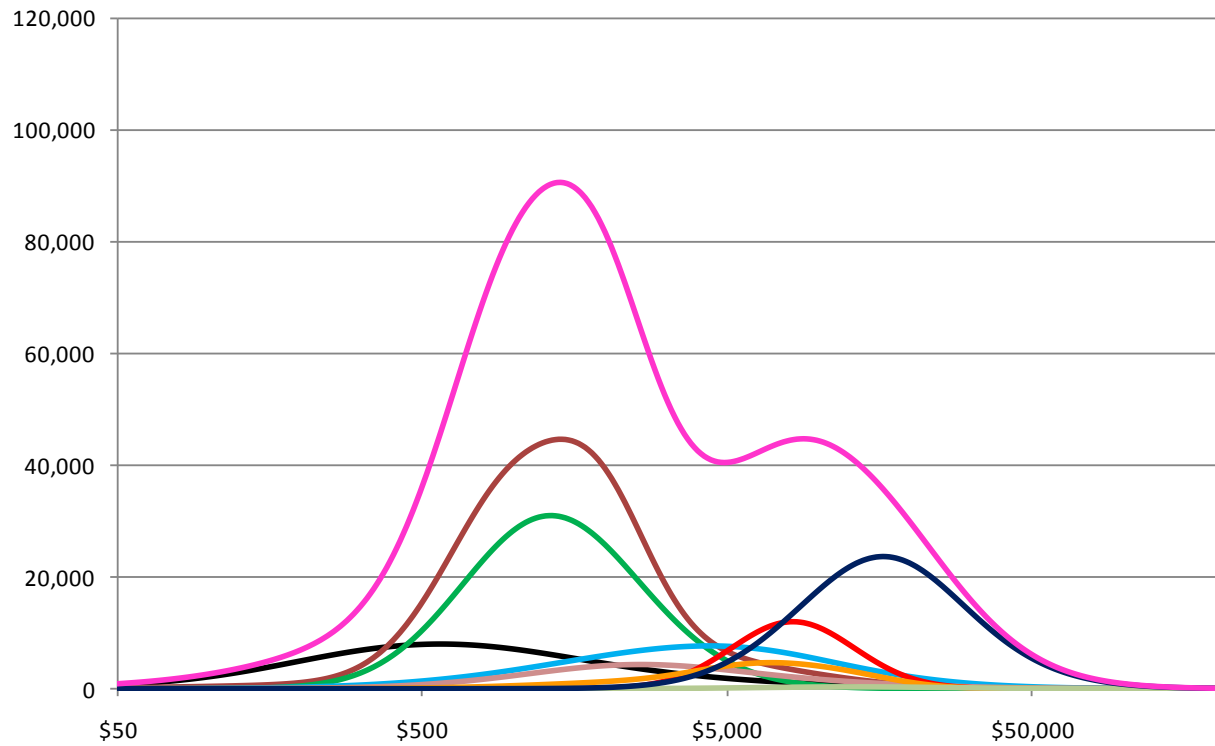


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1986

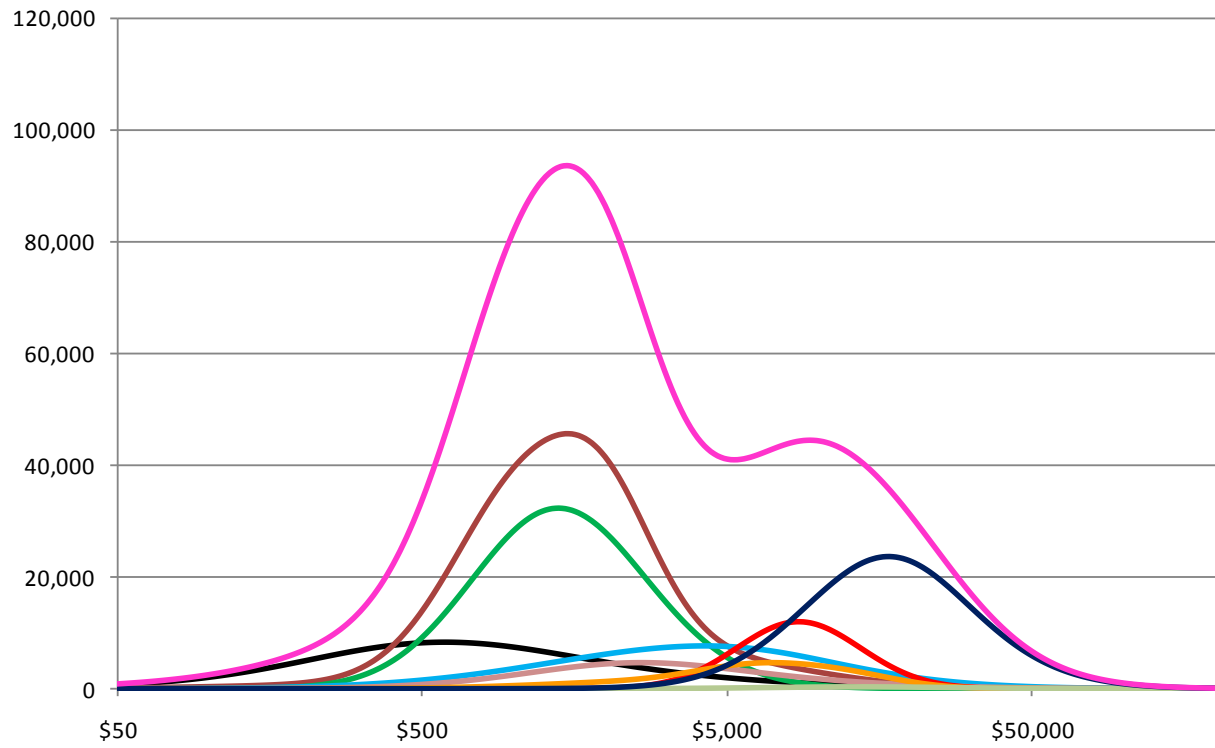


1987



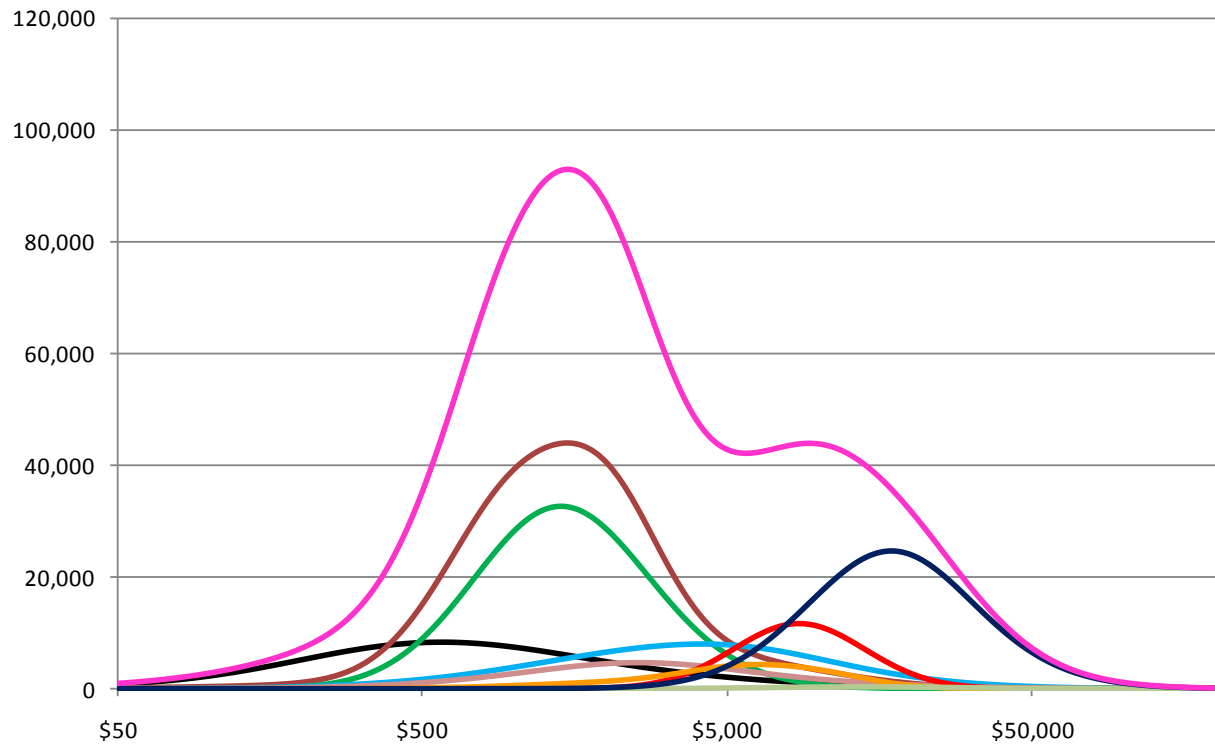
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1988



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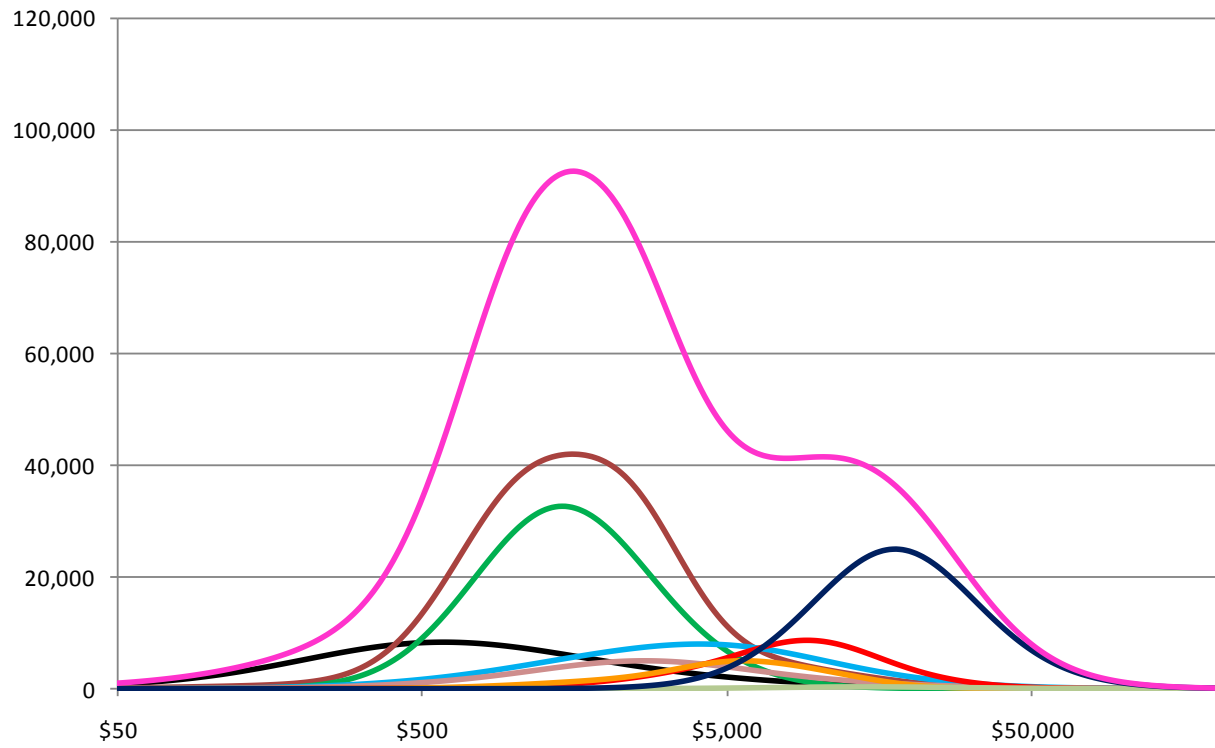
1989



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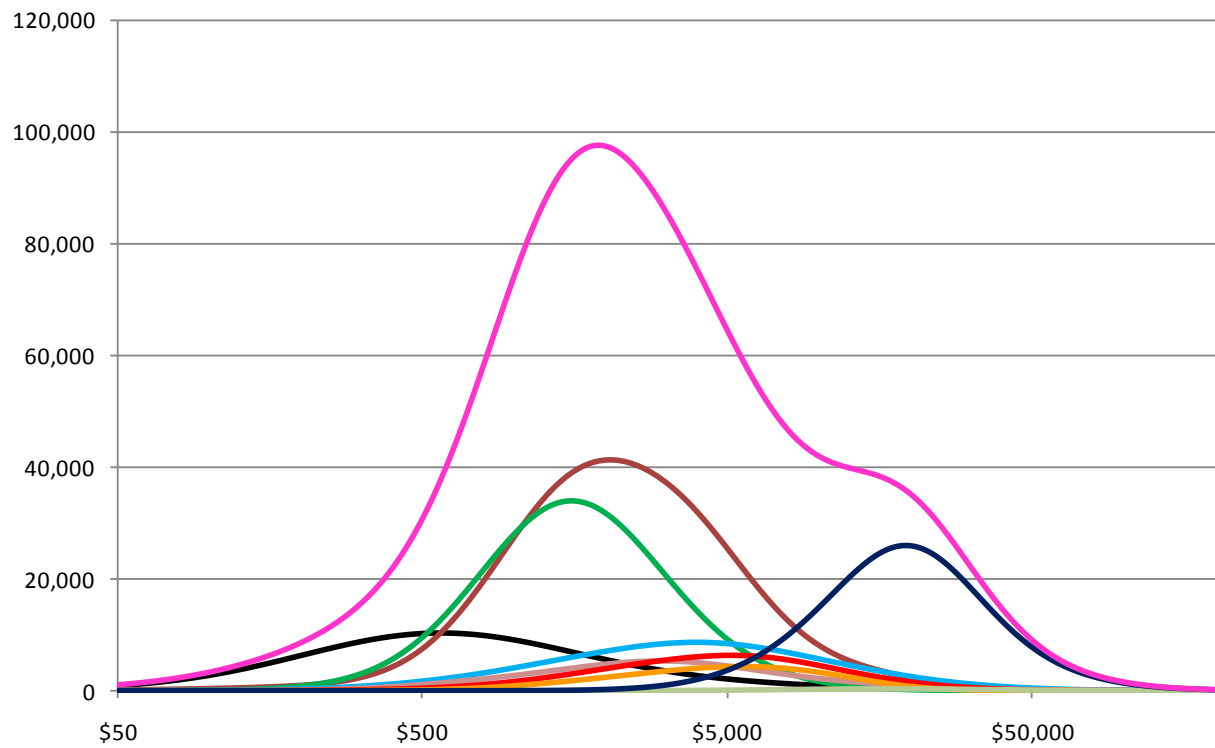


1990



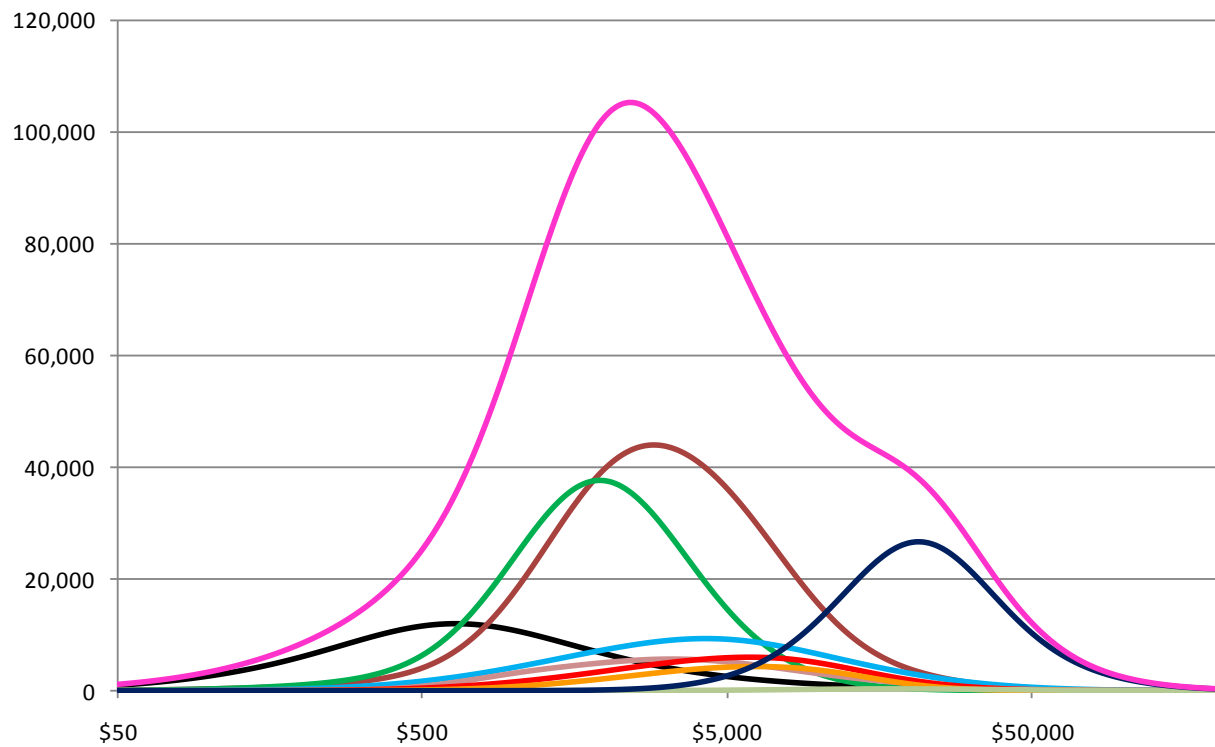
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1995



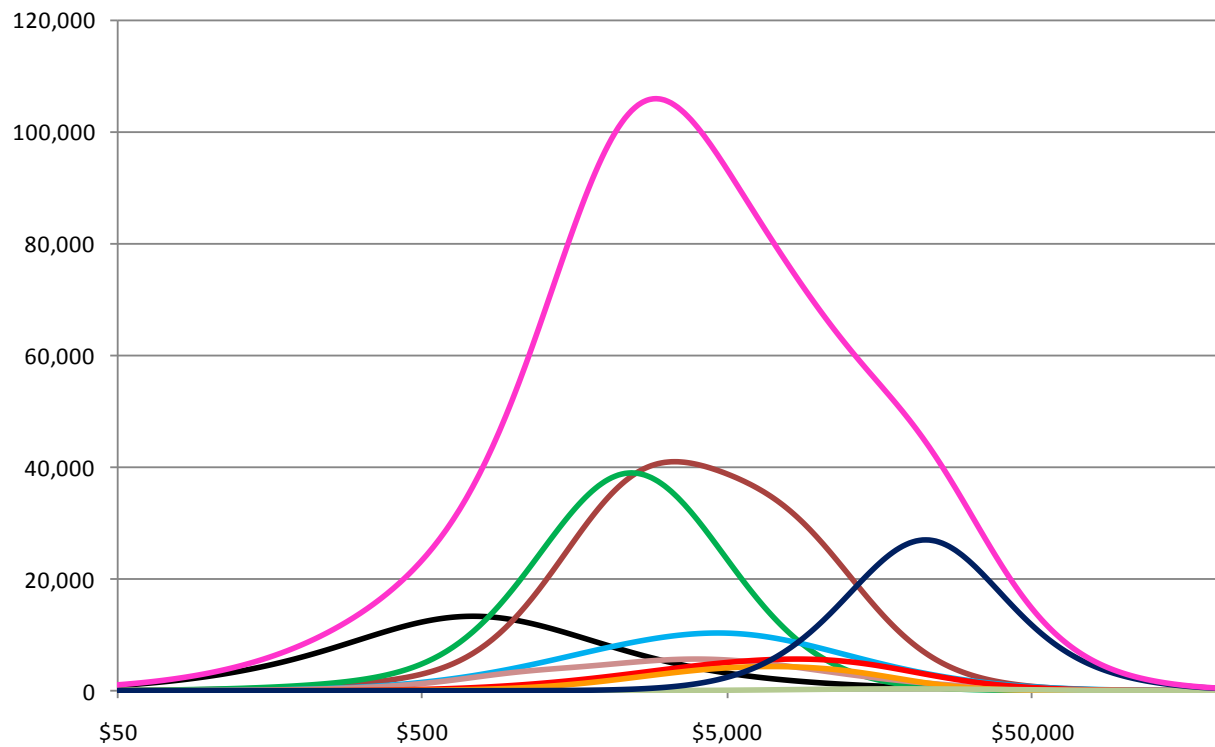
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2000



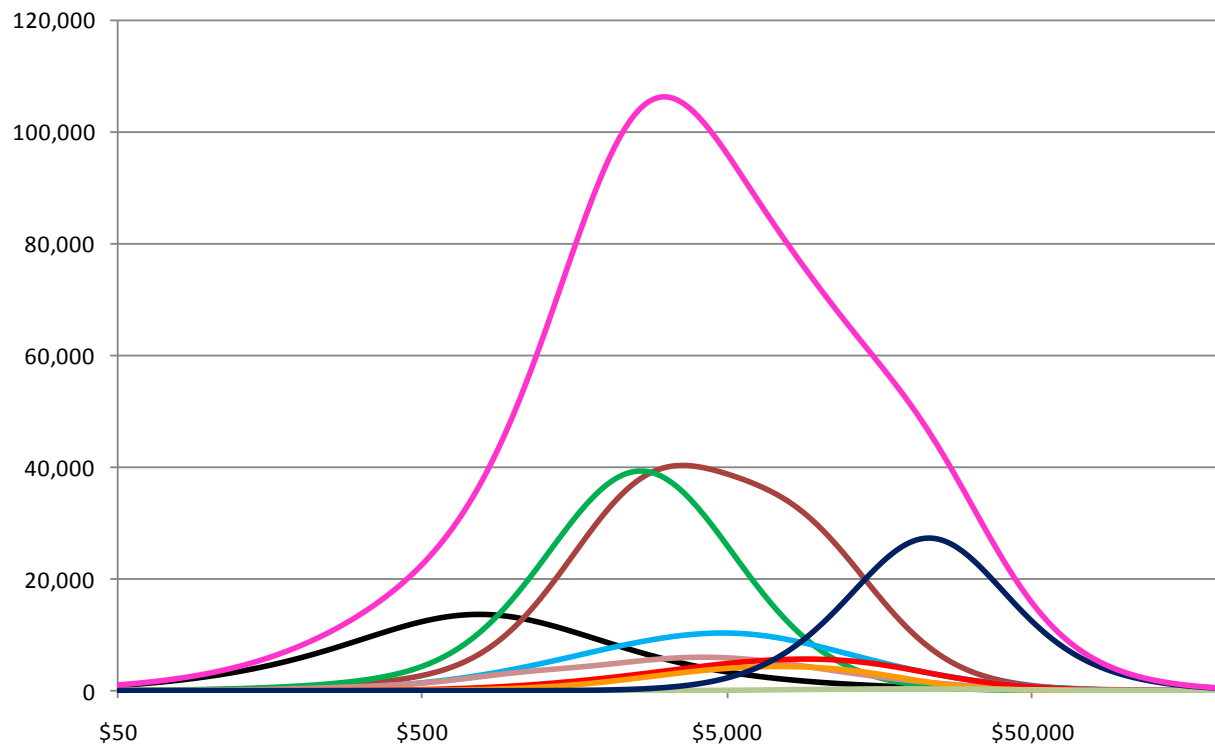
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2005



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2006



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# All is not money!

– Correlation between money and happiness?

# Easterlin Paradox

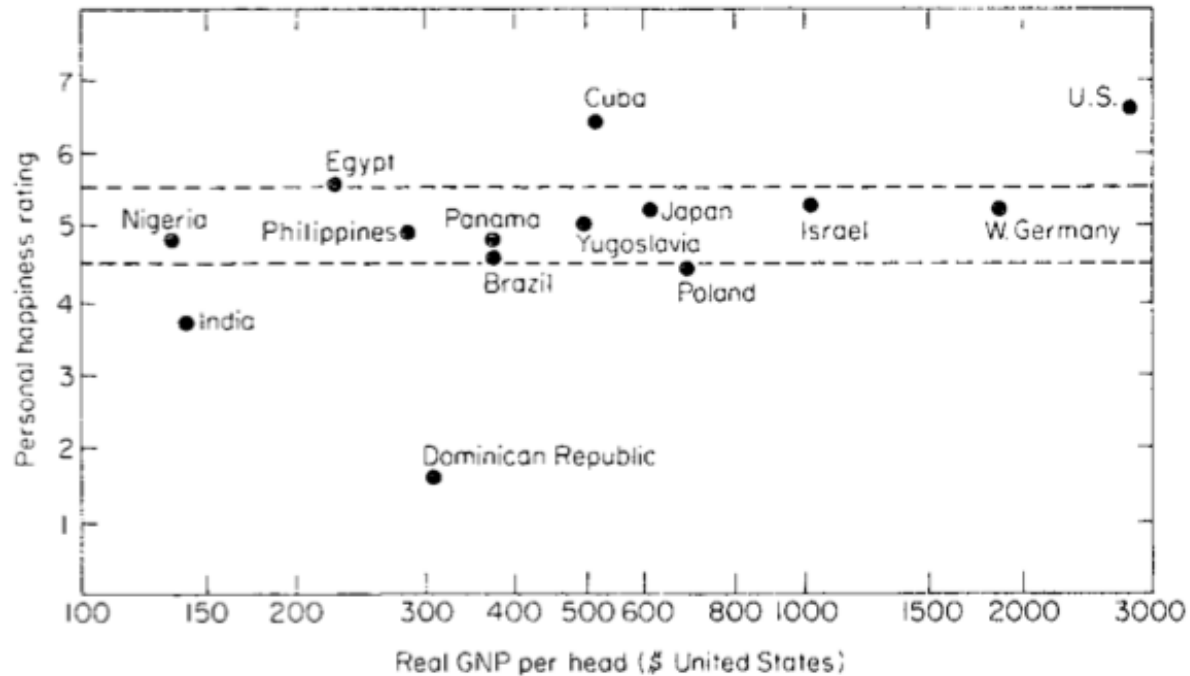


FIG. 1. Personal happiness rating and GNP per head, 14 countries, ca. 1960. (Source: Table 6.)

# Implications of Easterlin Paradox

- Economic Sociologists: Relative Income
- UN: Human Development Index (as opposed to GDP)
- Environmental Movement: No growth



# New Research

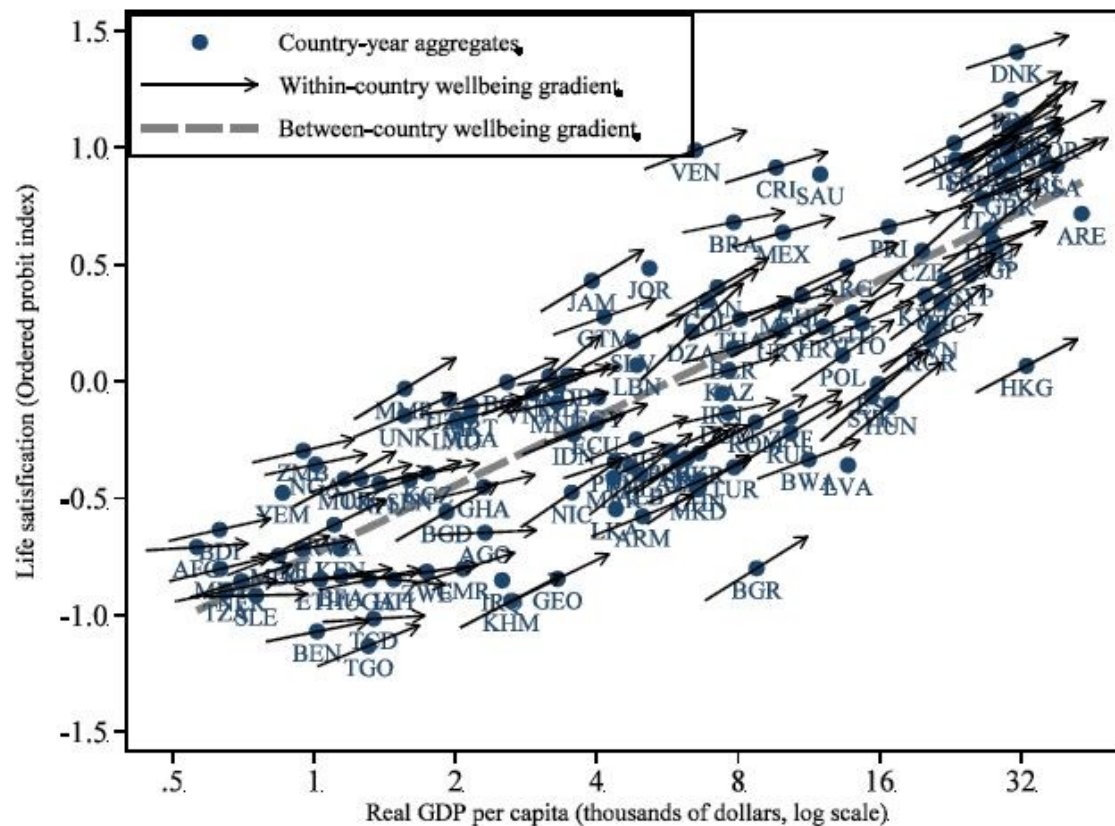
- Problem with Easterlin Paradox:
  - Old data (1974)
  - Few countries in the data set
- Gallup conducted a poll in 2006.
  - World Values Survey: respondents in 81 countries are asked, “All things considered, how satisfied are you with your life as a whole these days?” (life satisfaction index)
    - Very satisfied, fairly satisfied, not very satisfied, or not satisfied (1-4)
  - The General Social Survey (GSS) similarly asks Americans, “Taken all together, how would you say things are these days? Would you say that you are very happy, pretty happy, or not too happy?” (happiness index)
    - Analyzed by Stevenson and Wolfers (2008)

# Are these measures of Happiness Good?

- Measured Happiness correlates well with:
  - Smiling frequency
  - Smiling with the eyes (“unfakeable smile”)
  - Ratings of one’s happiness made by friends
  - Frequent verbal expressions of positive emotions
  - Sociability and extraversion
  - Sleep quality
  - Happiness of close relatives
  - Self-reported health
  - Recent positive changes of circumstances (increased income, marriage)
    - Sources: Diener and Suh (1999), Layard (2005) and

Source: Stevenson and Wolfers (2008). [Economic Growth and Subjective Well-Being: Reassessing the Easterlin Paradox\\*](#)

Figure 11. Within-Country and Between-Country Estimates of the Life Satisfaction-Income Gradient: Gallup World Poll

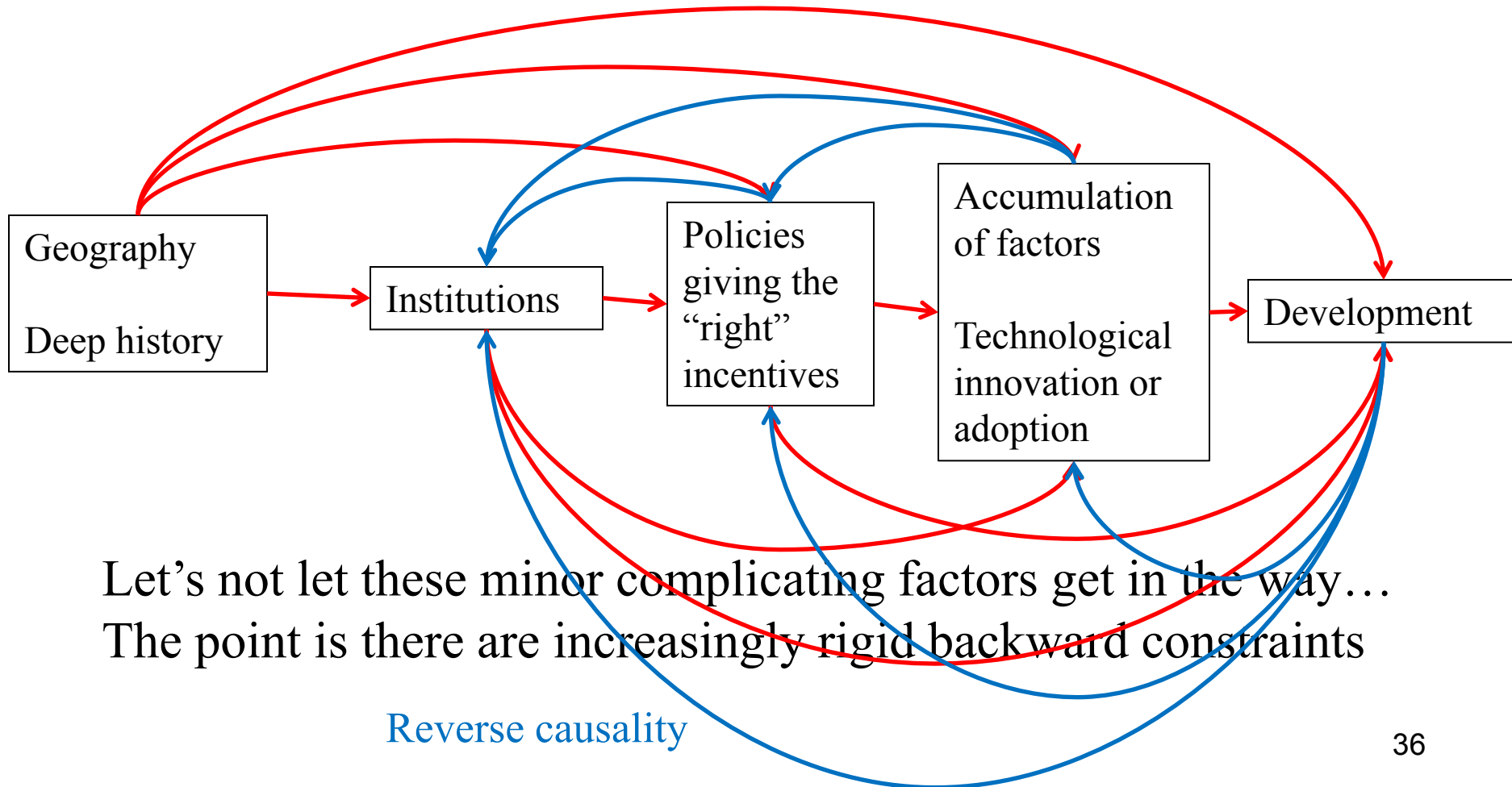


Source: Gallup World Poll, 2006. Sources for GDP per capita are described in the text.

Notes: Each round dot plots life satisfaction against GDP per capita for one of 131 developed and developing countries. The slope of the arrow represents the satisfaction-income gradient estimated for that country from a country-specific ordered probit of satisfaction on the log of annual real household income, controlling for gender, a quartic in age, and their interaction. Usable household income data were unavailable for eighteen countries. The dashed line represents the between-country satisfaction-income gradient estimated from an OLS regression of the satisfaction index on the logarithm of real GDP per capita. GDP per capita is at purchasing power parity in constant 2000 international dollars.

# A Schematic View of Development (with minor complicating factors)

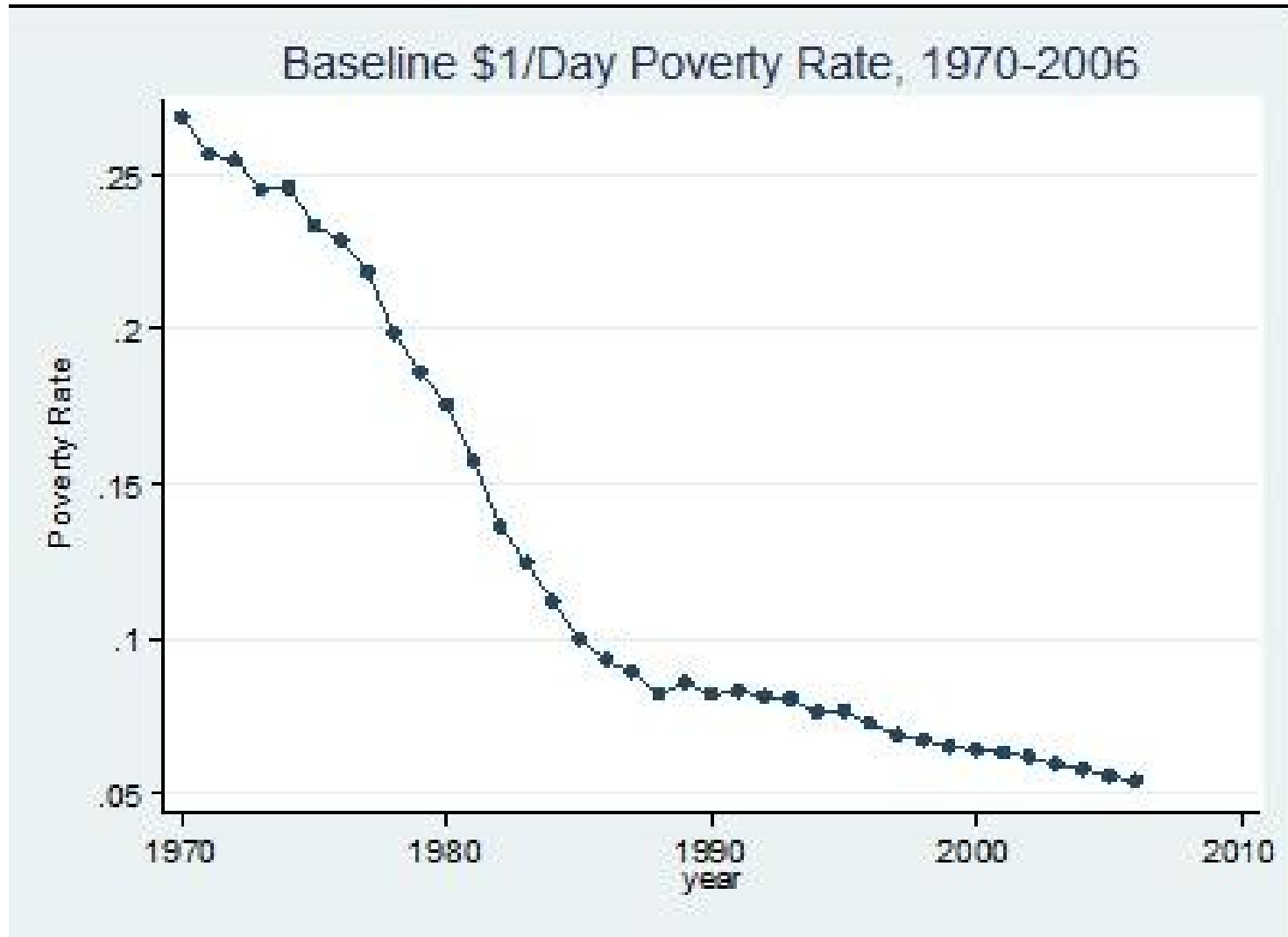
The exclusion restrictions



Let's not let these minor complicating factors get in the way...  
The point is there are increasingly rigid backward constraints

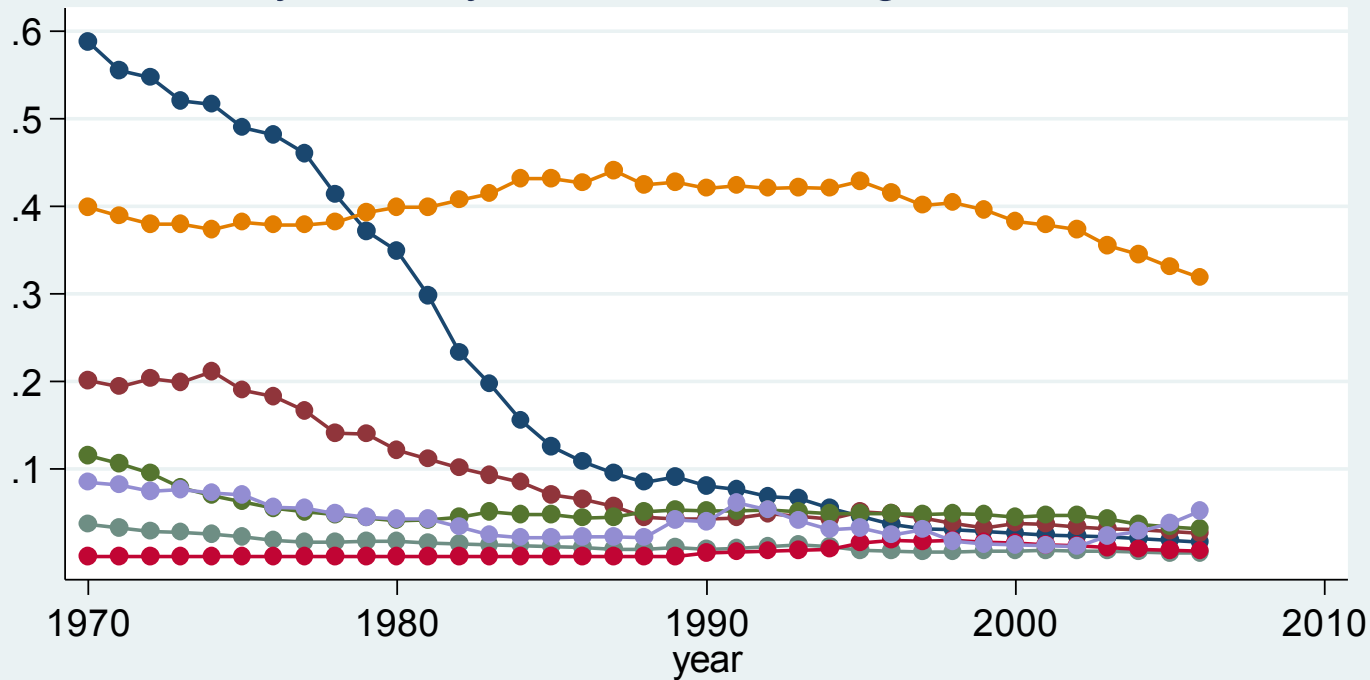
Reverse causality

# Poverty Rates: \$1/day

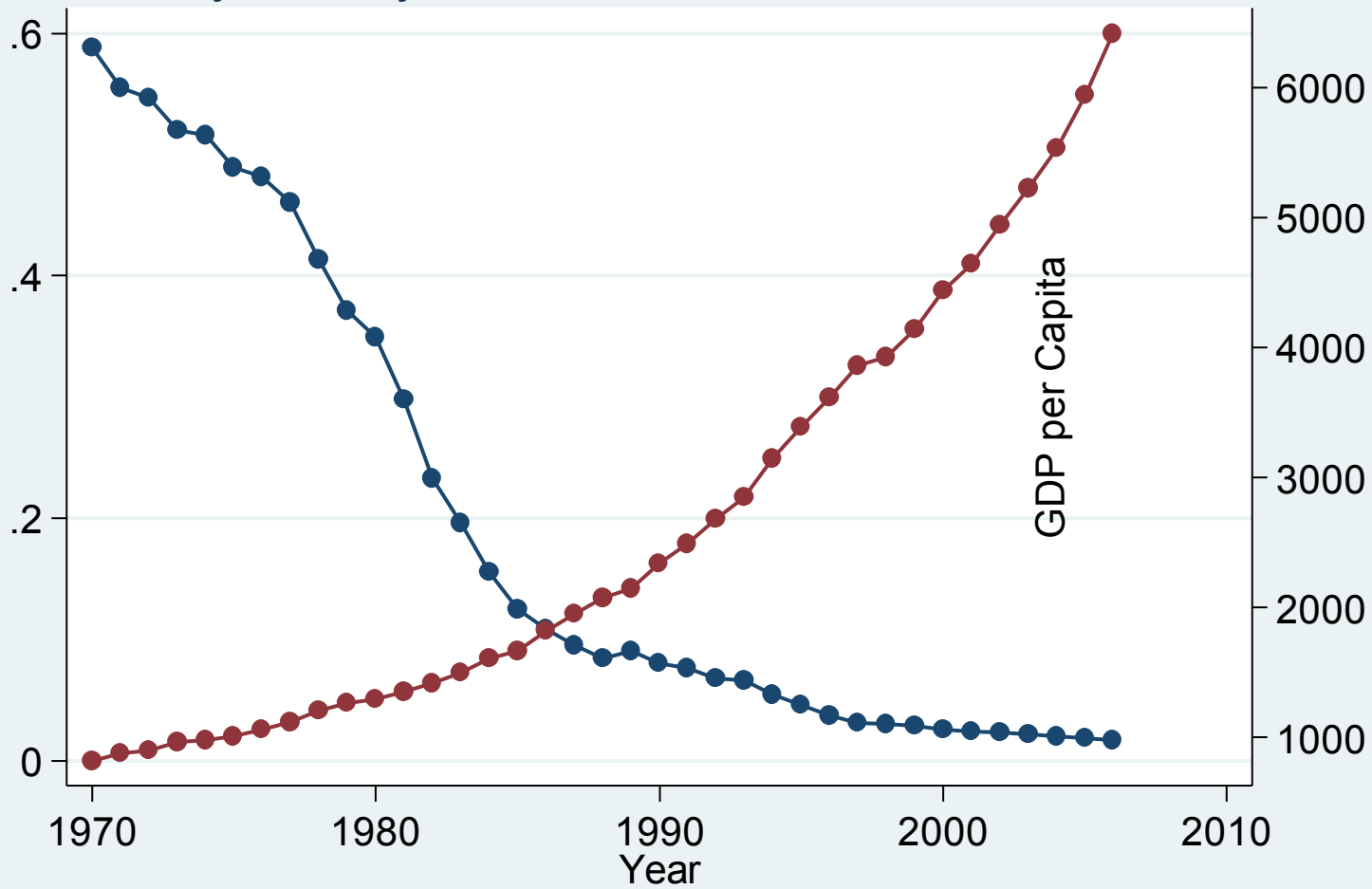


# Poverty Rates

## \$1/Day Poverty Rate Across Regions: 1970-2006



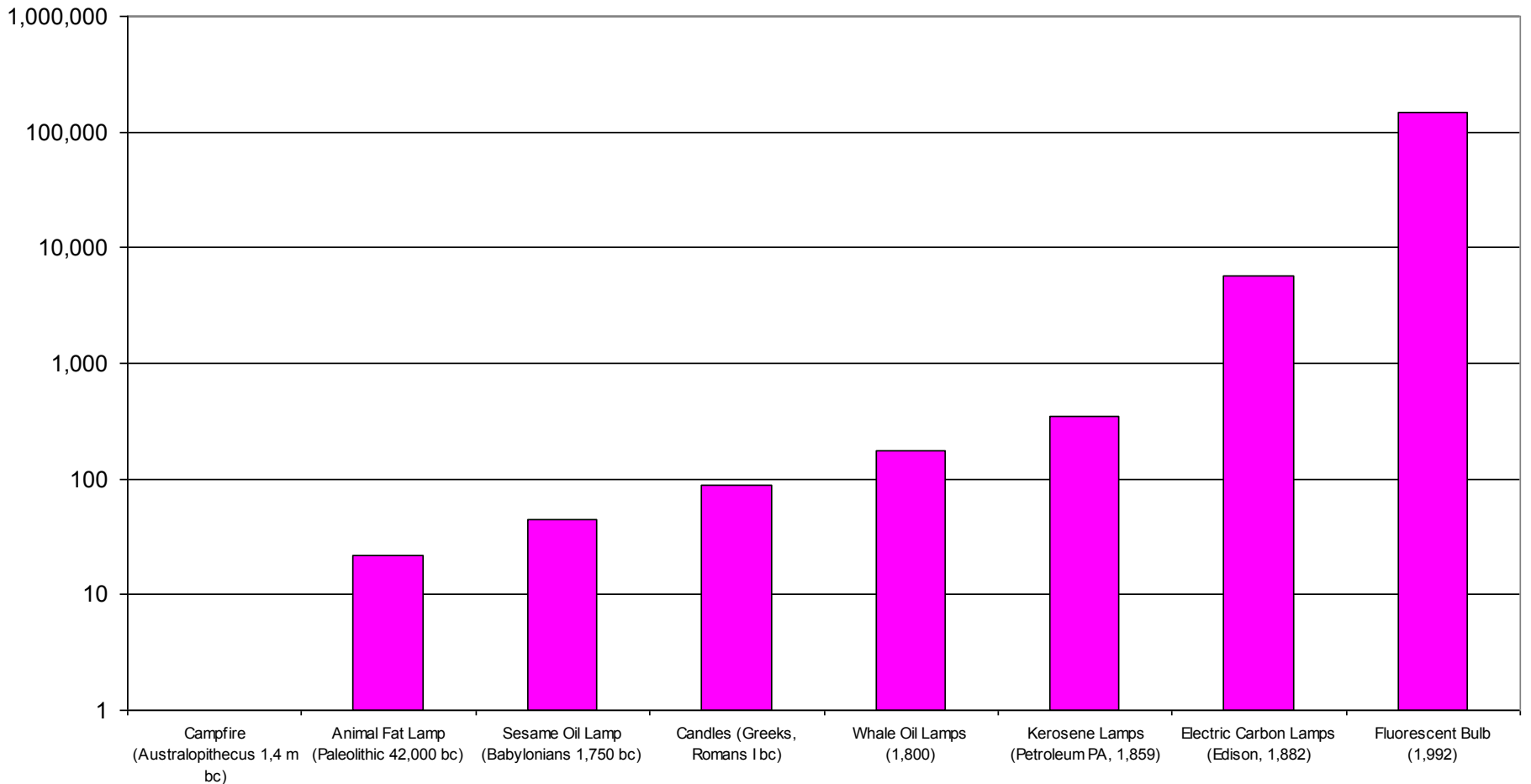
# \$1/Day Poverty and Growth in East Asia, 1970-2006



—●— Poverty Rate, \$1/Day      —●— GDP per capita

# History of Light

Lighting Power Per Unit of Energy





# Per Hour of Work

- With ONE HOUR OF WORK
  - We can purchase 840,000 time more light than the australopithecus
  - We can purchase 45,000 times more light than the XVIII man
- Inventions that lower the price of things matter a lot!!