The relational component of people’s well-being at the roots of the 2008 economic crisis

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Our aim:
Developing an **early warning system** to **ring an alarm bell** in case of risk.

Our strategy:
using the findings from the literature on SWB.
At the roots of the US bubble: excessive consumption

Source: Jagannathan et al. (2009)
financing consumption: the debt

Source: Jagannathan et al. (2009)
Introduction

Diagnosis

Some trends

The NEG-o-meter

Conclusion

- easy credit to consumers;
- new financial tools;
- poor regulatory framework.

Per Capita U.S. GDP growth
Explaining consumption bulimia

A society organized to maximize economic growth benefits from boosting consumption.

The NEG model predicts:

- people are (on average) richer;
- people work longer hours;
- people have less time for social relationships;
- well-being decreases;
- people attach higher priority to goals such as money, luxury goods, prestige and success.

*Bartolini and Bonatti (2003, 2008); Bartolini and Sarracino (2014).*
Various studies suggest:

- Economic growth and social capital: the dream went sour;
  
  *Sarracino (2013); Sarracino and Mikucka (2015); Roth (2009)*

- The Easterlin paradox, both across and within countries;
  
  *Easterlin et al. (2010)*

- Relational poverty, materialistic values and work effort.
  
  *Bartolini and Bilancini (2011); Bartolini and Sarracino (2013)*
organize the society to prevent crisis from happening again; we can monitor the symptoms of a NEG-type growth to create an Early Warning System.
organize the society to prevent crisis from happening again;

we can monitor the symptoms of a NEG-type growth to create an Early Warning System.
Trends of well-being

United States

*Sacks et al. (2010)*

Europe

*Sacks et al. (2010)*
Trends of social capital


Sarracino and Mikucka (2015)
Ranking of the trends of materialism


Bartolini and Sarracino (2013)
Trends of leisure and working time

Bartolini et al. (2014)
The NEG-o-meter

- **Elevated**: Risk of Crisis
- **High**: Risk of Crisis
- **Severe**: Risk of Crisis
- **Guarded**: Risk of Crisis
- **Low**: Risk of Crisis

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Conclusions

- The NEG-o-meter should complement financial and institutional tools to identify “risky” situations;
- It requires more extensive figures observed in a more consistent way;
The NEG-o-meter should complement financial and institutional tools to identify “risky” situations;
It requires more extensive figures observed in a more consistent way;
Our results on UK are consistent with some warnings concerning a new speculative bubble:
Thanks for your kind attention!
Why excessive?

- loss of competitiveness:
Why excessive?

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Why excessive?

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Why excessive?

- loss of competitiveness:

- increase in income inequality:
Why excessive?

- loss of competitiveness:

- increase in income inequality:

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Trends of leisure and working time

United States
- Market work
- Non market work
- Total work

Germany
- Market work
- Non market work
- Total work

Bartolini et al. (2014)
Trends of leisure and working time

Bartolini et al. (2014)
“It all looks so great. I can’t wait to be disappointed.”
Social comparisons


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