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When Growth Outpaces Happiness

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CHINA's new leaders, who will be [anointed next month](#) at the Communist Party's 18th National Congress in Beijing, might want to rethink the Faustian bargain their predecessors embraced some 20 years ago: namely, that social stability could be bought by rapid economic growth.

As the [recent riots at a Foxconn factory](#) in northern China demonstrate, growth alone, even at sustained, spectacular rates, has not produced the kind of life satisfaction crucial to a stable society — an experience that shows how critically important good jobs and a strong social safety net are to people's happiness.

Starting in 1990, as China moved to a free-market economy, real per-capita consumption and gross domestic product doubled, then doubled again. Most households now have at least one color TV. Refrigerators and washing machines — rare before 1990 — are common in cities.

Yet there is no evidence that the Chinese people are, on average, any happier, according to an [analysis of survey data](#) that colleagues and I conducted. If anything, they are less satisfied than in 1990, and the burden of decreasing satisfaction has fallen hardest on the bottom third of the population in wealth. Satisfaction among Chinese in even the upper third has risen only moderately.

Our data were collected by five survey organizations, one of them Chinese, between 1990 and 2011. The surveys focused on urban areas, where growth has been concentrated. Participants were asked about their satisfaction with life as a whole, and their feelings were measured on a scale of 1 to 10, with 10 representing strong satisfaction.

It is startling to find that Chinese people's feelings of well-being have declined in a period of such momentous improvement in their economic lives. After all, most policy makers would confidently predict that a fourfold increase in a people's material living standard would make them considerably happier.

And yet, piecing the surveys together, we found a U-shaped pattern of happiness over time, with life satisfaction declining from 1990 to the first part of this decade, and then recovering by 2010 to a level somewhat below the 1990 value. What explains the "U" at a time of unprecedented economic growth?

Before free-market reforms kicked in, most urban Chinese workers enjoyed what was called an “iron rice bowl”: permanent jobs and an extensive employer-provided safety net, which included subsidized food, housing, health care, child care, pensions and jobs for grown children. Life satisfaction during this period among urban Chinese, despite their much lower levels of income, was almost as high as in the developed world.

The transition to a more private economy in the 1990s abruptly overturned the iron rice bowl. Hundreds of thousands of Chinese who worked at inefficient and unprofitable state companies were laid off. The loss of jobs also meant the loss of the employer-provided safety net. Growing numbers of rural migrants took city jobs that provided no benefits. Among urban workers still employed, concerns about job security and the continuation of benefits mounted. Life satisfaction in urban areas declined markedly.

Although the rate of layoffs dropped considerably in the early 2000s and unemployment started falling, Chinese people’s concerns about jobs and safety-net benefits persisted.

Worries about job security are reflected in feelings of financial satisfaction. In 2007, only 27 percent of Chinese in the lowest third of the income distribution expressed satisfaction with their financial situation, down from 42 percent in 1990. Evidence of a fraying social safety net is indicated by the decline in self-reported health among the bottom third: those reporting that their health was good or very good dropped to 44 percent, compared with 54 percent in 1990.

China’s transition has been similar in several respects to the transitions of countries in Central and Eastern Europe, for which we have similar life-satisfaction data. In almost all countries, life satisfaction initially declined and then recovered to numbers somewhat below pre-transition levels. The U-shaped pattern in happiness was accompanied by the emergence of widespread joblessness, the dissolution of the safety net and a subsequent modest recovery.

The similarity ends there, however. In Europe, growth initially fell sharply before rebounding, tracking life-satisfaction numbers. In China, life satisfaction declined as output and consumption rapidly expanded. The difference shows that economic growth is not enough; job security and a social safety net are also critical to people’s happiness.

What can we learn from China’s transition? Certainly not that China should return to socialism and the gross inefficiencies of central planning. But its market transition has given birth to increasing concerns among everyday Chinese about such matters as finding and holding a job, the availability of reliable and affordable health care, and provision for children and the elderly. To its credit, the Chinese government has taken some steps in recent years to broaden and improve unemployment and pension benefits, as well as to upgrade the health care system. But the safety net remains in need of substantial repair.

It is noteworthy that at a time when the need for a strong safety net is under attack in the United

States, the world's most fervent capitalist nation has inadvertently demonstrated its critical importance for people's happiness.

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