HEALTH, WEALTH, AND HAPPINESS: WHY PURSUE A HIGHER EDUCATION?*

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Abstract
We explore the effect of schooling on health, wealth and happiness for a cohort of Dutch individuals born around 1940. We also use observations on childhood IQ and family background. The most fortunate group is the group with a non-vocational intermediate level education: they score highest on health, wealth and happiness. We find that IQ affects health, but not wealth or happiness. Family background level increases wealth, but neither health nor happiness. With a father who worked independently, health, wealth and happiness are higher. Women are a miracle: compared to men, they are less wealthy, equally healthy but they are definitely happier.

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1 Introduction

In its general formulation the human capital theory treats schooling as an investment that may produce different types of returns. It is acknowledged that schooling may be beneficial for such different outcomes as: labor market performance, success in the marriage market, health and many other variables. An extensive survey by Haveman and Wolfe (1984) lists 24 different outcomes that are believed to be affected by schooling, along with the results of many studies that address these outcomes. Still, the focus in this literature is on labor market outcomes such as employment probability and earnings. Ignoring other types of returns to schooling seriously affects policy conclusions of studies about rates of returns. This holds for instance in the discussion on overschooling. Individuals are called overschooled when they hold a job that does not require the amount of schooling they have attained. It is then implied that this is inefficient, a waste of resources. Apart from the fact that often years of overschooling generate a fair rate of return, it is quite conceivable that other benefits of schooling contribute significantly to the returns. A similar example relates to the comparison of rates of return to formal schooling and to training. The higher rate of return to training relative to the rate of return to formal schooling is sometimes interpreted as an indication of underinvestment in training relative to formal schooling. This conclusion is, however, biased to the extent that other returns to formal schooling exceed those to training.

In this paper we present some new evidence on the `other' returns to schooling. We will particularly focus on the returns in terms of health status, financial wealth, and happiness. For each of these types of returns, it seems plausible that they are not only affected by a person's level of education but by her intelligence and social background as well. Since schooling, intelligence and social background are likely to be correlated, ignoring the effects of intelligence and social background may bias the estimated schooling effects. These biases are comparable to the `ability bias' and `discount rate bias' that are addressed in the literature on the linkage between earnings and education. In this paper we take account of these potential biases by including indicators of intelligence and social background into our empirical analysis. Besides purging the estimated schooling effect from biases, this inclusion also provides us with information about the relative contributions of schooling, intelligence and social background to differences in the outcomes that we consider. This topic of the `race' between schooling, intelligence and social background attracted renewed attention since the publication of *The Bell Curve* (Herrnstein and Murray 1994). One of the main results in that work is that intelligence is the dominant factor in explaining a large number of different outcomes (among others: earnings, employment, poverty, welfare dependency and crime). Interest in the returns to schooling has also received new impetus from renewed attention for the endogeneity of schooling (Card, 1994), and estimating by the method of instrumental variables. IV estimation is highly sensitive to specification, and in this paper we don't want to get involved in these issues.

For our analyses we use a unique Dutch data set that has very detailed information about individual intelligence and social background at age 12, and about schooling and health status, wealth and happiness later in life. The data refer to a birth cohort (born in 1940) for which the outcome variables are measured at age 53.

One of the variables we study here is happiness. This is not a common focus in economic research. One might argue though that happiness is quite close to the key concept of utility. Standard theory takes utility as something beyond the immediate reach of the analyst, a ranking of alternatives that cannot meaningfully be observed other than as an *ex post* reconstruction from observed choices. We do not take this as a sign of strength of the theory. Rather, we see it as fighting with one hand, as if the game had to be made more challenging by tying one hand at the back. There have been attempts to untie that hand. In labor economics, survey responses about job satisfaction questions have been analyzed as meaningful indicators of worker preferences (e.g. Clark and Oswald, 1996). Van Praag has developed a direct welfare measure of income and obtained many interesting results with it (Van Praag, 1991). In other social sciences, measures of happiness have been analyzed. In this paper, we will use the latter.

In this paper, we look for some other effects of schooling than the well documented effect on earnings. Section 2 gives a brief summary of earlier research about the relations between schooling and health, schooling and wealth and schooling and happiness. Section 3 introduces the dataset and describes the variables that we use. Section 4 to 6 present and discuss the empirical findings. Section 7 concludes.

2 Summary of earlier research

Health

The economics literature analyzing health, draws heavily on the theoretical work by Grossman (1972). Grossman present a model in which an individual's health is treated as a choice variable which produces direct utility and increases the person's productivity. Health is produced by a health production function which has several inputs. A person's level of schooling is considered an important input. More highly educated persons are assumed to be more efficient producers of health; they have less unhealthy habits and visit their doctor when required. This relates to the direct effect of schooling on health, but other mechanisms might be at work as well. First, Fuchs (1982) points to different time preferences between people with more or less education and since health can be regarded as an investment good, individuals with lower discount rates (higher educated) may invest more in their health stock. In this case the relation between schooling and health is artificial; an individual's discount rate affects both schooling and health choices. Second, working conditions may operate as an mediating variable in the connection between health and education. Kemna (1987) attempts to merge the compensating wage literature and the health education literature. Finally, causality might run in the opposite direction: the health status of young children may affect their education choices and is related to the health status when people are older (Perri 1984).

This brief description indicates that an empirical model that captures all possible relations is very involved. Different variables are potentially endogenous (health, education, occupation, working hours) and causality may run in different directions. Empirical studies therefore tend to focus on a limited number of relations and assume that some potentially endogenous variables are exogenous and/or preclude some possible causalities. Kemna (1987) concentrates on the direct effect of schooling on health and on

the indirect effects through the demand for job hazards and the demand for medical care; schooling is treated as an exogenous variable. He finds "that the direct of schooling is by far the most important, explaining from 70 to 95% of the total effect of schooling on health" (p.205). Berger and Leigh (1989) estimate a model where both schooling and health are endogenous and are allowed to affect each other; working conditions are exogenous. They conclude that "the results uniformly indicate that the direct effect of schooling on health is more important than the effect of unobservables" (p.433). Haveman et al (1994) develop a model in which health status, work-time and wages are endogenous and they allow for a rather flexible structure of the disturbance terms. In this model schooling is treated as an exogenous variable. They find that "the primary impact of education on health is direct" (p.175). Behrman and Wolfe (1989) estimate random and fixed effect models, and conclude that women's schooling positively affects their health and nutrient intakes; the positive relation between schooling and health does not reflect ability, knowledge or tastes. Behrman and Lavy (1994) estimate the influence of a child's health condition on achievement in school and conclude that "there is not evidence of an impact of the observed range of child health on child cognitive achievement" (p.x).

In summary, the empirical evidence seems to indicate that the positive correlation between schooling and health is caused by a direct effect of schooling on health. This result supports the approach followed in this paper where we estimate single equation models with health as the dependent variable and schooling as one of the regressors.

Wealth

Wealth and wealth inequality between individuals has been extensively analyzed. There are two approaches, conceptually related but in practice operating as rather separate research programs. One focusses on the size distribution of wealth and on effects of such factors as marriage and inheritance on the dynamics of the distribution. While the role of saving behavior is acknowledged, it's mostly a study of the rich (cf Atkinson, 1976, for an overview). The other is essentially a study of lifetime accumulation behavior. Savings, hence accumulated wealth, will depend on (expected lifetime) income, interest rates, time preference and risk attitudes. This is a vast literature. An introductory overview is given in Deaton and Muellbauer (1980, chapters 12 and 14), a recent example, with references to the more advanced literature is Deaton and Paxson (1994).

In the US, a literature has developed that seeks to measure the relative contribution to wealth accumulation of the life-cycle pattern of savings and consumption and that of transfers, *inter vivos* and through bequests. As Gale and Scholz (1994) indicate, there is a wide range of estimates. Some claim that at least 80% of net worth can be explained by life-cycle saving, while others just find the opposite, with life-cycle saving contributing no more than 20%. Gale and Scholz themselves estimate that *intended* transfers (*inter vivos*, bequests, college expenses for offspring) can explain more than half of net worth accumulation.

In the research presented here, we use data on individuals all about 53 years old. This is an age at which life-cycle saving, meant for consumption by the end of life, should have substantial impact. We might then expect a strong correlation with level of education from the relation between education and wages and from the presumption that

those who invest more in schooling have a strong life-cycle perspective and a low discount rate. However, to the extent that transfers and educational attainment both correlate with parental background, we may also expect a positive relation between wealth and education through the channel of transfers from well-to-do parents. So, without knowing the origin of wealth we cannot really distinguish between the two explanations of an expected positive relation between schooling and wealth at age 53.

Happiness

Happiness was once a leading variable among economists, especially for those working in the utilitarian vein. Happiness and utility were then beacons in policy analyses. However, in this century, utility became a simple index for ranking alternatives, without reference to measures of individuals' well-being, and only to be discovered from observed choices. Other social scientists have been less neurotic about direct measurement by the individual's own assessment. The "overall satisfaction with the quality of life" has been measured extensively. Recently, some economists have joined this approach (Clark and Oswald, 1994, 1996; Woittiez and Theeuwes, 1995).

Happiness, operationally defined as the overall satisfaction with quality of life, has been demonstrated to be a valid and reliable concept (Veenhoven, 1996). It's a concept with a good test-retest reliability, international comparability and appears not to be a fixed trait but responsive to individuals' changes in circumstances, in very plausible ways. Of course, this is not to deny the importance of measurement errors and biases relating to framing and the technique of interrogation.

A large body of research, summarized by Veenhoven in a number of publications (see Veenhoven, 1996, for an overview) has brought up some empirical regularities. Aggregate scores of happiness vary across nations in relation with national income, with diminishing marginal utility: there is a strong positive relation for poor countries that flattens out for the rich countries. The result is an extension and corroboration of earlier research by Cantrill (1965), and refutes claims to the contrary by Easterlin (1973, 1974). Individual scores within countries are also related positively to income, a correlation that is stronger in developed countries than in developing countries. According to Veenhoven (1996), the relation to gender is small and variable. Education correlates strongly (and positively) in poor nations and weakly in rich nations, and recently in developed nations even negative correlations are found. Happiness is generally found to be unrelated to intelligence as measured by concurrent tests.

Clark and Oswald (1994) analyze the relation between unhappiness and unemployment. For unhappiness they use a composite score of psychological distress. In their British data, happiness, or mental well-being, is negatively correlated with unemployment and education (three levels), positively with health, while the relation with income is inconclusive. Being separated or divorced reduces happiness, being widowed or married has no effect, relative to being single. Woittiez and Theeuwes (1995) use the same measure of happiness as we do (the Cantrill scale, see below). In their Dutch dataset, they find happiness to be positively related to income and health, higher for women than for men, higher for the married than for the widowed and the divorced (with no difference between these two).

We conclude that happiness is a legitimate and valuable variable for research, that it relates positively to income and health, and that the positive relation with education

appears to be eroding in richer countries. Married people appear to be happier than separated or widowed singles.

3 Data and choice of variables

The dataset that we use is the so-called Brabant survey. We start with a brief description of the creation and special features of this dataset and then discuss the variables that will be employed in the empirical analysis.

In 1952, one quarter of the sixth-grade pupils (about 12 years old) in the Dutch province of Noord-Brabant were sampled. Thirty years later, the observations (on school, intelligence and family background) proved to be still available. In 1983 the same persons were interviewed, with data collection focussed mainly on education, labor market position and earnings.[2] In 1993 we decided to re-interview the respondents; besides new questions relating to education, labor market position and earnings, we now also included questions on children, on health status and on happiness. In the present paper we only use information from the data collections in 1952 and 1993. In 1993 we send out 4462 questionnaires; after sending a reminder 2050 valid forms (46.4%) were returned. Non-response in 1983 was analyzed in Hartog (1989) and found to be harmless; the analysis was not repeated on the 1993 wave. After deleting the persons that have missing values on their health status, amount of wealth or happiness score, we are left with 1893 records that can be used for our analysis.

The explanatory variables that we include in our analysis can be divided into four categories: schooling variables, ability variables, social background variables and other control variables. We briefly describe the variables in each of the categories. The observations on the variables are characterized in Table 1.

For schooling, we will use dummies for seven different levels: elementary, lower vocational, intermediate general, intermediate vocational, higher general, higher vocational and university. The Dutch system of education has an academic track and a vocational track, up until the highest level. They are not closed tracks however: from "higher general", a secondary level education, one may continue either to the university or to a higher vocational education. In this cohort, the latter had a shorter duration, mostly because university training left students with much freedom for a prolonged stay. We use a separate dummy to indicate whether the respondent obtained a certificate from the highest level attended.

For ability, we have the IQ scores at age 12. The IQ test was specially designed for the purpose of the survey in 1953. It is divided into two tests. IQ p.m.("progressive matrices") focusses on mathematical ability, IQ w.s ("woordenschat", vocabulary) focusses on verbal ability. The simple correlation coefficient is only 0.35. We will test whether both dimensions of ability affect our variables of interest in a similar manner, or that they have different effects. IQ p.m spans the range 75-146, IQ w.s the range 73-

[2] These data have been analyzed in, among others, Hartog, Pfann and Ridder (1989), Hartog and Oosterbeek (1993), Oosterbeek (1990), and Groot and Oosterbeek (1994).

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We also have information on social background, observed by the schoolteacher when the child was in sixth grade. We have the level of education of both parents, in six levels. We have information on the father's occupation, measured in dummies: low, intermediate, high and independent. The school teacher was also asked to rate the social standing of the family, distinguishing between normal, weakly social and definitely antisocial. We combined the latter two with a dummy for low social status. The number of siblings was also reported. The average of 5 signifies that the observations are from the Catholic province of Brabant, where large families were the rule. The fact that 38% of our respondents is female reflects the sampling procedure: in the 1983 wave, only men that did not respond to the mail survey were approached by an interviewer (recall that in Hartog (1989) we found no evidence of a bias on this account).

< insert Table 1 >

4 Estimation results for health status

The dependent variable in our analysis is health status. We use a subjective measure of health.[3] Respondents were asked: How well is your health in general? For their answer they could choose between five different categories: very good, good, fair, bad, very bad (cf Table 1 for the scores). This means that health has been measured on an ordinal scale and that we have to apply a statistical model that reflects this. We use the ordered probit model as discussed, e.g, in Maddala (1983,p. 46). We have to assume that across individuals, the terms "good", "fair", etc have the same meaning. This is not unreasonable. While no doubt there is some variability, certainly on such a sensitive matter as health assessment, if the differences would be large, all attempts to interpersonal communication on such matters would become meaningless. It is important to note that we measure health status as a subjective evaluation: it's the individual's perception of health, not some more or less objective medical classification. Of course, we expect the subjective evaluation to be correlated with a medical assessment, but we also believe that the self-assessment has a virtue in it's own right, as a variable that is related to personal evaluation of well-being.

Table 2 presents the estimation results for different specifications of the model. The first column reports the model in which only schooling variables are included in the set of regressors, the second uses only IQ, the third only family background and the fourth includes all sets of variables. Gender is included in each model, but never has a significant effect: women's reported health status does not differ from men's. Schooling clearly affects health, but not monotonically. The results are not very sensitive to including or excluding the other variables. All schooling beyond the lowest level significantly improves health. The highest health status effect is realized for higher general (second-

[3] The health literature reveals that an individual's subjective perception of own health status is a good indicator of overall health; see Kemna (1987, p.194/5) and the references given there.

ary) education. The non-monotonicity may have some relation to occupational hazards, which may be correlated with schooling level and type. It is quite conceivable, for example, that intermediate vocational schooling leads up to jobs with more health and safety risks than intermediate general education: the former are mostly in blue-collar jobs, the latter in white-collar. At the higher level, this distinction is less obvious: higher vocational education certainly trains also for managerial office jobs, university educations include engineering training where field work may be hazardous. IQ is clearly associated with health status. Including schooling in the regression reduces the coefficient, but still IQ has an effect independent from schooling. It does not necessarily reflect causality: it may reflect the correlation between IQ and innate health, rather than between IQ and health investment effects. The effect of family background is not upheld if schooling and IQ are included. Only the negative effect of the number of siblings survives, the effect of an independent father has a modest level of significance. This is a fortunate result as it indicates that growing up in a poor family background has no lasting effect on health.

< insert Table 2 >

Table 3 translates the estimation results of model IV (all explanatory variables included) into the effect that a change in one of the explanatory variables has on the probability to belong to each of the five health categories. The first row in the table gives the probability distribution for a reference individual who is defined as a male with lower vocational education, father's education low, from a "normal" (not: low social status) family, with IQ and parent's education at mean values, and no missings. Each of the following rows indicates how the probability distribution of this reference person changes if the value of a dummy variable is altered or if we change the value of a continuous variable by two standard deviations. As the last column shows, the effects of schooling are substantial, while the effects of IQ and number of siblings are rather modest in magnitude. The results suggest that one of the benefits of raising the minimum level of compulsory schooling is a better health condition of the population.

< insert Table 3 >

5 Estimation results for amount of wealth

Wealth has been measured in 10 intervals, from a lowest interval with debt greater than Dfl 50,000 to a highest interval for wealth greater than Dfl 500,000 (the intervals are not equally spaced).[4] It is measured as joint wealth with the partner if present and it is explicitly defined in the questionnaire as value of property (cash, home, shares, business firm) minus debts (mortgage, loans, etc). The wealth distribution in our sample is characterized in Table 1. The average wealth is just over 150 thousand guilders, and the standard deviation is larger than the mean. There is no easy comparison with the Dutch wealth distribution from other sources, but it's obvious that the specific age of our

[4]One dollar is about Dfl 1.60.

sample implies higher than overall average wealth. For example, in 1988, according to the Central Bureau of Statistics, there were about 125,000 fortunes over 500,000 guilders in the entire population, a number representing some 2% of the number of households. In our sample, about 9% of the respondents indicate this level of household wealth. For our analysis, again we use the ordered probit model, even though the interval boundaries have more than ordinal meaning.[5] Results are given in Table 4.

< insert Table 4 >

Whether we control for other variables or not, schooling increases wealth. Adding controls does not affect the magnitude of the effects for the lower levels of education, but it reduces the coefficients for the higher levels. The positive effect of IQ does not survive if we control for schooling and family background: wealth derives from schooling, not from "raw ability". It's quite remarkable that once again we find a non-monotonic pattern. The effect of schooling peaks for those with a higher general (secondary) education, not for those with tertiary educations. This is not due to an unusual effect of schooling on earnings. In a standard regression for log earnings, the schooling coefficients increase monotonically with the length of education. Also, including IQ scores reduces each of the schooling coefficients by about 20%, which is quite in line with similar studies in the international literature. With both IQ variables included in the earnings function, IQ p.m. (the mathematically oriented test score) is not significant, IQ w.s. (the verbally oriented test score) does significantly increase earnings.

Women have significantly less wealth than men. This may reflect their lower lifetime earnings, but no doubt there is also some interaction with marital status and the financial arrangements that women may have with their husband. We lack the information to disentangle these components, however.

Family background clearly affects wealth, in an expected way. Parental education is irrelevant, but the father's occupation level increases wealth, as does the father's status as an independent worker. Moreover, coming from a low status family reduces wealth. One can easily imagine that these results reflect direct transfers of wealth, as inheritance, financial support for homes and business firms, or transfer of the parental firm (or farm: many respondents come from farming homes, as the province of Brabant had a relatively high share of agriculture in the 1950s). We have no direct information on such transfers, but given the age of our respondents much of the intergenerational wealth transfer may indeed have been accomplished.

In Table 5 we illustrate the magnitude of the effects. Starting from the predicted wealth distribution for reference individuals, we indicate the consequences of different characteristics of individuals. The reference individual has a probability of 4.6% to be in the highest wealth interval at age 53. The probability strongly increases with a high general education, a university education, and coming from a good social background: a father that is self-employed or has a high level occupation. Coming from a low-status

[5] Fixing the interval boundaries of the ordered probit *a priori* equal to the interval boundaries in the questionnaire did not lead to convergence.

family cuts the probability in half. The same variables that boost wealth also boost earnings: in our regression for log earnings (see the Appendix to this paper), father's occupational level or independent status increases earnings, parental education is not (father) or weakly (mother) significant. While indeed wealth will be generated through the two channels of life-cycle savings and intergenerational transfers, these results suggest that the life-cycle model might make a substantial contribution. However, only with heroic assumptions could we deduce any quantitative information on the relative contributions. We will not attempt such heroism here, but it is a worthy topic for some further, speculative, research.

< insert Table 5 >

6 Estimation results for happiness

Happiness is measured on an interval scale, presented to respondents as follows: "Below, you see a scale with ten steps. The lowest level stands for the worst possible life. If you go up you arrive at the tenth step, which stands for the best possible life. Can you indicate at which step you consider yourself at present?". The frequency distribution of the scores is given in Table 1. The mode is at grade 8, the median is just below 7. About 5% of the respondents evaluate their life at the highest possible level. We analyze the scores with an ordered probit model, and the results are given in Table 6.

< insert Table 6 >

Happiness follows, once again, a parabolic relation with education. If we add controls, we find the same results with only small reductions in the values of the coefficients. The highest level of happiness is reached for individuals with higher level secondary schooling of a general nature. IQ is not significant if controls are added. Without controls, the significant IQ variable is the verbal IQ, whereas in the earlier analyses (health, wealth) the significant one if controls are suppressed is IQ p.m., the more mathematical type. Family background does not affect happiness later in life. Parental education has no effect, and neither does the father's level of occupation. If father's occupational position was independent, however, the happiness score is significantly higher. Women report significantly higher levels of happiness, virtually independent of the controls in the equation. Hence, the significant variables for happiness are schooling, gender and having a father with an independent business position. IQ and other variables representing family background leave no traces.

In Table 7 we show the magnitude of the effects of education, family background and gender. Gender has a modest effect on the distribution of happiness, approximately equal to the effect of having a father with an independent occupational status. The effect of schooling is larger than these two. Moving from lower vocational to intermediate general education already has a stronger effect on the distribution than any of these two variables. Schooling is the overriding factor, if we consider significance and magnitude of effects.

< insert Table 7 >

In Table 8 we move to an extended analysis of happiness. We included health and wealth among the explanatory variables, and we added family status variables. Again, the model used is the ordered probit regression. Health and wealth each have important positive effects on happiness. Adding the controls to the regression has only small effects on coefficient values and their significance levels, and we don't report results without them. The parabolic effect of schooling on happiness is upheld. But the coefficients are now much closer together, and significance levels are drastically reduced. Apparently, the parabolic schooling effect on happiness works through a parabolic relation with health and wealth, which both positively relate to happiness. The case with family background is similar: adding health and wealth eliminate its impact. The influence of gender is not affected, however. Women are still definitely happier, even after accounting for health, wealth and other controls.

< insert Table 8 >

The newly introduced family status variables have strong effects, in line with results found in the international literature. Divorced and widowed individuals are unhappier than married persons. Being single has no effect on happiness however. Unemployment and disability significantly reduce happiness. This indicates that unemployment generally must be involuntary, a result also found by Clark and Oswald (1994) and Theeuwes and Woittiez (1995). Using the same argument, working in the home must be mostly involuntary also, considering its negative coefficient. Given a strong social emphasis on labor market participation of married women, this might indeed be true.

Table 9 illustrates the magnitudes of the effects for our key variables. Health has a stronger effect than wealth. For example, increasing wealth by one standard deviation increases the probability of happiness level 8 from .35 to .38, increasing health by one standard deviation increases it to almost .41.

< insert Table 9 >

We can use the results to calculate the marginal rate of substitution between health and wealth, i.e. the monetary equivalence of health status differences. If the health status worsens from "very good" to "good", a wealth increase of 288,182 guilders is required to keep a reference person at the same level of happiness. If health status falls from "good" to "fair", a financial compensation of 377,715 guilders is required, while a further fall from "fair" to "poor" requires a compensation of 233,313 guilders. These are large magnitudes, considering the average wealth of 154,000 guilders. But the high reservation price for health care can hardly come as a surprise.

7 Conclusion

The 1993 round of the so-called Brabant survey, a follow-up interview of individuals

surveyed initially at age 12 (grade 6 of primary school), included responses on health, wealth and happiness. This paper is a first analysis of the data. Perhaps the most remarkable finding is the result that those with only a secondary education, of a general, non-vocational nature, appear to come out on top: they are healthier, happier and wealthier than any of the other schooling groups. Thus, the highest level of education neither produces the highest wealth, nor the highest health nor the highest happiness! Our results indicate that the parabolic effect of schooling on happiness is mostly created through the parabolic effect on health and wealth. We have no real explanation why in this cohort, a group of secondary educated individuals come out on top. The results are in line with findings reported by Veenhoven (1996), that in advanced countries, the effect of education may have become negative. Our results indicate that it is worthwhile to allow for nonlinearity in the relation.

A higher IQ is associated with better reported health status, but has no effect on wealth or happiness. The latter result has also been reported in the international literature. Family background has no effect on happiness if we allow for health and wealth. Our results seem to suggest that wealth is substantially influenced by factors stressed in the life-cycle savings model, as effects on wealth parallel those on earnings. Disentangling life-cycle effects on wealth from transfer effects is certainly an interesting topic for further research.

Women, clearly, make the best of it: their health status is no different from men's, their wealth is less, but still they manage to be happier.

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TABLE 1
DESCRIPTIVE STATISTICS

variables	mean	standard deviation	minimum	maximum
Happiness				
= 0 (lowest)	0.0052826	0.072509	0	1
= 1	0.0042261	0.064888	0	1
= 2	0.0079239	0.088687	0	1
= 3	0.012150	0.10958	0	1
= 4	0.024828	0.15564	0	1
= 5	0.076070	0.26518	0	1
= 6	0.11833	0.32308	0	1
= 7	0.27575	0.44701	0	1
= 8	0.33597	0.47245	0	1
= 9	0.089805	0.28598	0	1
= 10 (highest)	0.049657	0.21729	0	1
Health Status				
very poor	0.025885	0.15883	0	1
poor	0.11939	0.32433	0	1
fair	0.17433	0.37949	0	1
good	0.47068	0.49927	0	1
excellent	0.20972	0.40722	0	1
Wealth (x)				
x < -50,000 guilders	0.057052	0.23200	0	1
-50,000 < x < -10,000	0.045959	0.20945	0	1
-10,000 < x < 0	0.015848	0.12945	0	1
0	0.077655	0.26770	0	1
0 < x < 10,000	0.059694	0.23698	0	1
10,000 < x < 50,000	0.11410	0.31802	0	1
50,000 < x < 100,000	0.12942	0.33576	0	1
100,000 < x < 250,000	0.26730	0.44267	0	1
250,000 < x < 500,000	0.14422	0.35140	0	1
x > 500,000	0.088748	0.28445	0	1
wealth in guilders	154,350	166,915		

schooling variables				
lower vocational	0.29002	0.45389	0	1
lower general	0.076070	0.26518	0	1
intermediate general	0.16112	0.36774	0	1
intermediate vocational	0.29002	0.45389	0	1
higher general	0.036450	0.18746	0	1
higher vocational	0.17221	0.37767	0	1
university	0.035922	0.18614	0	1
education missing	0.087163	0.28215	0	1
graduated	0.80137	0.39907	0	1
dropout	0.12678	0.33282	0	1
not yet finished	0.0068674	0.082607	0	1
certificate missing	0.064976	0.24655	0	1
intelligence variables				
IQ p.m./100	103.09	13.36	75	146
IQ w.s./100	102.85	13.03	73	146
IQ p.m. missing	0.14791	0.35511	0	1
IQ w.s. missing	0.15214	0.35925	0	1
(social) background variables				
father's education	2.46	0.73	1	6
father's ed missing	0.32013	0.46665	0	1
mother's education	2.25	0.53	2	6
mother's ed missing	0.32171	0.46726	0	1
occupation father high	0.027998	0.16501	0	1
occ. father intermediate	0.10671	0.30882	0	1
father self-employed	0.32277	0.46766	0	1
occ father low	0.43899	0.49639	0	1
number of siblings	5.02	3.38	0	14
number of sibs missing	0.060222	0.23796	0	1
social status low	0.060222	0.23796	0	1
social status missing	0.091918	0.28899	0	1
female	0.38088	0.48573	0	1
gender missing	0.020602	0.14209	0	1

total number of observations: 1893.

TABLE 2

ORDERED PROBIT ESTIMATES FOR HEALTH STATUS

explanatory variables	model I	model II	model III	model IV
schooling variables (reference is lower vocational without a degree)				
lower general	0.003 (0.1)			0.023 (0.2)
intermediate general	0.404 (5.4)**			0.381 (5.0)**
intermediate vocational	0.205 (2.6)**			0.178 (2.2)*
higher general	0.799 (5.8)**			0.733 (5.1)**
higher vocational	0.450 (6.1)**			0.404 (5.0)**
university	0.627 (4.6)**			0.535 (3.5)**
graduate	0.093 (1.3)			0.078 (1.0)
intelligence variables				
IQ p.m./100		0.665 (3.5)**		0.388 (2.0)*
IQ w.s./100		0.418 (2.2)*		-0.207 (0.9)
social background variables (reference is father's occupation low and normal family)				
father's education			0.091 (2.1)**	0.046 (1.1)
mother's education			0.020 (0.4)	-0.009 (0.2)
occupation father high			0.243 (1.5)	0.144 (0.9)
occ. father intermediate			0.213 (2.5)**	0.088 (1.0)
occ father independent			0.119 (2.2)**	0.091 (1.7)*
number of siblings			-0.022 (3.0)**	-0.018 (2.4)**
social status low			-0.176 (1.8)*	-0.110 (1.1)
female	0.065 (1.3)	0.038 (0.8)	0.046 (0.9)	0.034 (0.7)
loglikelihood	-2724.27	-2755.45	-2744.79	-2712.26

absolute values of asymptotic t-values in brackets; the list of regressors also include dummies for missing values; total number of observations: 1893.

TABLE 3

PREDICTED PROBABILITIES OF HEALTH STATUS CATEGORIES

	health status				
	very poor	poor	fair	good	very good
reference individual	4.1	16.0	20.8	44.9	14.1
intermediate general schooling	1.7	9.4	15.9	48.5	24.4
intermediate vocational	2.8	12.7	18.7	47.3	18.5
higher general	0.7	5.1	11.0	46.5	36.7
higher vocational	1.6	9.1	15.6	48.5	25.1
university	1.2	7.3	13.8	48.2	29.5
IQ pm plus 2 standard deviations	3.3	14.1	19.7	46.4	16.6
number of siblings minus 2 standard deviations	3.2	13.7	19.4	46.7	17.0

reference is a male with completed lower vocational education, with father's occupation low from a normal family, with parent's education and own IQ at mean values, and no missing values for any variable.

TABLE 4
ORDERED PROBIT ESTIMATES FOR WEALTH

explanatory variables	model I	model II	model III	model IV
schooling variables (reference is lower vocational without a degree)				
lower general	-0.151 (1.4)			-0.120 (1.1)
intermediate general	0.114 (1.6)			0.104 (1.4)
intermediate vocational	0.289 (3.7)**			0.223 (2.8)**
higher general	0.702 (5.6)**			0.614 (4.5)**
higher vocational	0.349 (4.7)**			0.243 (2.9)**
university	0.663 (5.3)**			0.440 (3.2)**
graduate	0.120 (1.3)			-0.015 (0.2)
intelligence variables				
IQ p.m./100		0.578 (3.0)**		0.292 (1.5)
IQ w.s./100		0.294 (1.5)		-0.052 (0.2)
social background variables (reference is father's occupation low and normal family)				
father's education			0.045 (1.1)	0.014 (0.4)
mother's education			0.068 (1.2)	0.032 (0.6)
occupation father high			0.700 (4.6)**	0.638 (4.1)**
occ. father intermediate			0.350 (4.0)**	0.259 (2.9)**
occ father independent			0.511 (9.6)**	0.480 (8.9)**
number of siblings			0.008 (0.8)	0.012 (1.4)
social status low			-0.404 (3.5)**	-0.337 (3.0)**
female	-0.039 (0.8)	-0.100 (2.0)**	-0.099 (2.0)**	-0.108 (2.0)**
loglikelihood	-3927.28	-3955.71	-3892.85	-3866.44

absolute values of asymptotic t-values in brackets; the list of regressors also include dummies for missing values; total number of observations: 1893.

TABLE 5
PREDICTED PROBABILITIES OF WEALTH CATEGORIES

	wealth class									
	1	2	3	4	5	6	7	8	9	10
reference person	8.0	5.7	1.9	9.3	7.1	13.1	14.1	25.4	10.8	4.6
interm voc	5.2	4.2	1.5	7.5	6.1	12.0	13.9	28.4	14.0	7.2
high general	2.2	2.2	0.8	4.6	4.1	9.1	12.1	30.6	20.0	14.2
high voc	5.0	4.1	1.4	7.4	6.0	11.9	13.9	28.5	14.4	7.4
university	3.3	3.0	1.1	5.9	5.0	10.5	13.1	30.1	17.4	10.6
fath occ high	2.1	2.1	0.8	4.5	4.0	8.9	12.0	30.6	20.3	14.7
fath occ interm	4.8	4.0	1.4	7.3	5.9	11.8	13.8	28.7	14.6	7.7
fath self empl	3.0	2.8	1.0	5.6	4.8	10.2	12.9	30.3	18.0	11.4
low social status	14.3	8.2	2.6	11.6	8.1	13.7	13.1	19.7	6.6	2.1
female	9.8	6.5	2.1	10.1	7.5	13.5	13.9	23.7	9.3	3.6

reference is a male with completed lower vocational education, with father's occupation low froma normal family, with parent's education and own IQ at mean values, and no missing values for any variable.

TABLE 6
ORDERED PROBIT ESTIMATES FOR HAPPINESS

explanatory variables	model I	model II	model III	model IV
schooling variables (reference is lower vocational without a degree)				
lower general	-0.060 (0.6)			-0.042 (0.4)
intermediate general	0.276 (3.8)**			0.263 (3.5)**
intermediate vocational	0.315 (3.9)**			0.291 (3.5)**
higher general	0.612 (4.4)**			0.567 (3.8)**
higher vocational	0.450 (6.1)**			0.396 (4.7)**
university	0.419 (5.4)**			0.395 (2.2)*
graduate	0.122 (1.7)			0.102 (1.4)
intelligence variables				
IQ p.m./100		0.200 (1.0)		-0.029 (0.1)
IQ w.s./100		0.534 (2.8)**		0.104 (0.5)
social background variables (reference is father's occupation low and normal family)				
father's education			0.004 (0.1)	-0.033 (0.8)
mother's education			0.068 (1.2)	0.045 (0.7)
occupation father high			0.118 (0.7)	0.040 (0.2)
occ. father intermediate			0.232 (2.7)**	0.113 (1.2)
occ father independent			0.176 (3.3)**	0.152 (2.8)**
number of siblings			-0.014 (2.1)*	-0.011 (1.5)
social status low			-0.249 (2.6)**	-0.158 (1.6)
female	0.187 (3.8)**	0.157 (3.1)**	0.143 (2.9)**	0.166 (3.2)**
loglikelihood	-3311.86	-3338.94	-3326.91	-3301.52

abolute values of asymptotic t-values in brackets; the list of regressors also include dummies for missing values; total number of observations: 1893.

TABLE 7

PREDICTED PROBABILITIES OF HAPPINESS CATEGORIES

	happiness value										
	0	1	2	3	4	5	6	7	8	9	10
reference individual	1.1	0.8	1.4	2.0	3.9	11.0	15.2	29.8	27.3	5.3	2.2
intermediate general schooling	0.5	0.4	0.8	1.2	2.6	8.0	12.6	28.9	33.0	7.9	4.0
intermediate vocational	0.5	0.4	0.8	1.2	2.4	7.7	12.3	28.6	33.5	8.3	4.2
higher general	0.2	0.2	0.4	0.6	1.5	5.1	9.3	25.7	37.9	11.7	7.4
higher vocational	0.4	0.3	0.6	0.9	2.0	6.7	11.1	27.8	35.4	9.5	5.3
university	0.4	0.3	0.6	0.9	2.0	6.7	11.1	27.8	35.4	9.5	5.3
female	0.7	0.5	1.0	1.5	3.0	9.1	13.6	29.5	31.0	6.9	3.2
father's occupation independent	0.7	0.6	1.0	1.5	3.1	9.2	13.8	29.5	30.7	6.7	3.1

reference is a male with completed lower vocational education, with father's occupation low from a normal family, with parent's education and own IQ at mean values, and no missing values for any variable.

TABLE 8
ORDERED PROBIT ESTIMATES FOR HAPPINESS
extensive specification

variable	estimate	t-value
schooling variables (reference is lower vocational without a degree)		
lower general	.095742	(.951028)
intermediate general	.134772	(1.72153)
intermediate vocational	.199724	(2.31173)
higher general	.245153	(1.59227)
higher vocational	.232604	(2.62357)
university	.163305	(.907193)
graduate	.056193	(.706798)
intelligence variables		
IQ p.m./100	-.08556	(.413865)
IQ w.s./100	.193025	(.825739)
social background variables (reference is father's occupation low and normal family)		
father's education	-.054543	(1.24491)
mother's education	.031863	(.546280)
father's occupation interm	.045997	(.490337)
father's occupation high	-.095648	(.512322)
father's independent	.017103	(.292091)
social status low	-.084885	(.858995)
number of siblings	-.004417	(.514838)
gender and family status (reference is married male)		
female	.329249	(4.93050)
divorced	-.565456	(5.33525)
widow	-.683277	(4.83518)
single	-.172509	(1.25877)
number of children	-.013472	(.536667)
labor market status (reference is employed in private sector)		
public sector	.022198	(.278456)
self-employed	-.093521	(.976217)
unemployed	-.627000	(5.17724)
disability	-.425714	(4.06321)
work in home	-.227043	(2.61386)

health status (reference is very poor)		
very good	.999725	(6.21700)
good	.681985	(4.38471)
fair	.266499	(1.66213)
poor	.020855	(.132694)
wealth/10,000	.011249	(6.65129)
LOG OF LIKELIHOOD FUNC-TION	-3116.88	

absolute values of asymptotic t-values in brackets; the list of regressors also include dummies for missing values; total number of observations: 1893.

TABLE 9

PREDICTED PROBABILITIES OF HAPPINESS CATEGORIES

	happiness value										
	0	1	2	3	4	5	6	7	8	9	10
reference individual	0.2	0.2	0.5	0.8	2.0	7.0	12.3	30.3	34.8	8.0	3.8
+ 1 s.d. of wealth	0.1	0.1	0.3	0.6	1.4	5.3	10.2	28.3	37.9	10.1	5.5
+ 1 s.d. of health	0.1	0.1	0.2	0.3	0.9	3.7	7.8	25.0	40.6	13.0	8.4
+ 1 s.d. of wealth and 1 s.d. of health	0.0	0.0	0.1	0.2	0.6	2.6	6.1	21.9	41.6	15.4	11.4

reference is a person with mean wealth and health.

APPENDIX

OLS ESTIMATES WAGE EQUATIONS

explanatory variables	model I	model II	model III	model IV
schooling variables (reference is lower vocational without a degree)				
lower general	-0.057 (0.9)			0.023 (0.2)
intermediate general	0.142 (3.2)**			0.381 (5.0)**
intermediate vocational	0.214 (4.9)**			0.178 (2.2)*
higher general	0.799 (5.8)**			0.733 (5.1)**
higher vocational	0.450 (6.1)**			0.404 (5.0)**
university	0.627 (4.6)**			0.535 (3.5)**
graduate	0.093 (1.3)			0.078 (1.0)
intelligence variables				
IQ p.m./100		0.665 (3.5)**		0.388 (2.0)*
IQ w.s./100		0.418 (2.2)*		-0.207 (0.9)
social background variables (reference is father's occupation low and normal family)				
father's education			0.091 (2.1)**	0.046 (1.1)
mother's education			0.020 (0.4)	-0.009 (0.2)
occupation father high			0.243 (1.5)	0.144 (0.9)
occ. father intermediate			0.213 (2.5)**	0.088 (1.0)
occ father independent			0.119 (2.2)**	0.091 (1.7)*
number of siblings			-0.022 (3.0)**	-0.018 (2.4)**
social status low			-0.176 (1.8)*	-0.110 (1.1)
female	0.065 (1.3)	0.038 (0.8)	0.046 (0.9)	0.034 (0.7)
loglikelihood	-2724.27	-2755.45	-2744.79	-2712.26

abolute values of asymptotic t-values in brackets; the list of regressors also include dummies for missing values; total number of observations: 891