



The Easterlin Paradox Re-examined Using Propensity Score Matching on Philippine Social Weather Station Data

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Abstract: We subject a portion of Easterlin's controversial yet correlational claim of a non-monotonic relationship between happiness and income (the so-called "Easterlin Paradox", 1974) to a stronger test of causality. We do this by using propensity score matching (PSM) techniques to create "matched pairs" that mimic treatment and control groups on a non-experimental dataset, the 2008 wave of the Philippine Social Weather Survey. By matching individuals based on similar propensity scores, we are able to make causal claims over a subset of the data, the "region of common support." In implementing PSM, we use two versions of the outcome variable subjective well-