

Why life satisfaction is U-shaped in age?*

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Abstract

While it is common to estimate age effect on happiness with parametric terms (such as age and age-squared), this paper applies a semiparametric regression model with mild restrictions on the shape of age-happiness profile. Using data from the British Household Panel Study, the paper confirmed that the age-happiness profile remained U-shaped in the semiparametric specification as well. To trace sources of the U-shape, the paper applied a semiparametric varying-coefficient model, and estimated differentiated age-profiles for major life circumstances (like differences in marital status, the presence of children at home, and whether children were dependent or not). After introducing these differentiated age effects, the shape of the general age-happiness profile changed in a notable way: it was no longer U-shaped, but flat. In contrast, the differentiated age profiles continued to have significant effects on happiness for most life circumstances. Evidently, the common finding that happiness is U-shaped in age may reflect a composite effect from differences in people's adjustment to major life circumstances over the life cycle.

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