

OPPORTUNITIES, ASPIRATIONS AND LIFE

SATISFACTION

Abstract

The idea that expanding work and consumption opportunities *always* increases people's wellbeing is well established in economics but finds no support in psychology (Schwartz and al. 2002). Instead, there is evidence in both economics and psychology that people's life satisfaction depends on how *experienced utility* compares with expectations of life satisfaction or *decision utility* (Kahneman et al., 1997, Clark and Oswald, 1997; Easterlin, 2005; Clark, Frijters and Shields M., 2007).

In this paper I suggest that expanding work and consumption opportunities are a good thing for decision utility but may not be so for experienced utility. To show this, I develop an empirical model where people's experienced and expected life satisfaction depend on education and environmental opportunities. Building on Easterlin (2001), I argue that people may overrate their future socioeconomic prospects relative to real life chances and I discuss how systematic frustration over unfulfilled expectations is endogenously generated and can adversely affect life satisfaction. I suggest that the aspirations-induced bias in prediction and its impact on life satisfaction depend not only on people's perceived work and consumption opportunities, but also on personal characteristics such as gender and age.

Indeed, the model aspires to provide more general insights into how to model and explain the age and gender-life satisfaction relationships centred on the role of education in the construction of aspirations.

I test the model's predictions on Italian data and find support for the idea that education and access to stimulating environments may have a perverse impact on life satisfaction. I also find evidence, consistent with the empirical contributions available, that the impact of aspirations on life satisfaction is mediated by factors such as gender and age.