

A Study of the Impact of Household Wealth Accumulation on the Well-being of the Population

-- Empirical evidence based on CHFS panel data

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Abstract: Happiness is the ultimate goal of a good life for residents, and high-quality wealth accumulation is an important force for improving people's well-being. Based on the 2015, 2017 and 2019 China Household Finance Survey (CHFS) survey data, this paper examines the effect of household wealth on residents' happiness using a fixed-effects probit model. It is found that, first, an increase in household wealth significantly increases residents' happiness. The greater the accumulation of household wealth, the happier the residents, and the conclusion still holds after a series of robustness tests. Second, household wealth accumulation has a more pronounced effect on the happiness of residents in the eastern region and a stronger effect on the happiness of urban residents. Third, family wealth accumulation has a stronger effect on the happiness of residents with middle and high levels of education than those with low levels of education. The conclusions of the study are of great significance for regulating the mechanism of family wealth accumulation, strengthening residents' sense of well-being and promoting the high-quality development of society.

Keywords: Household wealth accumulation, Residential well-being, Fixed effects, CHFS panel data.

1. Introduction

Happiness is an important dimension of the pursuit of human values and an important goal of the current high-quality development of society. The report of the 20th Party Congress clearly puts forward the need to "continuously improve the people's sense of acquisition, happiness, and security, so that residents will have a greater sense of happiness in order to realise the people's peace of mind." Currently, enhancing residents' sense of well-being has gradually become the government's governing philosophy and an important issue in China's social development (Cai Hongbo and Liu Lin, 2023). However, according to the 2023 World Happiness Index Report released by the United Nations, China's happiness ranking is only 64th in the world, and there is still much room for improvement in the country's overall happiness level. At the same time, the scale of wealth of China's residents continues to expand. As of 2023, the total wealth of China's society reached 790 trillion, with private wealth of 430 trillion, accounting for 54.4%. The number of "high net worth families" with 10 million RMB net worth has reached 2.06 million, and the number of "ultra-high net worth families" with 100 million RMB net worth has reached 130,000, and the total wealth of domestic billionaires accounts for 13.6% of the total wealth of global billionaires. The total wealth of domestic billionaires accounts for 13.6% of the total wealth of global billionaires. It can be seen that the changes in the well-being of China's residents do not match the socio-economic development. It is worth noting that the ultimate goal of China's economic growth and development is to enhance people's happiness (Luo Biliang et al., 2021), and the level of wealth is closely related to residents' well-being. On the one hand, wealth has a positive impact on the quality of life and can improve residents' living conditions (Cui Wei, 2019; Li Shu and Yan Mal, 2022; Wei et

al. 2022;), thus enhancing well-being; on the other hand, unstable wealth levels may lead to problems such as financial tensions in residents' households (Ou Jinghua and Yanyu, 2022; Yin Zhichao and Li Yifei, 2024), thus reducing happiness. Then, how does household wealth accumulation affect residents' happiness? Does it affect different types of residents differently? This is what this study wants to focus on, and the answers to these questions will also help to regulate the accumulation of household wealth and provide a factual basis for the government to introduce relevant policies to strengthen residents' happiness.

Based on this, this paper uses the 2015, 2017 and 2019 China Household Finance Survey (CHFS) survey data to examine the effect of household wealth on residents' happiness. It is found that, first, the increase in household wealth significantly improves residents' happiness. Second, at the macro level, the accumulation of household wealth has a more pronounced effect on the happiness of residents in the eastern region and a stronger effect on the happiness of urban residents. Third, at the micro level, family wealth accumulation has a stronger effect on the happiness of residents with middle and high levels of education than on those with low levels of education.

The marginal contributions of the article are threefold. First, for the first time, household wealth accumulation is linked to the well-being of the population. It not only provides an objective understanding of the level of household wealth and livelihoods in China, but also guides a new direction for realising residents' aspirations for a better life. Second, it explores the impact of household wealth on the happiness of different residents. It analyses the effects of wealth accumulation on different groups at a deeper level, and provides reference for the state to introduce relevant targeted policies. Thirdly, it enriches the content of studies on residents' happiness, and provides new ideas for enhancing people's well-being and improving their quality of life.

The rest of the paper is structured as follows: the second part is the theoretical analysis and research hypotheses, the third part is the data and research methodology, the fourth part is the empirical test of the impact of family wealth accumulation on residents' happiness, and the fifth part is the research conclusions and policy recommendations.

2. Theoretical Analysis and Research Hypotheses

Exploration of happiness originated in psychology, and then intersected with economics to produce the economics of happiness. In economics, the utility function is generally used to portray the degree of satisfaction of people with things, and thus, the research direction of happiness economics is mainly divided into two categories. One category is to study the relationship between happiness and utility level (Hu, Navy, 2007; Yao, Dongmin et al. 2019; He, Lingyun and Qin, Zunwen 2019), the economic significance of happiness (Li, Dare and Qiu, Haixiong, 2013; Yang, Jidong and Zou, Hongwei, 2021), and how to measure happiness (Zhu, Jinhe and Wang, Junxiang, 2016; Wan, Guanghua and Lv, Jiaying, 2021; Wang, Yong et al. 2024). Another category is to study the influencing factors of happiness. They mainly include individual factors, such as education level (Xue-meng Ding and Jian Sun, 2019; Tian Wang et al. 2021; Tong Li et al. 2023), personality (Wenwen Cheng et al. 2008; Huanzhen Wang et al. 2017), health (Huamei Zhong and Wenxin Xu, 2024), and marital status (Bianjing Ma, 2019), etc.; and economic factors, such as the growth of the national economy (Knight & Gunatilaka R, 2011), income (Wang Shanshan et al., 2022; Wang Jiefei and Yao Shujie, 2022), digital economy (Wang Song et al., 2023), etc.; and social factors, such as social support (Chen Weijia et al., 2024), quality of employment (Luo Mingzhong and Lin Yuchan, 2023), and social fairness (Zhang Lisi and Zhang Ziwei, 2023). Such factors are the main scope of happiness economics research.

Traditional development economics assumes that the process of growth is consistent with the process of welfare improvement, and that economic growth will inevitably lead to improved welfare or increased happiness. For example, You Liang and Ma Qianqi (2023) showed that income inequality has an inhibitory effect on farmers' subjective well-being. Su Zhongping and Zhang Yingliang (2021) found that absolute and relative incomes have a positive effect on the subjective well-being of rural residents, and relative income is the most important factor affecting subjective well-being. It can be seen that economic factors are the key factors affecting residents' happiness (Xia Jiechang and Chen Feng, 2022). At the same time, the accumulation of family wealth and family income as the main way (Yi Xingjian et al., 2023), so how does the accumulation of family wealth affect residents' happiness?

Through literature combing, it is found that the existing literature on the study of wealth on happiness can be summarised into two main categories. The first category analyses the impact of household assets on residents' sense of well-being from the perspective of household assets. A part of scholars believe that family assets mainly affect residents' happiness through the "wealth effect" and "asset effect" on residents' consumption level (Hu Chenpei et al. 2017; Yin Zhichao et al. 2019; Wu Xuepin 2024). On the one hand, under the framework of the family life cycle, the "smooth"

allocation of family assets to each period of consumption is the optimal choice for residents to improve their satisfaction. The more family wealth is accumulated, the higher the consumption level of residents in each stage of the life cycle, and the easier it is to improve residents' happiness (Hu Ronghua and Sun Keilun, 2015). On the other hand, the level of total social wealth is relatively stable in a certain period of time (Lu Wei et al., 2022), and residents' consumption will be affected by asset price fluctuations. Expectations of asset price fluctuations will determine the adjustment of residents' consumption, and household assets with investment value will promote consumption and thus happiness. Another part of scholars' research shows that the impact of income on residents' happiness has a negative "comparison effect" (Li Jiangyi et al., 2015; Yang Jidong and Zou Hongwei, 2021), while the "demonstration effect" positively promotes the improvement of happiness. On the one hand, when the accumulation rate of residents' own wealth is smaller than that of others, households with larger assets will have a higher sense of well-being. Residents are always accustomed to comparing themselves with others, which, on the contrary, makes their own happiness lower (Li Jing and Guo Yongyu, 2010). On the other hand, relative income will have an incentive effect on residents' happiness. When others accumulate too much wealth, residents will have the expectation that their own wealth will increase, and thus their happiness will increase (Yuanping Lu and Tao Wang, 2011).

The second category analyses the impact of household indebtedness on residents' sense of well-being from the perspective of household indebtedness. At present, studies addressing the relationship between household indebtedness and residents' happiness have not reached a consistent conclusion. Some scholars' studies show that household indebtedness is an important way for residents to smooth consumption (Li Bo and Zhu Taihui, 2022) and alleviate income constraints (Tian Zifang et al., 2022), which will promote happiness, i.e., household indebtedness has a positive effect on residents' happiness. According to the liquidity constraint theory, residents can borrow to smooth current consumption and enhance the satisfaction level of economic life (Lv Xueliang and Ma Jiyu 2023), thus increasing happiness. Other scholars believe that household indebtedness will inhibit the enhancement of happiness by reducing residents' quality of life (Xu Minxia, 2023), causing psychological depression (He Qizhi et al., 2022), and forming financial pressure (Chen Yili, 2017), i.e., household indebtedness has a negative effect on residents' happiness.

Based on the above analyses, the following hypotheses are proposed in this paper:

H1: The accumulation of household wealth significantly increases the happiness of the population;

H2: The accumulation of household wealth has different effects on the well-being of different types of residents.

3. Data and Research Methodology

3.1. Data Sources

The data used in this paper is the China Household Finance Survey (CHFS) data. The database is a nationwide micro household survey project conducted by the China Household Finance Survey and Research Centre of Southwestern University of Finance and Economics. Since 2011, the project has conducted surveys every two years, covering a wide range of aspects such as household demographic characteristics,

assets and liabilities, insurance and protection, income and expenditure, etc. The data covers 29 provinces (autonomous regions and municipalities directly under the central government), 170 cities, and 345 districts and counties, and is able to better reflect the current situation of Chinese households at the micro level. In this paper, we match the personal characteristics data of CHFS 2015, 2017 and 2019 with the household economic characteristics data, and after removing the inapplicable, blank, refused-to-answer, and other missing values in the main variables, we integrate the three years' data, and finally obtain 6,165 samples and 2,055 households after effective data screening.

3.2. Variable Selection and Modelling

3.2.1. Description of variables and descriptive statistics

(1) Explanatory variables: The explanatory variable in this paper is residents' happiness, which is derived from the question in the questionnaire of the household finance survey, "In general, do you feel happy now?". According to the options set in the questionnaire, there are five categories: "very happy", "happy", "average", "unhappy", and "very unhappy", and the value of "very happy, happy, and average" is assigned as 1, and the value of "unhappy" and "very unhappy" is assigned as 0.

(2) Core Explanatory Variable: Household Wealth Level This paper uses the natural logarithm of household net asset value (Net_asset). Based on the availability of CHFS data, household NAV is obtained by subtracting total household liabilities from total household assets.

(3) Main control variables: factors affecting residents' well-being are multifaceted, and even under the same external conditions, well-being varies according to individual characteristics, family characteristics, and so on. Therefore, this paper draws on Yu Dan et al. (2021) and introduces three types of control variables, namely, personal endowment characteristics, medical characteristics, and household characteristics, to overcome the effects of individual and household heterogeneity. Individual endowment characteristics include: age of household head (Age), square of age (Age²), marital status (Marriage), education level (Edu), health level (Health), and household status (Rural); medical characteristics include: medical expenditures (Medical); and household characteristics: consumption level (Consump). The statistical descriptive results of each variable are shown in Table 1:

Table 1. Description of variable assignment and descriptive statistics

name	average	standard	minimum	maximum
Happiness	0.926	0.261	0	1
Net_asset	12.458	1.550	2.996	16.799
Age	57.391	12.036	20	101
Age ²	34.386	13.739	4	102.010
Marriage	0.899	0.301	0	1
Edu	3.177	1.583	1	9
Health	2.843	1.008	1	5
Rural	0.517	0.500	0	1
Medical	8.010	1.500	0.693	13.592
Consump	10.704	0.853	7.732	14.046
Year	-	-	2015	2019
Province	-	-	1	29

3.2.2. Modelling

The happiness of the residents studied in this paper is a dichotomous variable, so drawing on Lv Xueliang et al. (2023), a fixed-effects Probit model is used to study and analyse the effects of household wealth and other factors on the happiness of the residents. The model is set up as follows:

$$Y_{ijt} = \begin{cases} 1, & \text{if } \beta_0 + \beta_1 X_{ijt} + \beta_2 Z_{ijt} + \gamma_t + \tau_p + \varepsilon_{ijt} \\ 0, & \text{other} \end{cases} \quad (1)$$

Where "i" denotes household, "j" denotes province, and "t" denotes time; "Y_{ijt}" denotes residents' well-being, "X_{ijt}" denotes the natural logarithmic value of household net worth, "Z_{ijt}" denotes control variables, including personal characteristic variables, medical characteristic variables, and household characteristic variables; "γ_t" is a time-fixed effect, "τ_p" is a province-fixed effect, and "ε_{ijt}" is a random perturbation term.

4. Empirical Test

4.1. Estimated Results and Analyses

Table 2 presents the results of the empirical regression with household wealth as the core explanatory variable and residents' happiness as the explanatory variable. As shown in column (1) of Table 2, without controlling any other variables, the effect of household wealth on residents' happiness is significantly positive at the 1% level; column (2) controls for individual endowment characteristic variables on the basis of column (1), and although the effect of household wealth on residents' happiness is reduced, it is still significantly positive at the 1% level; column (3) controls for medical characteristic variables on the basis of column (2), and the effect of household wealth on residents' happiness is still significantly positive; column (4) controls for medical characteristic variables on the basis of column (2), and the effect of household wealth on residents' happiness is still significantly positive; column (4) controls for medical characteristic variables on the basis of column (2), and the effect of household wealth on residents' happiness is still significantly positive. Column (3) controls for the medical characteristics variable on top of column (2) and the effect of household wealth on residents' happiness is still significantly positive; column (4) controls for the family characteristics variable on top of column (3) and the estimation results show that although the effect of household wealth on residents' happiness is weakened, it is still significantly positive at the 1 per cent level. Overall, an increase in household wealth significantly increases residents' happiness, and hypothesis H1 is confirmed.

The regression results also show that: (1) marital status and education have a significant positive effect on happiness, indicating that residents who are married are happier than those who are not, and residents with a high level of education are happier than those with a low level of education. (2) There is a significant "U-shaped" relationship between age and happiness. As age increases, residents' happiness decreases, but at a decreasing rate. (3) There is a significant negative relationship between health level, medical expenditure and happiness. As the health level is assigned as "very good=1; good=2; average=3; bad=4; very bad=5", the health level is decreasing, so the more unhealthy the residents are, the more unhappy they are; the more medical expenditure, the more unhappy the residents are, probably because the high medical expenditure makes the family wealth decrease leading to the

decrease of the sense of well-being, and also because the increase of medical expenditure means that the residents' happiness decreases with age. It may be that the increase in medical expenditure means that the health level of residents decreases, which in turn leads to a decrease in happiness. (4) The positive effect of consumption level on happiness is relatively small; the effect of being a rural household on happiness is not significant.

Table 2. Effect of household wealth on the well-being of the population (Probit- model)

	(1)	(2)	(3)	(4)
variant	Happiness	Happiness	Happiness	Happiness
Net_asset	0.195*** (0.0166)	0.145*** (0.0192)	0.152*** (0.0193)	0.142*** (0.0202)
Age		-0.052*** (0.0183)	-0.053*** (0.0183)	-0.053*** (0.0183)
Age^2		0.0534*** (0.0156)	0.0557*** (0.0156)	0.0560*** (0.0156)
Marriage		0.375*** (0.0797)	0.382*** (0.0801)	0.376*** (0.0803)
Edu		0.110*** (0.0239)	0.110*** (0.0240)	0.104*** (0.0243)
Health		-0.211*** (0.0285)	-0.191*** (0.0288)	-0.185*** (0.0290)
Rural		0.0669 (0.0594)	0.0488 (0.0597)	0.0565 (0.0600)
Medical			-0.090*** (0.0176)	-0.105*** (0.0199)
Consump				0.0705* (0.0423)
time	YES	YES	YES	YES
Province	YES	YES	YES	YES
N	6,165	6,165	6,165	6,165

Note: (1) ***, **, and * represent significant at the 1%, 5%, and 10% levels, respectively; (2) Values in parentheses are t-values.

4.2. Heterogeneity Analysis

China's economic and social development currently still has the problem of unbalanced and insufficient development, the level of household wealth exists in urban and rural areas within the region, as well as geographic differences between regions, coupled with the constraints imposed by the residents' personal conditions, the impact of household wealth on the residents' sense of well-being may be different. Therefore, this paper groups the samples by urban and rural areas, geographic areas and residents' education levels to explore the heterogeneity of the impact of household wealth on residents' happiness, and the estimation results are shown in Table 3.

Table 3. Heterogeneity analysis of the impact of household wealth on residents' well-being

variant	(1)	(2)	(3)	(4)	(5)	(6)
	cities	villages	eastern	midwest	High	low
Net_asset	0.186*** (0.032)	0.116** (0.027)	0.192*** (0.037)	0.124*** (0.024)	0.481*** (0.124)	0.126*** (0.021)
Other time	YES	YES	YES	YES	YES	YES
Province	YES	YES	YES	YES	YES	YES
N	2977	3188	1996	3965	1021	5144

Note: (1) ***, **, and * represent significant at the 1%, 5%, and 10% levels, respectively; (2) Values in parentheses are t-values.

4.2.1. Urban-rural heterogeneity

There is a problem of uncoordinated development between urban and rural areas in China, with wealthy households concentrated in towns and cities and the economic development of villages lagging behind. Therefore, this paper divides the sample into urban and rural samples according to the residents' household registration for regression analyses to test the impact of household wealth on residents' happiness. Columns (1) and (2) of Table 3 show the estimation results of the urban and rural samples respectively, and there is a significant enhancement effect of household wealth on the happiness of both urban and rural residents, and the urban (0.186) is larger than the rural (0.116), but the difference between the two is not significant. China's urban-rural dual structure is obvious, there is a more serious urban-rural income gap, compared with urban residents, rural residents are lower in both income and consumption, and the level of development of the financial industry is also backward, which to a certain extent inhibits the enhancement of family wealth on the well-being of rural residents.

4.2.2. Geographical heterogeneity

Considering that the economic level of the eastern region of China is generally higher than that of the central and western regions, this paper divides the sample into the eastern region sample and the central and western region sample, and carries out regression estimation separately, and the results are shown in columns (3) and (4) of Table 3. The results show that the impact of household wealth on residents' happiness is significantly positive in both the eastern region and the central and western regions, and is greater in the east (0.192) than in the central and western regions (0.124). The reason for this is that the eastern region is economically developed, the overall living standard of residents is higher, and there is more room for the role of family wealth to play. On the contrary, the economic development of the central and western regions is relatively backward, the coverage of financial institutions is incomplete, and the development of the financial system is imperfect, so the residents are more vulnerable to the impact of financial risks and other factors, which in turn affects the accumulation of family wealth, and to a large extent inhibits the enhancement of the sense of well-being of the residents in the central and western regions.

4.2.3. Educational heterogeneity

In this paper, the total sample is divided into high and low education groups based on the education level of the residents. The education level is "high school", "junior

college/vocational high school", "college/higher vocational" and "bachelor's degree", "Master's degree" and "Doctoral degree" are the middle and high education groups, while "never attended school" and "primary school" are the middle and high education groups, "Junior high school" is the low education group. From the regression results in columns (5) and (6) of Table 3, it can be seen that family wealth can significantly improve the happiness of both residents with middle and high education and residents with low education, and middle and high education (0.481) is significantly larger than (0.126). Compared with residents with low education, residents with middle and high education not only have more opportunities and channels to learn about finance and financial management, but also have more advantages in planning investment and recognising risks in order to avoid property losses, so they can get more benefits through the accumulation of family wealth, and the degree of enhancement of their own sense of well-being is also higher.

In conclusion, the results of the heterogeneity analysis according to the macro-environmental factors show that family wealth has a stronger effect on the enhancement of the happiness of urban residents than rural residents, and on the enhancement of the happiness of the residents in the eastern region than the residents in the central and western regions; the results of the heterogeneity analysis according to the micro-individual factors show that the enhancement of family wealth on the happiness of the residents with middle and high education levels has a stronger effect on the happiness of the residents with low education levels than the residents with low education levels. Therefore, the enhancement of residents' happiness by family wealth is affected by both macro-environmental and micro-individual factors, and the accumulation of family wealth has a different impact on the happiness of different types of residents, and the hypothesis H2 is proved.

4.3. Endogenous Treatment

The benchmark model may have potential endogeneity problems, for example, the accumulation of household wealth can enhance residents' happiness, and vice versa, the enhancement of residents' happiness may also affect the accumulation of household wealth, so there is some reverse causality. Therefore, this paper lags the core explanatory variables in order to minimise the interference of mutual causality. As the data of the household finance survey is updated every two years, it is lagged for two periods, and the results are shown in Table 4.

Table 4. Estimates of endogenous treatments

	(1)	(2)	(3)
variant	Happiness	Happiness	Happiness
L2.Net_asset	0.0114***	0.00590**	0.00684**
	(0.00251)	(0.00290)	(0.00299)
control variable	NO	YES	YES
time fixed effect	NO	NO	YES
Province fixed effects	NO	NO	YES
Constant	0.799***	1.030***	0.993***
	(0.0314)	(0.0890)	(0.0975)
N	6165	6165	6165

Note: (1) ***, **, and * represent significant at the 1%, 5%, and 10% levels, respectively; (2) Values in parentheses are t-values. (3) Control variables include Age, Age², Marriage,

Edu, Health, Rural, Medical_con, and Consump, which are not listed for space limitation.

Column (1) of Table 4 shows the results of a two-period lagged regression of household wealth without controlling for any other factors, and the results show that the effect of household wealth on residents' happiness is still highly significant and positively contributing to the happiness of the population; Column (2) of Table 4, on the basis of Column (1), controls for the variables of personal characteristics, healthcare characteristics, and family characteristics, and the results remain significant and positive at the 5 per cent level, albeit with a somewhat reduced effect; Column (3) of Table 4, on the basis of column (2), further controls for time fixed effects and province fixed effects. significantly positive at the 5 per cent level; column (3) of Table 4 further controls for time fixed effects and province fixed effects on the basis of column (2) and the results are still significantly positive at the 5 per cent level. The overall results are consistent with the results above, so the results of this paper remain significant after the endogeneity problem is solved.

4.4. Robustness Tests

In order to ensure the robustness of the estimation results, this paper uses the Logic model to conduct the regression test by changing the measurement method on the basis of unchanged sample data, and the estimation results are shown in Table 5. After gradually increasing the control variables, the regression coefficient of household wealth is significantly positive at the 1 per cent level, and this result indicates that the estimation results obtained after changing the measurement method are robust.

Table 5. Estimated results of household wealth on the well-being of the population (Logic model)

	(1)	(2)	(3)	(4)
variant	Happiness	Happiness	Happiness	Happiness
Net_asset	0.377***	0.276***	0.287***	0.261***
	(0.0319)	(0.0369)	(0.0371)	(0.0389)
Personal	NO	YES	YES	YES
medical	NO	NO	YES	YES
Household	NO	NO	NO	YES
time	YES	YES	YES	YES
Province	YES	YES	YES	YES
N	6165	6165	6165	6165

Note: (1) ***, **, and * represent significant at the 1%, 5%, and 10% levels, respectively; (2) Values in parentheses are t-values.

5. Conclusion and Suggestion

Based on the 2015, 2017 and 2019 China Household Finance Survey (CHFS) survey data, this paper explores the impact of household wealth accumulation on residents' happiness. It is found that household wealth accumulation can significantly enhance residents' happiness. The conclusion still holds after two-period lagging of the data to address endogeneity issues and a series of robustness tests. Heterogeneity analyses show that household wealth accumulation has a more significant effect on the well-being of residents in urban areas as well as in the eastern region; it has a stronger effect on enhancing the well-being of residents

with middle and high educational attainment than those with low educational attainment. Overall, the growth of household wealth can enhance the well-being of residents, help realise their needs for a better life, and promote the high-quality development of Chinese families.

On the basis of the above conclusions, this paper puts forward the following policy recommendations: first, promote the integrated development of urban and rural areas, and help rural areas to steadily improve the accessibility and affordability of financial services, so as to provide residents with basic family wealth protection and stimulate the "wealth effect". Secondly, we will enhance the balance of economic development, break the constraints of unbalanced economic development in the central and western regions, further bridge the family wealth gap, and put an end to the "comparison effect". Thirdly, we should strengthen the construction of basic public education services and raise the educational level of the population, so as to improve the incomes of all residents and increase their sense of well-being by moving up the social ladder.

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