Citizens are happier in countries where the government intervenes more frequently in the economy

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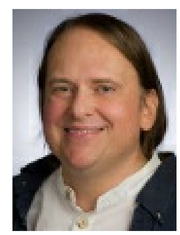
What types of public policy promote greater happiness among citizens? **Patrick Flavin**, **Alexander C. Pacek** *and* **Benjamin Radcliff** *present results from an analysis of survey data across 21 industrialised democracies between 1981 and 2007. They find that in countries where governments intervene more frequently in the economy there is a higher degree of self-reported happiness among citizens. They note that while these findings cannot strictly be taken as evidence that social democratic policies are better in a normative sense overall, the results suggest that more research is required on the impact of a country's political context on the happiness of its citizens.*

How much, or little, should a government intervene into the market economy? In democracies around the world, perhaps no question has ignited such fiery and enduring political debate, with those on the centre-left arguing for interventionist policies like generous unemployment protections and welfare benefits and those on the centre-right arguing for minimal government intervention to allow the market to operate most efficiently. Indeed, there is even little agreement on how to evaluate what policy regime is "best," with economic growth, per capita production, levels of inequality, and poverty rates among the most cited possible evaluative metrics.

In a recently published research paper, we take a step back from purely economic indicators of well-being and instead ask: What public policies lead to citizens living lives that they themselves deem satisfying? In other words, what public policies promote greater human happiness? This question is now answerable thanks to a burgeoning academic literature that attempts to scientifically measure subjective well-being through the use of survey data. In our research, we use data from the World Values Survey which queried nationally representative samples of citizens in 21 advanced industrialised democracies from 1981 to 2007 and asked respondents: "All things considered, how satisfied are you with your life as a whole these days?" There are ten response categories, with higher values indicating greater satisfaction with one's life.



We investigate whether certain public policies are associated with higher levels of life satisfaction. Specifically, we are interested in the extent to which the government intervenes in the market economy. Because there are lively academic debates over how to appropriately measure state intervention, we use four different measures and compare if our results are consistent across each. These measures are first, the size of government, measured as the government's consumption share of a country's gross domestic product (GDP); second, a country's social welfare expenditures as a percentage of its GDP; third, a measure of welfare state generosity (as opposed to only spending) that encompasses the ease of access to welfare benefits, their income replacement values, and the expansiveness of coverage across different statuses and circumstances; and finally, the degree of labour market regulation which consists of regulations governing the terms and conditions of permanent contracts in case of individual dismissals, additional provisions in the face of mass layoffs, and regulations governing the possibility of hiring on temporary contracts.

To rule out possible alternative explanations, we also account for a host of individual (such as marital status, education, personal health, employment status, and church attendance) and country (such as GDP, economic growth, average levels of citizen trust) characteristics to allow us to isolate the relationship between the four public policies described above and citizens' subjective well-being. Our statistical analysis reveals a consistent result across all four measures of state intervention: citizens report being more satisfied with their lives in countries where the government more actively intervenes into the market economy.

In terms of real world impact, we find that living in a country with more than average interventionist policies compared to less than average has a greater effect on happiness than the difference between someone who is married compared to unmarried and someone who is employed compared to unemployed (two of the most common predictors of subjective well-being). We also find that the relationship between more government intervention and greater happiness is present for all citizens, regardless of whether they are rich or poor. In sum, public policies that attempt to insulate citizens from the ups and downs of the market economy appear to promote greater human happiness for all citizens in society.

While we consider this conclusion of substantive importance, we caution that the paper should not be interpreted as a normative or ideologically based defence of left/progressive public policies. While we find empirically (and believe there are strong theoretical reasons to believe) that social democratic policies do contribute to a world in which there is greater life satisfaction, we offer no judgement on whether an expansive, activist state is "better" or "worse" than a limited one. Indeed, no empirical analysis can offer a normative judgment on the wisdom of a generous welfare state. Instead, we focused our attention on one part only of this enduring debate about the size and role of government by asking: Does more government enhance human happiness?

We also believe that our research moves one of the major debates in the scientific study of human happiness forward. To date, most of the research on subjective well-being has typically focused on individual characteristics but has paid little attention to the range of social and political conditions that might make life more (or less) enjoyable. In our focus on explicitly political conditions, we have attempted to underscore the need for theories and empirical analysis that more richly incorporate such determinants.

Given the central role it plays in our analysis, we further maintain that the market economy itself deserves renewed scholarly attention as a major factor in the empirical study of human happiness. Living as we do in the shadow of the "Great Recession" and amid ample evidence of tension between pro-market and pro-social forces, as reflected in the debate over (in the West) austerity and (throughout Latin America and the developing world) the more general neo-liberal agenda, it would be foolish to ignore a major axis of political conflict that we have demonstrated has great consequences for the degree to which people tend to find life satisfying. In short, the market system is a principal force determining the happiness of people and should be theoretically attended to as such.

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