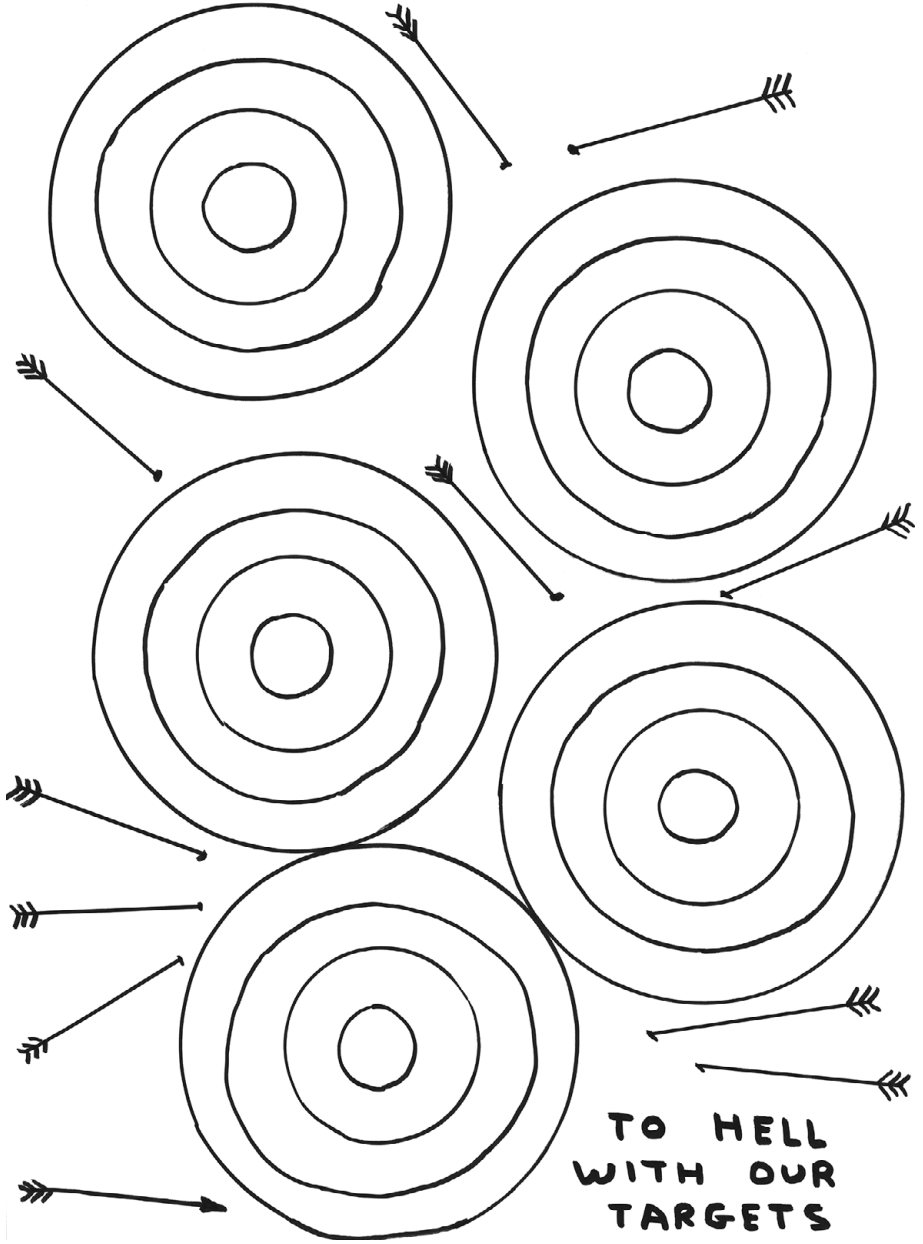


WE MISSED ALL OF OUR TARGETS



**TO HELL
WITH OUR
TARGETS**

16 How Government Affects Wellbeing

The care of human life and happiness and not their destruction is the only legitimate object of good government.

Thomas Jefferson (1809)

Introduction

In this chapter, we will turn to the interaction between wellbeing and governance. We will look at the extent to which differences in government institutions can explain differences in wellbeing around the world. In doing so, we will consider wellbeing as the outcome or ‘output’ of government. In econometric terms, we will consider wellbeing as the dependent variable. Here we are interested not only in whether or not governments fulfil their basic functions – provide for public safety, establish and enforce laws, etc. – but also in the effects of government size and the scope of public programs. Are citizens happier in countries with larger welfare states, or do larger tax burdens threaten wellbeing? Are democracies more conducive to happy lives, or are government services even more important? These questions can be difficult to untangle. Throughout the discussion, we will summarise the various ways researchers have attempted to answer them and comment on the advantages and disadvantages of each approach.

How Do Political Institutions, Processes, and Politics Shape Wellbeing?

Every year, the UN Sustainable Development Solutions Network publishes the World Happiness Report. What often makes headlines is the country that earned the title of happiest country in the world.¹ Yet what is perhaps even more newsworthy is that there should be any World Happiness Report to publish in the first place. It is not unreasonable to imagine that happiness would be evenly distributed in all countries.

¹ Since 2012, only four countries have topped the list: Denmark three times, Norway once, Switzerland once, and Finland four times.

If so, there would be no international average differences in wellbeing to speak of. As it turns out, this is not the case. About one-fifth of the global variation in wellbeing is between countries.² The average difference in life satisfaction between the highest ranked country (Finland) and the lowest (Afghanistan) in the latest report is 7.8 to 2.5 on a scale from 0 to 10 (see Table 1.1).³ This represents a huge variation in the quality of life around the world. What accounts for it?

Throughout this textbook, we have focused on a variety of factors at the individual level – genes, income, employment status, family, health, etc. Yet much of what determines the quality of our lives is also shaped by the broader structures of our society. Governments play central roles in determining life outcomes and opportunities. Understanding differences in public institutional design and effectiveness is therefore essential to understanding global differences in wellbeing. In the next section, we will touch on two key differences in particular: government conduct and democratic quality. Later on, we will consider the importance of government size and political affiliation.

Government conduct and democratic quality

One of the most basic questions to ask about a government is whether or not it works. If we look at a particular country, is the government capable of performing its essential functions well? To Adam Smith, the responsibilities of government could be boiled down to three elements: ‘peace, easy taxes, and a tolerable administration of justice’. All the rest, he argued, flows naturally.⁴ Modern theories of government have continued to stress the importance of peace-making, fiscal and legal capacities. These, according to political economists Tim Besley and Torsten Persson, are the three pillars of prosperous states.⁵ In recent years, an emerging literature has begun to consider the extent to which differences in these government capacities around the world are also capable of predicting cross-country differences in wellbeing. In this section, we will review the results of these endeavours. Specifically, we will consider the role of government conduct and democratic quality.

Over the last two decades, the World Bank has evaluated governments around the world in terms of six fundamental characteristics: (1) ability to enforce rule of law, (2) effectiveness of service delivery, (3), regulatory quality, (4) control of corruption, (5) political stability and absence of violence and (6) voice and accountability.⁶ Each dimension is itself composed of a broad set of individual indicators drawn from international databases on government performance. In the empirical literature, the first four are often aggregated to provide an overall assessment of government conduct

² See Table 2.1 in Helliwell and Wang (2012). ³ Helliwell et al. (2021).

⁴ Quoted from Besley et al. (2021).

⁵ Besley and Persson (2011). In a recent test, Besley et al. (2021) show that governments with strong capacities in each area, those in the ‘highest developmental cluster’ are also those with the highest average levels of life satisfaction.

⁶ For more information, visit: <https://info.worldbank.org/governance/wgi>.

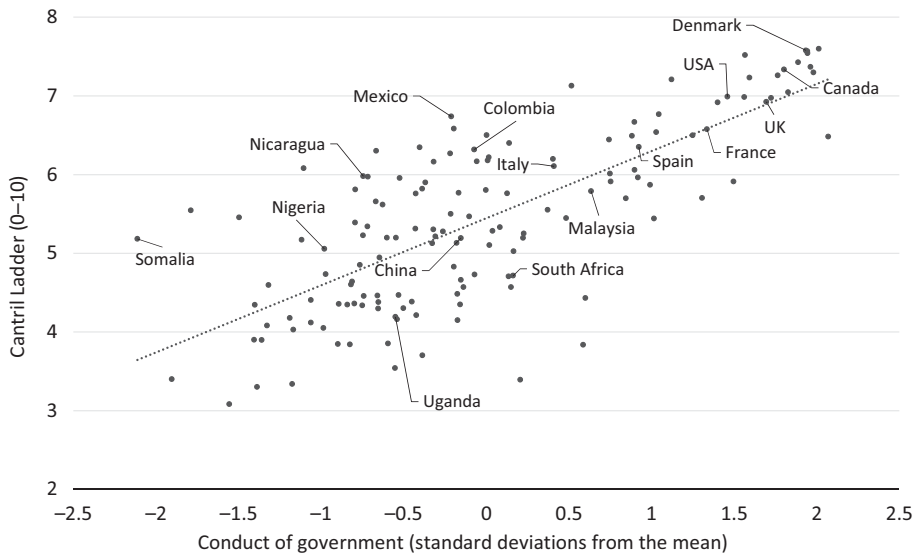


Figure 16.1 Correlation between government conduct and wellbeing

Source: Gallup World Poll and Worldwide Governance Indicators

Note: Average life evaluations measured using responses to the Cantril ladder question.

Government conduct measure drawn from the Worldwide Governance Indicators and evaluated in terms of (1) rule of law, (2) government effectiveness, (3), regulatory quality and (4) control of corruption. Data from 2005 to 2019. Linear trendline displayed and selected countries highlighted.

while the latter two are considered to be indicators of democratic quality.⁷ It is important to note that these features are not necessarily fixed across time. States and government institutions are constantly in flux. Governments can certainly become more or less effective or democratic over time, and in some cases even collapse entirely. Nevertheless, the fundamental quality of institutions tends to remain relatively stable,⁸ allowing for broadly reliable cross-country comparisons.

Let's start with **government conduct**. When we look around the world, government conduct proves to be highly related to average country life satisfaction.⁹ In Figure 16.1, this relationship is shown for a diverse set of 60 countries using data from the Gallup World Poll. With few exceptions, the trendline is clear: countries with higher performing governments have happier citizens. The overall correlation is roughly 0.7. Yet as we've seen many times already, correlation does not necessarily imply causation. Countries with better performing governments are also generally richer and able to afford the provision of essential goods and services. To truly isolate

⁷ These are generally calculated as simple means of each group of variables. See Helliwell and Huang (2008); Ott (2010, 2011); Helliwell et al. (2018b).

⁸ See, for example, Besley et al. (2021). ⁹ This result is again reflected in Besley et al. (2021).

the effect of good governance on wellbeing, we need to control for these sorts of potentially confounding variables.

In the literature, many studies have continued to find strong and significant relationships between government conduct and wellbeing across countries, even after controlling for other influences. In one of the first studies of its kind, the economist John Helliwell found a significant relationship between life satisfaction and good governance using data from 46 countries from 1990 to 1998.¹⁰ Control variables were included at the individual-level for age, gender, marital status and employment status, among others, as well as societal-level variables including level of economic development, social capital and region were also added. More recent studies have expanded on this result by including additional years and countries and considered indicators of democratic quality and government conduct separately. Most of these generally continue to find a strong and significant relationship between government conduct and life satisfaction.¹¹ In one study, even after controlling for income, trust, religiosity and democratic quality, a one standard deviation increase in government conduct predicted a 0.74-point increase in life satisfaction.¹² Some researchers have also found that higher levels of government conduct predict lower levels of happiness inequality.¹³

These results are typically obtained by comparing different countries to one another. Another way to consider this relationship is to look at the impact of changes in government conduct over time. Readers will recall that this type of longitudinal analysis has the benefit of controlling for time-invariant fixed effects. On an individual level, these could be genes or affective predispositions. On a societal level, variables such as norms, culture and geography may begin to play a role. With the emergence of new waves of international happiness and governance data over time, these types of studies have recently become more feasible. In one recent test of 157 countries using data from the Gallup World Poll and World Bank, a one standard deviation increase in government conduct predicted a subsequent increase in life satisfaction of 0.6 points on a scale from 0 to 10.¹⁴ This effect held after controlling for changes in economic development, health outcomes, social support, freedom to make life choices, generosity and democratic quality, as well as country and year fixed effects. Perhaps even most importantly, these effects were observed over the short period of seven years, suggesting that improvements in government functions can have meaningful impacts on wellbeing within policy-relevant timespans.

What about **democratic quality**? It is perhaps first worth noting that any analysis of the link between democracy and wellbeing is bound to face challenges. In its simplest form, democracy means that citizens have rights and reasonable opportunities to influence legislation or elect representatives to do so on their behalf. Yet even this relatively simple definition defies precise measurement. Relying on any one indicator of democratic quality is likely to present an oversimplified account. At the same time, evaluating degrees of democracy between countries using multiple indicators can

¹⁰ Helliwell (2003). ¹¹ Bjørnskov et al. (2010); Ott (2010, 2011). ¹² Helliwell and Huang (2008).

¹³ Ott (2010). ¹⁴ Helliwell et al. (2018b).

become quite a complicated endeavour. Nevertheless, over the last several decades, a number of international organisations and research teams have made impressive attempts to do just that. As mentioned earlier, governance indicators developed by the World Bank for voice and accountability, as well as political stability and lack of violence, are often grouped together to provide an overall assessment of democratic quality. Since 2006, the Economist Intelligence Unit has also published a yearly Democracy Index in which countries are evaluated and ranked as full democracies, flawed democracies, hybrid regimes or authoritarian regimes.¹⁵ In the most comprehensive effort to date, the Varieties of Democracy project has rated the degree of democracy in almost every society in the world going back to the late eighteenth century.¹⁶

Unfortunately, wellbeing data does not extend so far back.¹⁷ Nevertheless, many researchers have linked more recent estimates of democratic governance to average reported levels of wellbeing between and within countries. As it turns out, the relationship is not quite as straightforward as one might expect. The general takeaway from this body of work is represented in Figure 16.2. Average life satisfaction (measured using the Cantril ladder and provided by the Gallup World Poll) is given on the y-axis, while democratic quality (measured in terms of political instability and violence, as well as voice and accountability) is given on the x-axis. Here again we see that both variables are strongly associated, with an overall correlation of 0.7.

However, the association between democratic quality and wellbeing tends to be stronger in more developed countries. One study found that the effect of democratic quality is insignificant in countries with incomes below the global average, even after controlling for societal trust and religiosity.¹⁸ Using an alternative set of democratic indicators, another study also found the quality of legal institutions to be more predictive of life satisfaction than democracy in low-income countries. The reverse was true in high-income countries.¹⁹ In a longitudinal within-country analysis controlling for country fixed effects, John Helliwell and colleagues also found that increases in democratic quality significantly predicted increases in Cantril ladder scores in countries with high government conduct but not in countries with low government conduct.²⁰

These results are suggestive of increasing marginal returns to democratic institutions at higher levels of socioeconomic development. For countries with less advanced economies, citizens may be more reliant on government for basic and essential services. In these regions, it may therefore be unsurprising that government

¹⁵ For more information, visit www.eiu.com/n/campaigns/democracy-index-2020.

¹⁶ For more information, visit www.v-dem.net/en.

¹⁷ Although some researchers have used creative analytical techniques to find proxies. See Hills et al. (2019).

¹⁸ In fact, the authors also find that the relationship between government conduct and wellbeing flips by income level. For higher income countries, the impact of government conduct become insignificant, while the impact of democratic quality becomes significant. The reverse is true for lower income countries. For more information, see Helliwell and Huang (2008).

¹⁹ Bjørnskov et al. (2010). Similar results were obtained by Ott (2010). ²⁰ Helliwell et al. (2018b).

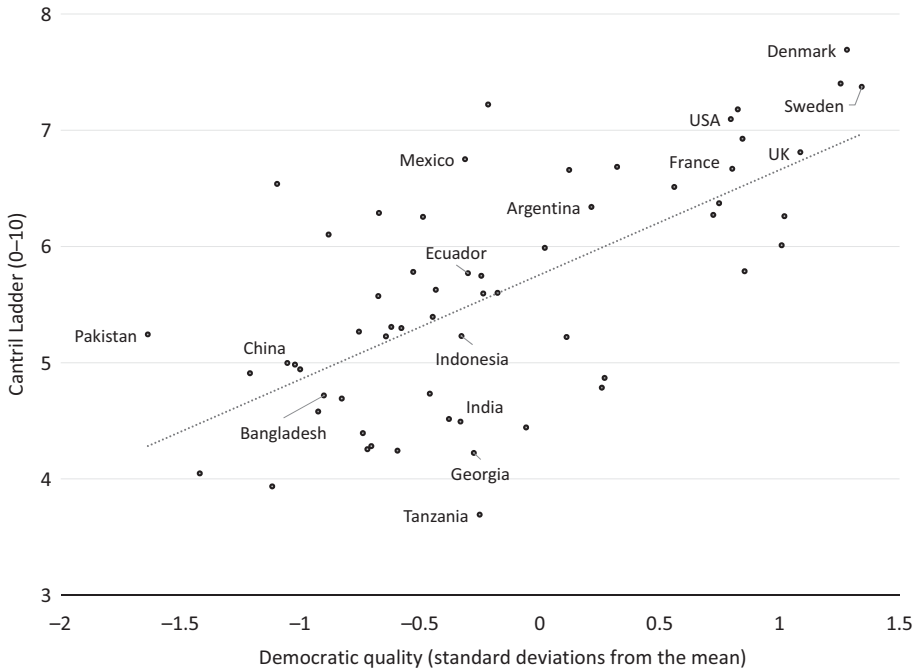


Figure 16.2 Correlation between democratic quality and wellbeing

Source: Gallup World Poll and Worldwide Governance Indicators.

Note: Average life evaluations measured using average responses to the Cantril ladder question. Democratic quality measured in terms of (1) voice and accountability and (2) political stability. Data from 2005 to 2019. Linear trendlines displayed.

conduct and service delivery would supersede the importance of democratic quality for wellbeing. Yet, past a certain threshold of development, democratic quality appears to play a more important role in determining national happiness.

However, it is also important to keep in mind the limitations of this body of work. For one, macro-level analyses generally have much greater data limitations. In previous chapters, when we considered the impact of employment status on wellbeing, for example, we could evaluate hundreds of thousands or even millions of individual respondents per year. When making cross-country comparisons, we often only have data on roughly 150 countries to compare in any given year. At the same time, institutional change generally happens very slowly, or all at once. Both of these limitations can make cross-sectional and longitudinal comparisons of national governments somewhat difficult to make.

At the same time, governments do not evolve in a vacuum. Even with the inclusion of fixed effects in longitudinal models, separating out the individual effect of good government from economic development or democratic quality is not only empirically difficult but also hard to meaningfully interpret. Given the interplay and even interdependence of all of these dynamic processes, knowing what to control for and what not

to control in a regression is not always obvious. For example, given the substantial correlation between absence of violence and effective delivery of public services, it can be difficult to determine what percentage of citizens' wellbeing is attributable to either one, independent of the other. Using linear regressions, the standard approach is to include both indicators as right-hand-side independent variables in a regression equation; yet because they are so interrelated, doing so can make it difficult to interpret what the resulting coefficients actually represent.²¹

A separate strand of research has investigated the relationship between democratic processes and wellbeing by looking at institutional differences **within country borders**. This can be somewhat challenging in countries where similar democratic rules govern the entire society. But this is not always the case. In Switzerland, for example, democratic processes and procedures vary considerably between the 26 cantons (states) that make up the country. This fact, coupled with the availability of large-scale wellbeing data, has made Switzerland a uniquely suitable environment for micro-level research into the relationship between democracy and wellbeing.

In one widely cited study, the political economists Alois Stutzer and Bruno Frey created an index of political participation across Swiss cantons.²² Cantons were rated on a scale from 1 to 6 depending on the degree of decision-making that relies on public referenda.²³ In a cross-sectional regression controlling for a number of individual characteristics including age, gender, income, marital status, citizenship and health, among others, the authors found that residents of cantons with higher levels of public political participation were significantly more satisfied with their lives than counterparts in less democratic cantons. This benefit also accrued almost entirely to Swiss citizens and not foreigners, suggesting that opportunities for political participation are more likely to positively affect those who are able to directly take advantage of them. Overall, a one-point increase in the index of political participation possibilities predicted an increase in the number of people reporting high life satisfaction (10 out of 10) by 3.4 percentage points. Controlling for other factors, the difference in wellbeing between the most and least democratic cantons was 1.2 points on a 10-point scale.

Because these effects are estimated for residents of the same country, the potential for confounding variable bias is expected to be much smaller than in international comparison studies. Nevertheless, cross-sectional comparisons between cantons may still leave out important regional differences and time invariant fixed effects.

Another study attempted to overcome these concerns by considering the impact of political reforms that centralised political decision-making within different Swiss

²¹ In econometric terms, this can lead to 'multicollinearity' problems in which explanatory variables are themselves linearly related to each other. In this situation, the resulting coefficient estimates become unreliable.

²² Stutzer and Frey (2006).

²³ More specifically, the index is based on four components: 'Popular initiative to change the canton's constitution; the popular initiative to change the canton's law; the compulsory and optional referendum to prevent new law or changing law; and the compulsory and optional referendum to prevent new state expenditure.' (Stutzer and Frey [2006] p. 413).

cantons.²⁴ These reforms meant that democratic referenda at more local (municipality) levels lost some degree of influence as more decisions were passed up to political processes at the level of the canton itself. They were intended to increase government efficiency but also had the effect of reducing direct opportunities for political participation.

Importantly, reforms were also adopted by different cantons at different times, resulting in something of a **natural experiment**. By comparing changes in life satisfaction following reforms in some cantons to life satisfaction levels in cantons where reforms were not adopted, the causal effect of centralisation on wellbeing could be estimated. In the empirical literature, this is referred to as a **difference-in-difference** approach, since changes (or differences) in wellbeing arising from an intervention in one place are compared to changes (or differences) in wellbeing over time in another place where no intervention took place. By implication, for this empirical approach to get off the ground, there has to first be evidence of parallel trends prior to the event in question. In this case, before a given reform, life satisfaction levels in the reforming canton and comparison canton should have been following similar trajectories. If wellbeing levels were already decreasing in the former before the reforms, attempting to estimate their effects on wellbeing by comparing cantons would produce biased results.

Using this method, the study found a small but significant negative effect of centralisation reforms on wellbeing. Relative to those living in cantons in which reforms were not introduced, residents of cantons where democratic decision-making became more centralised experienced a decline in life satisfaction of 0.06 points on a 0 to 10-point scale.²⁵ This effect was twice as severe in cantons with relatively low levels of direct democracy to begin with.

How are we to explain these results? To be clear, the above analyses suggest that (at least in more developed countries) increased opportunities for democratic involvement in decision-making have a positive effect on wellbeing, regardless of the actual decisions made. This implies that the benefits of democracy extend beyond simply producing better outcomes for citizens. Rather, there appears to be inherent value in being able to participate in the democratic process – what Bruno Frey and Alois Stutzer have called ‘procedural utility’.²⁶ This has crucial implications for politics and government but also in domains outside of the public sector. Affording people more agency and voice in work and educational settings, for example, may also help to promote and support wellbeing. Put simply, it is not only the *what*, but also the *how* that matters.²⁷

²⁴ Flèche (2017).

²⁵ These effects were significant after a host of control variables including individual- and municipality-level fixed effects.

²⁶ Frey et al. (2004); Frey (2010). This idea is also in line with a number of theoretical understandings of human wellbeing in psychology including self-determination theory (Ryan and Deci [2000]), personal control theory (Ryff and Singer [1998]) and related theories of human potential (Peterson [1999]).

²⁷ Frey et al. (2004).

The size of government

We now turn from the nature of government to the size of government. The debate over ‘small’ or ‘big’ government has dominated political conversations for centuries. Despite the impressive array of opinions on this issue, the debate often centres around the same fundamental questions. At what size is the state best equipped to provide for better lives? Are larger and more activist governments better able to support societal welfare? Does the route to prosperity demand reducing the size and scale of government interventions? In this section, we will consider the answers to these questions emanating from empirical wellbeing science.

To begin, we should first define what we mean by the size of government. There are two components to consider. The first is the scale of welfare expenditures (as a share of GDP). These include state pensions, unemployment benefits, family allowances and the like – all of them cash transfers of various kinds. The second element is government expenditure on goods and services (like education, healthcare, law and order and defence – otherwise known as government consumption). We can now investigate how these measures affect wellbeing, both across countries and within countries over time. In doing so, we shall hold constant things like the educational level and health of the population, thereby somewhat underestimating the total effects of government activity.

Let’s begin with **welfare expenditures**. One early study used WVS data from 1981 to 2001.²⁸ It found significant effects of welfare expenditures upon average wellbeing in a country. In addition, governments were also rated in terms of the ease by which citizens can access these expenditures.²⁹ If we combine these two ratings, the gap in life satisfaction between the highest and lowest rated country was found to be 1.8 points out of 10.³⁰ Over time, countries that expanded their welfare states also experienced subsequent increases in average life satisfaction.

Other more recent studies have extended these results. One again found positive wellbeing effects of welfare expenditures.³¹ Specifically, a 1% point increase in welfare expenditures (as a share of GDP) raised average wellbeing by 0.03 points

²⁸ The World Values Survey (WVS) has become one of the most widely used datasets in this literature. The worldwide survey is typically conducted over the course of three to four years, with seven waves of data available as of 2021.

²⁹ This index was originally proposed by Gøsta Esping-Andersen and defined as ‘labour being decommmodified to the degree to which individuals or families can uphold a socially acceptable standard of living independent of market participation’ (Esping-Andersen [1990] p. 37). A more specific definition is provided by Messner and Rosenfeld (1997) p. 1399 and quoted in Radcliff (2013) p. 117: ‘Esping-Andersen’s measure of decommmodification encompasses three primary dimensions of the underlying concept: the ease of access to welfare benefits, their income-replacement values, and the expansiveness of coverage across different statuses and circumstances. A complex scoring system is used to assess [the amount of decommmodification provided by] the three most important social welfare programs: pensions, sickness benefits, and unemployment compensation. The scoring system reflects the ‘prohibitiveness’ of conditions for eligibility [e.g., means testing], the distinctiveness for and duration of entitlements [e.g., maximum duration of benefits], and the degree to which benefits replace normal levels of earnings. The indices for these three types of . . . programs are then aggregated into a combined [additive] index.’

³⁰ Pacek and Radcliff (2008). ³¹ Flavin et al. (2011).

(out of 10). Moreover, this effect was found to hold for rich people as much as for those who are poorer and therefore more likely to benefit.³²

However, one potential limitation of the early literature is the small number of observations it relies on. Given this, a handful of potential outliers – for example, the Nordic countries with high happiness levels and large welfare states – can skew the estimated relationships. One recent study dealt with this worry by expanding the sample to 107 countries using the Gallup World Poll, including many low income and lower-income countries. Even in this expanded sample, positive and significant relationships between welfare expenditures and life satisfaction remained apparent, after controlling for a host of potentially confounding variables.³³ These effects were still significant after Nordic countries and other potential outliers were dropped from the sample. This would appear to suggest that welfare spending can benefit not only those in the most developed countries but also those in developing regions. More cautiously, the results of this literature indicate that countries with very limited welfare expenditures may struggle to promote social welfare.

So what about **government expenditure on goods and services**? Most studies considering the relationship between government consumption and national wellbeing find a positive relationship. One analysis showed that a 1percentage-point increase in the share of government consumption in GDP increases average wellbeing by 0.04 points (out of 10);³⁴ and a 1percentage-point increase in the share of taxes in GDP increases average wellbeing by 0.03 points (out of 10). Another analysis using data from the Gallup World Poll found a positive and significant relationship between wellbeing and the level of progressive taxation.³⁵

Like those in the previous section, some of these results may seem surprising. In almost all of the papers discussed, control variables were included for health, trust, economic stability, employment status and a host of other personal characteristics and societal conditions. One could argue that these are in fact some of the most important channels by which the state can impact wellbeing. In this section, we have left them mostly aside. Yet even after controlling for many of the most fundamental ways in which governments are presumed to positively impact citizens lives, most studies continue to find positive effects of government programs on wellbeing. At the very least, the evidence would seem to suggest that forgoing or severely limiting public expenditures seems unlikely to promote wellbeing.

Political orientation

A natural question arising from the discussion so far is which political program is most conducive to wellbeing. In a majority of countries around the world, including almost all high-income countries, governments are elected by some form of democratic political process in which political parties compete for the popular vote. The spectrum of political ideas tends to be represented as a continuum from left to right. The

³² Flavin et al. (2014). ³³ O'Connor (2017). ³⁴ Flavin et al. (2011). ³⁵ Oishi et al. (2012).

specifics vary between countries, although many of the most fundamental political viewpoints and policy goals of these two opposing sides are common around the world. While there are numerous ethical and philosophical differences between proponents of each position that cannot be easily adjudicated with data, some disagreements do lend themselves to empirical analysis. Here again, the tools of empirical wellbeing science can help shed light on which political project is more likely to succeed at making people happier. That question will be the focus of this section.

There are a few ways we can go about trying to answer this question. One way would be to simply look at differences in wellbeing between **people** who identify as left-wing or right-wing. This task is easy enough to accomplish. Many large-scale datasets used in happiness research including the European Social Survey and Gallup World Poll also contain information on political ideology. The findings of this body of research constitute an impressively large literature.³⁶ The results are remarkably consistent: conservatives (right-wing) are generally happier than liberals (left-wing).³⁷ A number of possible explanations have been put forth to explain these gaps. They have included conservatives' higher levels of perceived personal agency, more transcendent moral beliefs, greater perceptions of the fairness of the world and more positive life-outlooks.³⁸ Other studies have qualified these relationships, noting that conservatism only predicts higher levels of wellbeing in the most developed countries³⁹ or in countries with higher levels of perceived national threat.⁴⁰ Relative to liberals, conservatives are also generally less likely to be unemployed, more satisfied with their finances and more likely to own homes.⁴¹ Part of the reason they are happier may therefore be because prevailing societal institutions in many countries are relatively supportive of their interests.⁴² Along similar lines, some research has shown that the wellbeing of partisans is also dependent on whichever party is in power.⁴³ However, as interesting as these results are, they are somewhat unhelpful for our present purposes. Observing that proponents of one set of political ideas are happier than those of another tells us little about whether or not the political program they put forth is conducive to wellbeing on a societal scale.

Another route would be to look at whether or not citizens of **countries** with more left-leaning governments are happier than those in countries with right-leaning governments. In one of the first and most cited studies conducted along these lines, Benjamin Radcliff analysed the extent to which cross-country differences in socialist, liberal or conservative welfare regimes, as well as the degree of left-dominance in national parliaments, predict national wellbeing levels, using World Values Survey data.⁴⁴ Control variables were included for GDP and overall unemployment. Both

³⁶ Onraet et al. (2013). ³⁷ Carroll (2007); Napier and Jost (2008); Butz et al. (2017).

³⁸ Schlenker et al. (2012). ³⁹ Napier and Jost (2008). ⁴⁰ Onraet et al. (2017).

⁴¹ Pew Research Center (2017).

⁴² An important exception in this regard is the growing proportion of new conservatives supporting populist candidates including Donald Trump and Marine Le Pen. This group tends to be worse off economically than core conservatives (Pew Research Center [2017]), and as we will see in Chapter 17, more likely to be dissatisfied than other groups.

⁴³ Di Tella and MacCulloch (2005); Tavits (2008). ⁴⁴ Radcliff (2001).

higher levels of socialism and left-dominance predicted higher levels of wellbeing. However, this result was potentially limited by familiar problems of scale (only 15 countries and one year of data was included), cross-country comparability, and confounding variable bias.

In a more recent test, a team of researchers looked at whether political differences between state governments in the United States predicted differences in wellbeing.⁴⁵ The authors relied on representative life satisfaction data collected throughout the country from 1985 to 1998. The two key variables of political interest in this case were (a) the ideological leaning of the state government as determined by an independent rating system and (b) the percentage of the state legislature controlled by the Democratic party. A host of individual, state and regional control variables were included, including region and year fixed effects. The authors found that more left-leaning state governments predicted higher levels of life satisfaction. The effect of Democratic party control was positive but statistically insignificant.⁴⁶ The magnitude of the former was also relatively modest. The impact of moving across the full range of the political spectrum from right to left was associated with an increase in life satisfaction equivalent to about half of the magnitude of the individual effect of unemployment.

The results of these studies suggest that left-leaning political programs are (slightly) more conducive to wellbeing than countervailing programs on the right. Nevertheless, even these results seem somewhat uninformative. Given the large diversity of policies put forth by left- and right-wing political programmes, it remains somewhat unclear why or which particular policies are conducive to happiness. The modest size of the coefficients in both studies may suggest that some left-wing policies have stronger effects than others.

Conclusions

- Both government conduct and government quality are significantly related to wellbeing levels around the world.
- The impact of democratic quality appears to be more important for wellbeing in high-income countries. This could suggest that residents of low-income countries are more affected by their governments' provision of basic goods and services, while residents of high-income countries place a higher value on democratic influence.
- It is often difficult to make reliable comparisons between countries. As a result, other researchers have looked at within-country variation in democratic processes and procedures to predict wellbeing. The results of these studies generally show that decreased opportunities for democratic involvement in politics decrease wellbeing. This has led some researchers to suggest that wellbeing – or 'procedural utility' – is

⁴⁵ Alvarez-Diaz et al. (2010).

⁴⁶ However, this latter effect was only barely statistically insignificant at a 10% level ($p = 0.12$).

inherently derived from democratic participation, regardless of the actual outcome of democratic decisions.

- While the results can vary depending on the definition, government size (measured in terms of both welfare expenditures and government consumption) is generally positively associated with wellbeing. In particular, both the level of social benefits, as well as the ease by which citizens can access them predict higher levels of national happiness.
- In terms of political orientation, right-leaning individuals are generally happier than left-leaning individuals. But residents of countries with left-leaning governments are generally happier than those living in countries with right-leaning governments. In the United States, adoption of left-leaning state policies has also been associated with increases in wellbeing over time.

Questions for discussion

- (1) Is there a contradiction between maximising wellbeing and promoting procedural utility?
- (2) There is some evidence to suggest that democratic quality is more strongly related to wellbeing in high-income countries. Does this imply that governments in low-income countries should not prioritise democracy?
- (3) What are two primary limitations of making cross-country comparisons when conducting wellbeing research?
- (4) How can these limitations be overcome using natural experiments?

Further Reading

- Alvarez-Diaz, A., Gonzalez, L., and Radcliff, B. (2010). The politics of happiness: On the political determinants of quality of life in the American states. *The Journal of Politics*, 72(3), 894–905.
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