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State Intervention and Subjective Well-Being in Advanced Industrial Democracies

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While there is a vast and contentious literature devoted to the debate over "politics versus markets," scholars have devoted little empirical attention to the fundamental question of how the choice between these two approaches to public policy affects the overall quality of human life. Contending arguments make powerful claims for the superiority of each as the best mechanism for generating and distributing well-being. We attempt an empirical appraisal of this issue, using the extent to which individuals find their lives to be satisfying as an evaluative metric. Considering individual levels of life satisfaction in advanced industrial democracies using the most recent wave of survey data from the World Values Survey, we find that citizens are more satisfied with their lives as the level of state intervention into the market economy increases.

Keywords: Happiness, Life Satisfaction, Politics, Welfare, Policy.

Aunque existe una vasta y polémica literatura dedicada al debate acerca de "política contra el mercado," los académicos han dedicado poca atención empírica a la pregunta fundamental de cómo la elección entre estos dos enfoques en las políticas públicas afectan en conjunto la calidad de la vida humana. Argumentos opuestos hacen fuertes afirmaciones sobre la superioridad de cada uno como el mejor mecanismo para generar y distribuir el bienestar. Utilizando los niveles de satisfacción de los individuos como sistema de medición, intentamos realizar una evaluación empírica de este tema. Considerando los niveles individuales de satisfacción de vida en democracias avanzadas industriales y utilizando la más reciente oleada de datos en encuestas del World Values Survey,

Authors' names are listed alphabetically to reflect their equal contribution to the research.

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encontramos que los ciudadanos están mas satisfechos con sus vidas a medida que el nivel de intervención del estado en el mercado aumenta.

The study of the market economy is as old as social science itself. This is hardly surprising given that since the emergence of capitalism, market principles have come to structure economic production and exchange, and thereby to permeate the wider social order through that structuring. Whatever their ultimate judgment on capitalism, from advocates (such as Adam Smith or Milton Friedman) to opponents (e.g., Marx or Bourdieu) to those who are both (say, J. S. Mill or even John Rawls), social theorists widely agree that once introduced, the market ultimately comes to influence the entire social order (for an extensive review, see Lane 1991). Thus, as Heilbroner (1985, 79) puts it, the market is "society's central organizing principle" such that it manifests itself in "all aspects" of society, including those "concerned with material life, justice and the social order, custom and belief."

While the dominance of market principles has long ceased to be contested, disagreement over the scope and power of the market has been the major political, as well as ideological-ideational, axis of conflict in the modern age. Simply put, the issue is the *degree* to which society should be subordinated to the self-regulating control of the market. The Right, as manifested most explicitly in what has been called by its detractors "market fundamentalism" (Soros 1998), and represented in its more conventional form in the mainstream conservatism of Reagan, Thatcher, and the "Washington Consensus" associated with the International Monetary Fund, argues for the maximum of such subordination. The conventional Left, in the form of Labor and Social Democratic Parties and their associated labor movements, argues for less power to the market through a program of supplementing market outcomes with political interventions that seek to make the state, as much as the market, the ultimate guarantor of citizen well-being.

Recent decades have witnessed the emergence of a social scientific research program aimed at understanding the empirical consequences of these two alternative philosophical approaches to crafting a nation's public policy regime. Literatures have become devoted to determining whether such political "intrusions" into the market achieve their objectives of reducing poverty and inequality, whether they have unintended (and generally deleterious) consequences for economic growth, whether they affect rates of social deviancy (such as violent crime), and whether they are complicit in promoting a variety of social pathologies such as "cultures of dependency," higher divorce rates, and so on.

Of course, in the end we concern ourselves with all of these issues, from divorce to economic growth, because of their presumed impacts on the quality of human life. That is, we presume that such outcomes, through both direct and indirect causal mechanisms, ultimately make people more or less satisfied with their lives. In this article, we attempt to take this fact seriously by focusing our attention not on any of the individual or particular effects of market interventions that in turn are thought to have some effect on quality of life, but instead on quality of life itself. Put another way, rather than considering the presumptive effects of political restraints of the market on intermediary variables that are further presumed to have a potential influence on satisfaction with life, we examine directly the connection between political control of the market and life satisfaction. In particular, we ask whether cross-national differences in market dominance affect the degree to which citizens lead lives that they themselves regard as positive, rewarding, and satisfying.

This article is now possible given the development of a sophisticated literature devoted to studying life satisfaction. With the refinement of the tools necessary to measure, with reasonable reliability and validity, how people subjectively evaluate the quality of their lives, we are now capable of testing theoretically derived hypotheses about the observable factors that tend to affect subjective well-being. In sum, we are capable of measuring subjective quality of life in a rigorous fashion, theorizing about concrete conditions that determine such differences and testing the resulting empirical predictions (for reviews, see Diener and Suh 2000; Frey and Stutzer 2002; Layard 2005).[1] We do so by examining how life satisfaction across the industrial democracies corresponds with different outcomes in the conflict of "politics versus markets." We thus hope to understand how state intervention to "protect" citizens against pure market forces affects the overall quality of human life, using the extent to which people enjoy their lives as the appropriate evaluative metric. To anticipate our findings, we find that life satisfaction varies directly with the extent of such protections, net of economic, social, and cultural factors. We also find that this relationship is constant across different levels of income and different political ideologies, such that the effects of social policy benefit everyone in society, rich and poor, liberal and conservative.

[1] The intellectual infrastructure for studying subjective well-being is sufficiently developed and familiar as not to require extensive elaboration. A voluminous literature has documented that conventional survey items utilized to measure subjective well-being are reliable and valid (for a discussion, see Myers and Diener 1995). After an exhaustive review, Veenhoven (1996, 4) concludes that any misgivings about measurement "can be discarded." Similarly, the collective evidence strongly endorses the proposition that linguistic or cultural barriers (including social pressures for over- or underreporting self-reported satisfaction) do not meaningfully detract from our ability to make cross-national comparison (see, e.g., Inglehart 1990; Veenhoven 1996, 1997a, 1997b). Another literature, again conveniently summarized by Veenhoven (2002), convincingly argues for the theoretical appropriateness of subjective measures of quality of life, such as satisfaction, as opposed to purely objective indicators (such as income or other measures of consumption). We do not ignore the fact that recent dissenting opinions call into question the empirical usefulness of contemporary happiness/life-satisfaction research. Wilkinson's (2007) thoughtful piece expounds the position that most happiness surveys do not in fact capture precisely what they intend to in respondents' answers and that better designed surveys will be necessary in the future to justify the often-sweeping claims of happiness scholars. Nonetheless, for now the scholarly consensus is that the survey instruments hold up reasonably well provided one is careful not to attribute explanatory power to them beyond what they represent.

The article is organized as follows: we first articulate the basic theoretical debate between "markets versus politics" before turning to an appraisal of the existing evidence on how reliance upon these two mechanisms differentially affects human well-being; we then articulate our research design and discuss the empirical results; and we close with a discussion of the implications of the findings for our appraisal of the markets and the study of life satisfaction.

The Logic of State Intervention

It is widely agreed that the most basic and persistent axis of political and ideological conflict in the industrial democracies is that of the nature and extent of public intervention into the market. Within the political economy literature, this conflict is typically described as one of markets versus politics (e.g., Lindblom 1977). As these are also the two fundamental mechanisms through which well-being can be both produced and distributed (Esping-Andersen 1990), they are the natural focus of attention for those seeking to understand how different political outcomes may affect quality of life.

At the most basic level, the issue at hand is whether to leave the generation and allocation of well-being to the "invisible hand" of the capitalist economy, or to make it at least in part subject to the political decisions of voters. Those favoring the latter ultimately do so because, as Lane (1978, 16) puts it, markets are "indifferent to the fate of individuals." Esping-Andersen (1990, 36) summarizes the argument perfectly when he notes that while capitalism certainly has many positive aspects that doubtlessly do contribute to quality of life, in the end "the market becomes to the worker a prison within which it is imperative to behave as a commodity in order to survive." As it is not controversial to suggest that human beings do not enjoy being reduced to a commodity, it seems equally unremarkable to suggest—*if we accept the metaphor*—that people's lives are likely to be less rewarding and satisfying the more they are subject to the insecurities inherent in the market. Put differently, the more individuals are "decommodified" by social policy, the greater should be their well-being, to the extent that the critics of markets are correct in their socio-analysis of capitalism.

The counterarguments are equally straightforward. Two are especially worthy of note (for a review of others, see Veenhoven 2000, 112-9). The first, most familiar to students of political economy is the conventional one of the "unintended consequences" of the welfare state specifically, and by extension, other interventions in the market designed to protect workers. Such claims are animated by sophisticated (if not universally accepted) economic theory and (equally disputed) empirical evidence. If the defenders of unfettered markets are right, we should observe precisely the opposite relationship: "decommodification" becomes an ideological mask for inefficiency and wastefulness, which will impose itself as costs on the population (by inhibiting economic growth, employment, and wages), so as to lower the general level of happiness. In this view, the state's efforts at redistribution and provision fail because they actually reduce both the "quantity" and the "quality" of well-being, relative to markets. This is principally because they displace the church and the family as sources of emotional support and, more critically, because they encourage "collectivization" with deleterious consequences for individual privacy, freedom, and autonomy.

Another related but logically distinct line of argument, popularized by Murray (1984) and analyzed as a more generalized "ideational" phenomenon dating from the nineteenth century by Hirschman (1991), is what has become known as the "perversity thesis": efforts to ameliorate problems created by the market in turn create "perverse incentives" of a purely moral nature. In this approach, market interventions to insulate individuals from the market are construed as imposing moral costs on society, sometimes expressed in ways that do not lend themselves to ready falsification using conventional economic indicators. Somers and Block (2005), for instance, document the way in which this approach, utilized in both England during the debate over the 1834 "New Poor Law" and in the United States during the Reagan years, was deployed by elites to suggest that income maintenance programs induced "laziness" and "degradation" among clients of the welfare state—and, since abstractly, welfare always exists as an option once introduced, for society more generally. As a consequence, again, the greater the level of political intrusion into the market system, the less satisfying life becomes, in this interpretation.

Recent work in political economy offers some insight into this question. Pontusson's (2005) thought-provoking analysis of "social market economies" (SMEs) versus "liberal market economies" (LMEs) during the 1990s and 2000s highlights the differential impact of state intervention. His research suggests that SMEs can simultaneously produce strong employment and economic growth outcomes while avoiding the levels of inequality that haunt the LMEs. Certainly the literature on life satisfaction is replete with evidence for the impact of unemployment (and, to a lesser degree, economic growth) on levels of subjective well-being (Banks and Jackson 1982; Greenberg and Grunberg 1995; Kenny 1999; Oswald 1997; Platt and Kreitman 1985; Veenhoven 1994). While the evidence is more mixed for the impact of income inequality, at least some empirical studies find that increases in inequality exert detrimental effects on life satisfaction (Alesina, DiTella, and MacCulloch 2004; Tomes 1985). Beyond these direct economic consequences, however, Pontusson (2005) observed additional salient distinctions between SMEs and LMEs. Specifically, he noted how SMEs with greater state intervention show higher levels of labor force participation in policy making and security in the labor market. Scholars have, in turn, demonstrated how these situations tend to enhance life satisfaction among those both directly and indirectly affected by them (Cohen and Wills 1985; Erikson 1986; Greenberg and Grunberg 1995; Loscocco and Spitze 1990; Lowe and Northcutt 1988; Radcliff 2005). While subjective well-being *per se* was clearly not the focus of this study, findings serve to illustrate the means by which state intervention might affect subjective well-being nonetheless.

These abstract arguments can be reduced to an obvious, tangible question: do interventions into the market designed to protect citizens against the insecurity and inequality of the market ultimately contribute to greater or lesser levels of subjective well-being? Surprisingly, scholars have devoted little attention to this question. The very few empirical works that speak of this issue tend to focus on specific aspects or consequences of public policy for life satisfaction and do not reach consensus. For example, DiTella, MacCulloch, and Oswald (2003) find some evidence that more generous unemployment benefits are associated with higher national well-being. A more comprehensive appraisal of welfare policies by Pacek and Radcliff (2008) reaches similar conclusions, finding a strong effect of both indicators of "decommodification" and the "social wage" on life satisfaction. In contrast, Ouweneel (2002) finds a strong negative effect of unemployment benefits on well-being, while Veenhoven (2000) also found, admittedly contrary to his own expectations, no relationship between the welfare state and subjective quality of life. In sum, the jury remains out.[2]

Indeed, even if we take the scholars who do find a positive relationship at face value (Pacek and Radcliff 2008), their work may obscure as much as it enlightens. While they frame their analysis as that between politics and markets, they ultimately focus only on the welfare state or on specific aspects of welfare policy. As important as the welfare state is, it is hardly isomorphic to the wider questions of what they call "dependency" on the market. At least two additional issues warrant attention if one is going to consider the general effect of pro- and antimarket public policies. One is the size of the state sector, which represents, of course, the total amount of political control over the economy. This variable, more than the size of the welfare state *per se*, has, for obvious reasons, always been considered the most comprehensive way of appraising the degree to which the state is in fact capable of directly organizing "the production and distribution of well-being." The correlation between welfare spending and size of the state sector is actually fairly modest, such that the two remain empirically as well as theoretically quite distinct. If we wish to understand how much "a program of emancipation from the market" affects well-being, we must consider the extent to which the state has in fact displaced the market by considering what economists refer to as the level of "governmental consumption," meaning the share of the economy directly controlled by the political process.

[2] Ridge, Rice, and Cherry (2009) also question the direction of the causality between welfare state generosity and happiness, suggesting that it may be that individuals with high levels of life satisfaction are more inclined to support an expansive welfare state rather than such a welfare state making people happier. Pacek and Radcliff (2008) test for this possibility *vis-à-vis* the welfare state but find no evidence in their data (or the literature) to support such a contention. In particular, as they observe, there is strong evidence that conservatives—who would oppose the welfare state—consistently show greater satisfaction than the left-liberal proponents of the welfare state.

Data and Method

We measured self-reported life satisfaction using data from the most recent wave of the World Values Survey (WVS; 2005-08) (WVS 2009). Self-reported life satisfaction is measured on a 1-10 scale where respondents are asked, "All things considered, how satisfied are you with your life as a whole these days? Using this card on which 1 means you are 'completely dissatisfied' and 10 means you are 'completely satisfied' where would you put your satisfaction with your life as a whole?" In our data, respondents report assessments of life satisfaction along the entire range (1-10) of the scale, with a mean of 7.48 and a standard deviation of 1.87.

We analyze the relationship between the size of the state and life satisfaction across 15 industrialized democracies (Australia, Canada, Finland, France, Germany, Great Britain, Italy, Japan, the Netherlands, Norway, South Korea, Spain, Sweden, Switzerland, and the United States) using four different measures of the size of the state:

1. a country's tax revenue as a percentage of its gross domestic product (GDP) (OECD 2009b);
2. a government's consumption share of a country's real per capita GDP (Heston, Summers, and Aten 2009);
3. the "social wage" defined as the average gross unemployment benefit replacement rates for two earning levels, three family situations, and three durations of unemployment (OECD 2009a); and
4. a country's social welfare expenditures as a percentage of GDP (OECD 2009b).

We also controlled for a host of other factors that might predict individuals' assessments of how satisfied they are with their lives including income, education, self-reported health, gender, age, marital and unemployment status, church attendance, and interpersonal trust (Myers and Diener 1995; Radcliff 2001, 2005). Measuring and comparing self-reported income across countries is a difficult enterprise because of different monetary units and exchange rates. To address this challenge, the WVS reports a 1-10 scale of incomes on which 1 indicates the "lowest income decile" and 10 the "highest income decile" based upon a respondent's self-reported income and the corresponding income distribution for that respondent's particular country of residence. Education is measured using a nine-category response item that ranges from no formal education to earning a university degree. Self-reported health is measured by asking respondents: "All in all, how would you describe your state of health these days? Would you say it is very good, good, fair, poor, or very poor?" (healthier coded higher).

We included a term for both age and age squared because of our expectation of a curvilinear relationship such that both young and old respondents tend to, on average, be more satisfied with their lives than those who are middle aged.

We also included dummy variables to account for a respondent's gender, marital status, and whether they are employed. We measured church attendance on a 1-7 scale where a higher value indicates more frequent attendance. To further account for religious (and thus, perhaps, cultural) differences across religious denominations, we included dummies for Protestants, Catholics, Muslims, Jews, Hindus, and Buddhists, leaving other confessional groups as the reference category. Finally, we measured interpersonal trust using a dummy variable where the respondent is asked, "[g]enerally speaking, would you say that most people can be trusted or that you need to be very careful in dealing with people?" and coded it 1 if they responded "most people can be trusted" and 0 if they responded "need to be very careful."

We also controlled for a set of country-level measures that have been shown to affect levels of subjective well-being and life satisfaction in previous studies (e.g., Pacek and Radcliff 2008; Radcliff 2005). These include a county's per capita GDP (in 1,000s of U.S. dollars), unemployment rate, and a measure of the "individualism" of a country's culture (all measures are from 2005).[3] Since the life satisfaction variable we used as our dependent variable has ten categories and is (roughly) normally distributed, we used ordinary least squares (OLS) in all analyses. Because individual respondents are clustered within countries and experience the same country-level conditions (same GDP, unemployment rate, and others), we reported Huber–White robust standard errors clustered on country (Arceneaux and Nickerson 2009). This procedure yields estimates that are robust to both between-country heteroskedasticity and within-country correlation (i.e., robust to error terms being neither identically distributed nor independent).[4]

Results

We begin by assessing whether respondents living in countries with more expansive government intervention into the economy report being more satisfied with their lives. In Table 1, we provide the results of four different models that use identical specifications except for a different measure of the size of the state. The variable we used to measure the size of the state is listed at the top of each column. Looking at the coefficients across the four columns, we find that all four of the size of government coefficients are positively signed and bounded above zero at traditional levels of statistical significance. Substantively, moving from one standard deviation below the mean to one standard deviation above for any of the four measures leads to just less than

[3] Data on social welfare expenditures and unemployment rate are from the OECD (2011). Data on GDP are from Penn World Tables (Heston, Summers, and Aten 2009). Data on "individualism" is drawn from Triandis (1989) reported in Diener, Diener, and Diener (1995).

[4] If we instead use a hierarchical modeling strategy to account for the fact that respondents are clustered within countries, we find substantively similar results to those reported below.

Table 1. Size of the State and Life Satisfaction

	(1) Tax Revenue	(2) Government Share of GDP	(3) Social Wage	(4) Social Welfare Expenditures
Size of the state	.029**	.043**	.018***	.034**
	[.011]	[.021]	[.006]	[.016]
Income	.072***	.072***	.077***	.072***
	[.014]	[.014]	[.014]	[.015]
Education	–.020*	–.017*	–.014	–.020*
	[.012]	[.013]	[.012]	[.013]
Health	.705***	.708***	.703***	.708***
	[.034]	[.033]	[.033]	[.033]
Female	.059**	.056**	.061**	.057**
	[.038]	[.039]	[.039]	[.040]
Age	–.039***	–.038***	–.040***	–.041***
	[.006]	[.006]	[.007]	[.007]
Age^2	.000***	.000***	.000***	.000***
	[.000]	[.000]	[.000]	[.000]
Married	.400***	.389***	.396***	.404***
	[.043]	[.042]	[.042]	[.043]
Unemployed	–.425***	–.429***	–.385***	–.410***
	[.118]	[.123]	[.116]	[.120]
Church attendance	.041**	.039**	.046***	.037**
	[.016]	[.015]	[.014]	[.017]
Trust in others	.228***	.247***	.229***	.243***
	[.053]	[.054]	[.055]	[.055]
GDP	–.006	–.008	–.007	–.008***
	[.022]	[.026]	[.022]	[.028]
Unemployment rate	–.042*	–.035	–.029	–.064*
	[.029]	[.035]	[.026]	[.044]
Protestant	.018	.060	–.008	.025
	[.102]	[.117]	[.099]	[.105]
Muslim	–.435**	–.406***	–.468***	–.470***
	[.156]	[.144]	[.170]	[.160]
Orthodox	–.059	–.107	–.135	–.026
	[.182]	[.164]	[.173]	[.196]
Hindu	–.531	–.575*	–.521*	–.549*
	[.409]	[.407]	[.376]	[.406]
Buddhist	.142	.008	.185	–.030
	[.163]	[.163]	[.176]	[.164]
Jewish	–.259	–.287	–.316	–.294
	[.273]	[.279]	[.286]	[.287]
Catholic	–.076	–.058	–.171**	–.106
	[.092]	[.096]	[.083]	[.084]
Individualism	.127**	.117**	.134***	.100*
	[.050]	[.060]	[.075]	[.062]
Constant	3.036***	3.225***	3.493***	3.806***
	[.449]	[.538]	[.314]	[.487]
Adjusted R^2	.20	.20	.20	.20
N	10,405	10,405	10,405	10,405

Notes: Dependent variable: self-reported life satisfaction (1-10). Size of state measure used listed above each column. Cell entries are OLS regression coefficients, country-clustered standard errors below in brackets.
* $p < .10$; ** $p < .05$; *** $p < .01$.
GDP, gross domestic product; OLS, ordinary least squares.

one-quarter of a standard deviation increase on the life satisfaction scale. This predicted that change in life satisfaction is roughly equivalent to the predicted change for moving from not married to married or moving from one standard deviation below the mean on the income scale to one standard deviation above. In short, regardless of the specific measure used, we find that citizens living in countries with a larger and more active government report higher levels of life satisfaction even after accounting for a host of alternative explanations. Moreover, the substantive effect rivals that of other traditional predictors of life satisfaction.

Skeptics of the welfare state might object that while the models reported in Table 1 are correctly specified by including unemployment (at both the individual and aggregate levels), the inclusion of such controls might mask the negative effects of state spending on satisfaction. In other words, by controlling for unemployment, if unemployment is itself affected by the size of the state, we may overestimate the positive impact of state spending. The obvious solution is to estimate the models when dropping the unemployment variables so as to get a better estimate of the overall effect of the size of the state. We do so (while also dropping, at the suggestion of an anonymous reviewer, marital status, which is also arguably affected by the generosity of the welfare state because of changes in the incentives to marry that follow) and report the results in Table 2. As is apparent, each of the four indicators of the size of the state remain significant and of the expected sign. We conclude, then, that our initial estimates do not suffer from the problem in interpretation noted above.

Turning to a different point, might the relationship between government intervention into the economy and life satisfaction vary across different groups of citizens? Advocates of a greater role for government often couch their position in terms of meeting the needs of the less fortunate in society. One might surmise, therefore, that the net impact of state intervention in politics on life satisfaction will be greater for lower-status citizens than for their better-off counterparts. We thus ask whether the positive relationship between the size of the state and life satisfaction demonstrated in Table 1 is moderated by income by estimating the same models with when adding an interaction term between the size of the state and income. The results are provided in Table 3.

For two of our indicators (Social Wage and Social Welfare Expenditures), the main effects are positive and significant, while the interactions are completely lacking in significance, suggesting that the positive effect of these factors on satisfaction is not moderated by one's income. For the remaining two indicators (Tax Revenue and Government Share of GDP), the main effects remain correctly signed and significant, but the income interactions are, as well, implying that the positive effects on satisfaction do decline as one's income increases. However, it is essential to note that the interaction terms show that the effect of the size of the state variables on life satisfaction remain positive across the range of the income category, becoming zero only for the top income decile. In sum, two of our four operationalizations of state size suggest an

Table 2. Confirmatory Results for Indirect Effects of State Spending on Unemployment

	(1) Tax Revenue	(2) Government Share of GDP	(3) Social Wage	(4) Social Welfare Expenditures
Size of the state	.025**	.040**	.018***	.022**
	[.011]	[.023]	[.006]	[.012]
Income	.099***	.099***	.104***	.099***
	[.013]	[.013]	[.013]	[.013]
Education	−.017	−.016	−.014	−.015
	[.018]	[.018]	[.017]	[.018]
Health	.726***	.729***	.723***	.728***
	[.036]	[.035]	[.035]	[.035]
Female	.045	.044	.048	.041
	[.041]	[.041]	[.040]	[.044]
Age	−.021***	−.021***	−.023***	−.022***
	[.005]	[.005]	[.006]	[.005]
Age^2	.000***	.000***	.000***	.000***
	[.000]	[.000]	[.000]	[.000]
Church attendance	.046***	.046***	.053***	.040***
	[.015]	[.015]	[.013]	[.015]
Trust in others	.242***	.256***	.237***	.260***
	[.056]	[.057]	[.058]	[.061]
GDP	−.006	−.010	−.002	−.009
	[.022]	[.025]	[.021]	[.028]
Protestant	.038	.072	−.000	.061
	[.116]	[.129]	[.111]	[.112]
Muslim	−.425***	−.405***	−.468***	−.424***
	[.154]	[.149]	[.175]	[.158]
Orthodox	−.008	−.062	−.100	.035
	[.197]	[.187]	[.186]	[.210]
Hindu	−.365	−.414	−.366	−.360
	[.381]	[.374]	[.353]	[.380]
Buddhist	.199	.077	.248*	.059
	[.155]	[.148]	[.179]	[.158]
Jewish	−.246	−.267	−.297	−.284
	[.287]	[.291]	[.300]	[.291]
Catholic	−.080	−.062	−.176**	−.101
	[.104]	[.104]	[.089]	[.092]
Individualism	.097**	.092*	.110**	.072
	[.048]	[.055]	[.046]	[.062]
Unemployed	n/a	n/a	n/a	n/a
Unemployment rate	n/a	n/a	n/a	n/a
Marriage	n/a	n/a	n/a	n/a
Constant	2.283***	2.457***	2.762***	2.886***
	[.465]	[.500]	[.323]	[.447]
Adjusted R^2	.19	.19	.19	.19
N	10,475	10,475	10,475	10,475

Notes: Dependent variable: self-reported life satisfaction (1-10). Size of state measure used listed above each column. Cell entries are OLS regression coefficients, country-clustered standard errors below in brackets.
* $p < .10$; ** $p < .05$; *** $p < .01$.
GDP, gross domestic product; OLS, ordinary least squares.

Table 3. Effect of State Size on Satisfaction Is Invariant across Income

	(1) Tax Revenue	(2) Government Share of GDP	(3) Social Wage	(4) Social Welfare Expenditures
Size of the state × income	–.004**	–.009**	–.001	.001
	[.002]	[.004]	[.001]	[.004]
Size of the state	.047***	.087**	.024**	.041*
	[.016]	[.033]	[.012]	[.030]
Income	.204***	.214***	.105**	.099
	[.076]	[.074]	[.044]	[.090]
Education	–.019*	–.016	–.013	–.019*
	[.013]	[.013]	[.011]	[.012]
Health	.706***	.709***	.703***	.708***
	[.033]	[.033]	[.033]	[.032]
Female	.061*	.058*	.062*	.057*
	[.039]	[.040]	[.039]	[.040]
Age	–.039***	–.037***	–.040***	–.040**
	[.006]	[.006]	[.007]	[.007]
Age^2	.000***	.000***	.000***	.000***
	[.000]	[.000]	[.000]	[.000]
Married	.411***	.396***	.399***	.406***
	[.040]	[.039]	[.040]	[.038]
Unemployed	–.415***	–.416***	–.379***	–.407***
	[.115]	[.122]	[.113]	[.121]
Church attendance	.040***	.039**	.046***	.037**
	[.016]	[.015]	[.014]	[.016]
Trust in others	.228***	.245***	.229***	.243***
	[.054]	[.055]	[.055]	[.055]
GDP	–.006	–.000	–.006	–.008
	[.021]	[.025]	[.022]	[.028]
Unemployment rate	–.042*	–.035**	–.029	–.065*
	[.029]	[.034]	[.025]	[.043]
Protestant	.009	.058	–.011	.023
	[.098]	[.112]	[.097]	[.102]
Muslim	–.466***	–.441***	–.488***	–.479***
	[.155]	[.144]	[.175]	[.164]
Orthodox	–.081	–.146	–.150	–.030
	[.181]	[.161]	[.174]	[.194]
Hindu	–.544	–.582*	–.542*	–.554*
	[.407]	[.397]	[.368]	[.399]
Buddhist	.146	.002	.187	–.030
	[.160]	[.162]	[.175]	[.165]
Jewish	–.284	–.318	–.328	–.300
	[.259]	[.264]	[.275]	[.279]
Catholic	–.093	–.075	–.180**	–.110*
	[.087]	[.091]	[.084]	[.080]
Individualism	.126***	.115**	.132**	.100*
	[.049]	[.058]	[.050]	[.062]
Constant	2.337***	2.468***	3.328***	3.668***
	[.666]	[.771]	[.434]	[.797]
Adjusted R^2	.20	.21	.21	.21
N	10,405	10,405	10,405	10,405

Notes: Dependent variable: self-reported life satisfaction (1-10). Size of state measure used listed above each column. Cell entries are OLS regression coefficients, country-clustered standard errors below in brackets.
* $p < .10$; ** $p < .05$; *** $p < .01$.
GDP, gross domestic product; OLS, ordinary least squares.

invariant effect across income, while two others suggest only a modest decline as income increases. On balance, we conclude that the positive contribution to human well-being of the size of the state is not dramatically affected by one's level of affluence. In other words, regardless of whether respondents are rich or poor, respondents living in a country with greater state intervention into the economy tend to report higher levels of subjective well-being, controlling for other factors.

A Final Note before Concluding

It is sometimes argued that political ideology can play a role similar to income as an intervening variable between political conditions and satisfaction. For instance, DiTella and MacCulloch (2005) argue that left-leaning and right-leaning individuals process effects on happiness differently. Specifically, the authors find that individuals are happier when the party best representing them is in power regardless of economic conditions. At the same time, unemployment has a greater negative impact on the happiness of left-leaning individuals, while inflation more negatively affects right-leaning individuals. The implication, therefore, is that the combination of politics and economics affects the happiness of individuals differently with respect to their ideological persuasion. Presumably, this might apply to the extent of state intervention, which historically conservatives criticize and liberals applaud.

In light of this, we further test to see if ideology plays a mitigating role in state intervention's effect on subjective well-being by including an interaction between the size of the state and self-reported political ideology, along, of course, with the ideology measure itself.[5] The results suggest no evidence that ideology plays this kind of role *vis-à-vis* the size of the state: in none of the models did we observe the pattern of coefficients this would imply (details not shown). Instead, we find that while the main effects remain significant in three of the four cases (social welfare expenditures being the exception, where it remains of the correct sign but not strictly significant, presumably because of collinearity with the equally insignificant—and incorrectly signed—interaction term), in no case was the interaction term between the size of the state and political ideology correctly signed and statistically different from zero.

To summarize the data analysis, we find a positive relationship between the size of the state and life satisfaction. The magnitude of this relationship is substantively large and mirrors that of income or marriage, and the relationship is not moderated by income or political ideology.

[5] The variable is measured on a 1-10 scale (higher values indicate greater conservatism) in response to the following question: "In political matters, people talk of 'the left' and 'the right.' How would you place your views on this scale, generally speaking?"

Discussion

The principal empirical conclusions emerging from the analysis are clear: life satisfaction varies directly with four specific measures of state intervention in the economy: tax revenue, government consumption as a share of GDP, the "social wage," and welfare expenditures.[6] Equally important is our second finding that these effects are invariant over income and ideology. Our results therefore suggest that state intervention in the economy positively affects the subjective well-being of society in general, not simply of those that one might reasonably expect to be more affected (e.g., lower-status citizens or more pro-state liberal-left citizens). The existence of a strong relationship between an activist state and human well-being that appears to benefit all in society would seem to be of some consequence in light of the continuing ideological debate about the role of government that manifests itself in contemporary politics.

That said, we would also stress that our findings cannot be construed as suggesting that a market economy is inimical to well-being. On the contrary, it seems certain that capitalist economies are superior producers of well-being than prevailing (or historically prior) nonmarket alternatives (see, e.g., Veenhoven 2000). Thus, the essential point of the analysis is not that the market inhibits well-being, but rather that within the context of a capitalistic economy, state interventions that attempt to redress market deficiencies tend to produce greater levels of human happiness. Our results thus do not indict the market as it affects satisfaction with life, but suggest instead that the quality of human life is best when the inequalities and uncertainties of the market are mitigated by state intervention acting in the interests of workers and citizens. Our results might thus be most easily summarized by suggesting that it is "compassionate capitalism" (or, perhaps, the conventional idea of a mixed economy) that seems most consistent with well-being.

Our findings also have implications for the academic study of subjective well-being. Most obviously, we offer further evidence in support of the disputed

[6] Why do our results differ from Veenhoven's (2000) core result, which showed that change over time in satisfaction was not explained by change over time in the size of the welfare state? Veenhoven takes as his dependent variable the change across the two points of time available when he was writing (1981-90) and using the best available indicator of welfare state effort then available in a time serial fashion (social welfare expenditures). We updated this analysis in two ways. First, we use the widest possible range of time available for every country. For most, this implies the difference between the last (2005) and the first (1981) wave of the WVS. For the handful of countries not represented in both waves, we use the longest time span available (e.g., between the 2005 and 1990 waves). In this way, we maximize the amount of variability in the time dimension. Second, we utilize what is now universally acknowledged to be a better indicator of the welfare state, which is the decommodification measure first proposed by Esping-Andersen (1990). As there is now longitudinal data on decommodification, and as this is, again, widely agreed to be the preferred method of measuring the size or generosity of the welfare state, we utilize the change in this variable (over the same time as the change in satisfaction for each country). The results are consistent with our prior results: regression analysis shows a positive and highly significant relationship between change in decommodification and change in life satisfaction.

contention that governmental policies affect quality of life. More importantly, perhaps, this fact, in turn, has implications for our theoretical understanding of what determines well-being. We would argue that the evidence presented here suggests more than we add another set of variables to the list of those thought to affect quality of life. By demonstrating that public (i.e., democratic) "intrusion" into the market improves life satisfaction, we hope to focus scholarly attention on the basic question of theoretical approaches to modeling the determinants of well-being. The conventional approach in psychology and economics is implicitly, and perhaps unconsciously, to assume that society is composed only of individual persons who happen to vary in their many individual-level characteristics but who remain largely undifferentiated by macro-level conditions aside from (1) the level of affluence and (2) culture. Thus, in the much cited, nearly encyclopedic review of the "Three Decades of Progress" in the study of subjective well-being by Diener and others (1999), these are the only two societal factors discussed. To be sure, more recent work, reviewed previously, has touched upon macro-conditions, but the fact remains that far too little attention has been devoted to theorizing about how sociopolitical conditions determine quality of life. In demonstrating the importance of political outcomes, we highlight the need for richer theories that incorporate such factors.

The present article may also point toward the direction such theorizing might take. By illustrating that welfare spending, labor market regulation, and other political interventions into the economy affect well-being, we also suggest the centrality to human life of the market economy itself. As Lindblom (1977) has persuasively argued, we tend as social theorists to take the market for granted in the sense of considering it to be a fixed characteristic—almost a natural force of nature, akin to gravity. Instead, we need to be cognizant of the fact that the market is a variable in the sense that it varies both in its existence and in its character. There are, as is commonly accepted, different "flavors" of capitalist democracy (see, e.g., Esping-Andersen 1990; Rueschemeyer, Stephens, and Stephens 1992). Variations in the nature of the market system across time and space would appear to be essential elements in any understanding of life satisfaction.

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