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Welfare Policy and Subjective Well-Being Across Nations: An Individual-Level Assessment

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Abstract In the vast and diverse literature on determinants of life-satisfaction and happiness, there is a relative dearth of empirical research on the role of specifically political factors. We identify one such possible factor, the industrial welfare state, and assess its impact on how individuals perceive their well-being. The voluminous literature on the welfare state highlights its position as one of the most profound chapters in the latter-day human experience, but focuses on its indirect effects on well-being through economic and social conditions. We contend that the welfare state exerts a more direct effect to the extent that individuals experience very real impacts on their quality of life. Considering individual responses in 18 industrial democracies from 1981 to 2000, we find that welfare state generosity exerts a positive and significant impact on life-satisfaction and happiness. We discuss implications for further research generated by these findings.

Keywords Welfare · Policy · Subjective well-being · Happiness · Life-satisfaction

In the vast and growing empirical literature on determinants of happiness and life-satisfaction, "politics" still occupies one of the lower niches of research. Curiously, the role of politics, or at least government, as a factor in hindering or maximizing happiness has been the object of speculation and musing for thousands of years. Despite such observations that politics has a profound role to play in improving peoples' lives, surprisingly little is known about political determinants of subjective well-being (see Radcliff 2001).

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Nonetheless, progress exists in the form of "micro-literatures" assessing the impact of democracy in its various forms (Inglehart 1990, 1997; Veenhoven 1996; Lane 2000), quality of government (Helliwell and Huang 2005), size of government (Lapinski et al. 1998; Veenhoven 2000; Bjornskov et al. 2005), political participation (Frey and Stutzer 1999, 2002; and Dorn et al. 2007), partisanship and ideology (Di Tella and MacCulloch 2005; Lascher Jr. and Wassmer 2007). Yet this intellectual foray remains incomplete and contentious; while few disagree about democracy's utility vis a via subjective well-being, other specifically political factors exhibit little consensus.

Of particular interest is the relationship between the welfare state and subjective well-being. Much has been written about the perceived positive and deleterious effects of welfare policies around the world, from such a broad range of outcomes as inequality and poverty (Kenworthy 1999; Kenworthy and Pontusson 2005), economic growth (Friedman 1979; Olson 1982; Butler and Kondratas 1987; Atkinson 1999), family and marital difficulties (Gilder 1993; Buckingham 2000), psychological and physical health (Chung and Bemak 1996; Kalil and Danziger 2000), and cultures of "dependency" (Murray 1984; Fraser 1997; Saunders 2000).

While these studies all assess the success and failure of the welfare state for a wide range of economic and psychological consequences on particular aspects of life, they do not address the more basic issue of subjective well-being directly. A cursory look at the literature on happiness and life-satisfaction suggests little scholarly attention has been devoted to what (if any) impact the welfare state might have on individuals' subjective well-being. Given the oft-discussed variation in welfare policies across countries–spending levels, requirements, duration, etc., as well as extensive cross-national survey data on subjective well-being, it is now possible to explore this connection in some detail. Certainly scholars have recognized the salience and feasibility of theorizing about real world conditions that determine subjective well-being across nations for some time. This paper proposes to expand the incipient literature on how explicitly political factors affect life-satisfaction and happiness by assessing the role of welfare-state policies in the advanced industrial democracies.

1 The Scientific Study of Subjective Well-Being

Conceptually, "subjective well-being" (SWB) refers to the degree to which individuals evaluate positively the quality of their life in total. Most contemporary survey work on the subject relies on a single, direct question that asks a respondent to comment on "how satisfied" or how "happy" they feel with their lives "in general." This simple item is generally agreed to perform as well or better than more complex formulations (e.g., Veenhoven 1993). Comparing mean levels of SWB across nations using this indicator has become commonplace (for reviews, see Veenhoven 1996, 1997a). While subtle distinctions between happiness and satisfaction are sometimes advanced (the former thought to involve a more affective or emotional response, the latter a more cognitive one) we will use measures of both as our dependent variables in the analysis that follows.

It is reasonable to be skeptical about using survey research items to measure such a complex and contested notion as human happiness. There is consequently a large literature assessing the validity and reliability of self-reported measures of subjective well-being. Satisfaction reports are not particularly troubled by social-desirability bias and display stability over time, although they do vary in a non-random fashion in response to positive and negative life events (e.g., Myers and Deiner 1995). Individuals purporting to be more satisfied with their lives also demonstrate the behavioral and attitudinal characteristics this might imply, e.g., they laugh and smile more than others, as well as scoring higher on other self-reported measures of well-being (e.g., Watson and Clark 1991; Myers 1993; Myers and Diener 1997). Individual assessments of well-being also correlate highly with external evaluations from friends and family members, as well as with clinical evaluations (e.g., Myers and Diener 1997). Veenhoven has examined in detail a large number of concerns over the scientific utility of self-reported satisfaction (1993, 1994, 1996, 1997a, b) concluding in the end that most doubts "can be discarded" (1996, p. 4). As he puts it, the "literature on this point can be summarized as saying that simple questions on happiness and life-satisfaction measure subjective appreciation of life quite validly" (1997b, p. 157). Both validity and reliability are improved further when using national averages rather than individual-level data, given that imprecision (and response error) in individual judgments will tend to balance out in large samples.

The issue of comparability of data across countries looms. Three objections present themselves. Veenhoven (1993, 1996, 1997a, b) has again addressed each in turn. The first relates to linguistic barriers. As words like "satisfaction" or "happiness" have subtleties and connotations that differ across languages, it is natural to wonder if these differences hinder comparison. Veenhoven concludes there is little reason for concern, in that the rank ordering of countries are virtually identical when considering national means on questions about "life satisfaction," "happiness," and that eliciting a rating between "best and worst possible lives." This is of course further evidence in support of the validity and reliability of the survey items themselves. He (as well as Inglehart 1990) found too that average levels of satisfaction within multi-lingual countries do not differ by language group. A second issue returns to social desirability: if the social pressure to over-state happiness differed across countries, such would obviously render meaningful comparison impossible. Among other tests, Veenhoven looked for evidence of this propensity by comparing average satisfaction in countries where surveys indicate that happiness ranks high in value hierarchies to satisfaction in countries where it does not. He found no differences. Lastly, the reverse phenomenon is also possible: in some cultures it may seem immodest or otherwise unseemly to admit to being especially satisfied with one's life, so that we would expect under-reporting. As before, Veenhoven found this hypothesis to fail multiple empirical tests.

In sum, the available evidence clearly suggests that we can both measure life satisfaction with reasonable accuracy and compare levels of satisfaction across nations without great difficulty. This in turn allows us to test empirical propositions, such as the effect of the welfare state, on levels of satisfaction in individuals across nations.

2 Subjective Well-Being and the Welfare State

An enormous amount of attention has been devoted to the inception and expansion of the welfare state as one of the broadest, far-reaching, and consequential policy experiments in the human experience (see Wilensky 1975; Esping-Andersen 1990; Castles 1998; Hicks 1999; and Pontusson 2005 for detailed and extensive literature reviews). Particularly in the years following World War II, the welfare state emerged as a major defining fault line in the advanced industrial world. Political parties of the Left tied their fortunes to its success, while their counterparts on the Right railed against its alleged excesses and costs to society. Countries were cast as 'advanced' welfare states, such as Sweden, or 'laggards' such as the United States. Scholars in the fields of Economics, Sociology, History, Political Science and other fields endlessly debated the merits and demerits of welfare policies both in the abstract, and in its specific applications.

That welfare policies of all stripes had profound direct and indirect effects on the lives of citizens was one of the few areas of consensus to emerge in the accumulated debates over the expansion and retrenchment of the industrial 20th century welfare state. Perhaps this is best summed up by one of the most critical divisions in these numerous debates, that between "social citizenship" and "social insurance." As Pontusson notes, the former holds that benefits should be available to all citizens or residents, while the latter is based on prior contributions and the notion of means-testing (2005, p. 149). Certainly the notion of "social rights" as an integral part of the democratic system is far from recent (Marshall 1950; Rokkan 1970). But as the welfare state expanded, scholars argued its importance stretched far beyond the mere provisions of benefits based on particular conditions. Rather, the welfare state was viewed more in terms of its role in the democratic process, so that it became connected to the meaning of citizenship. Esping-Andersen's (1990) seminal work identifying welfare "worlds" expanded on and clarified how the notion of welfare as a factor in social rights came to distinguish Western nations in profound ways.

While our independent variable of interest is "the welfare state," this is not a straightforward concept to quantify. Until fairly recently, the literature on the development of the modern welfare state focused primarily on quantity, i.e., the welfare state was discussed in terms of its size, as manifested by the extent of its fiscal reach. Scholars assessing the welfare state typically relied on aggregate measures of welfare spending, such as the percentage of GDP devoted to public welfare programs, as an indicator of welfare program generosity (e.g., Castles 1982; Hicks and Swank 1992). In short, welfare effort had long been largely equated with *spending* levels.

While this work has certainly contributed to our understanding of the welfare state, more recent scholarship has witnessed growing skepticism about whether the level of social expenditure adequately reflects the state's commitment to welfare. Esping-Andersen (1988, pp. 18–19) puts it this way:

> Most of these studies claim to explain the welfare state. Yet their focus on spending may be irrelevant or, at best, mis-leading. Expenditures are epiphenomenal to the theoretical substance of welfare states...by scoring welfare states on spending, we assume that all spending counts equally.

This concern reflects a growing sense that the welfare state represents more than just a facet of a nation's budget. Rather, as the work by T.H. Marshall (1950) argued, the welfare state is the principal mechanism by which social citizenship is conferred, whereby "social rights" are elevated in importance. We turn our attention to three alternative ways of measuring welfare-state quality, distinct from crude spending levels. These will be used subsequently as indicators in our analysis.

One of the most important efforts to reconceptualize the welfare state was Esping-Andersen's (1990) hugely influential *The Three Worlds of Welfare Capitalism*, which redirected scholarly focus away from spending and toward a broader notion of the *quality* of the welfare state. The concept central to this is Esping-Andersen's notion of "decommodification." In Esping-Andersen's definition, "labor is decommodified to the degree to which individuals or families can uphold a socially acceptable standard of living independent of market participation" (1990, 37).

Critically, decommodification reflects the quality as well as quantity of social rights and entitlements; the mere presence of social assistance or insurance may not necessarily bring about significant decommodification if they do not substantially emancipate citizens from market dependence (Esping-Andersen 1988, p. 22). Citizens are "emancipated" from the market in the sense that they can freely opt out of work, when necessary, without risking their jobs, incomes, and general welfare. Computationally, his measure is a summary index that assesses the extent of emancipation from market dependency in three specific domains: pensions, income maintenance for the ill or disabled, and unemployment benefits. With these diverse dimensions, decommodification offers a more comprehensive measure of welfare state commitment than spending levels. Societies can now be arrayed along a continuum based on decommodifying social policies, with the upper end defined by generous and universal entitlements, and those at the lower end characterized by rigid (means-tested) eligibility requirements and low levels of benefits.

While this approach has certainly proved an advance over spending, its empirical utility has been limited by scope of the original Esping-Andersen measure. More specifically, the indices were for one time-point only, thus limiting their use to cross-sectional analyses. The recent availability of a *time-serial* data set on decommodification over three decades has now made an assessment of the across-time impact of this concept possible (Scruggs 2005). These data cover 18 advanced industrial countries from 1971–2002, utilizing the same basic computational methods as Esping-Anderson (1990).[1] Since our main dependent variable under investigation, subjective well being, is available over time, the time-serial Scruggs data are ideal.

Scholars have long-debated the role of the welfare state in creating and distributing well-being. At its core, this debate reduces to the familiar dispute between politics versus markets (Lindblom 1977) as manifested in the argument over whether to supplement the presumed inequalities of market distribution with the presumed equality of citizenship rights, i.e., whether to make "citizen entitlements...rather than the market contract" the basis of the allocation of well-being (Esping-Andersen 1985, p. 159). Those favoring political "entitlements" ultimately do so because, as Lane (1978) puts it, markets are "indifferent to the fate of individuals." Esping-Andersen summarizes the argument perfectly when he notes that while capitalism certainly has many positive aspects that doubtless 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" (1990: 36). As it is hardly surprising or even controversial to suggest that human beings do not enjoy being reduced to a commodity to be bought and sold, it seems equally unremarkable to suggest that their lives are likely to be less rewarding the more this metaphor approaches literalness. Indeed, as we discuss presently, it is now commonplace to define the welfare state in terms of its ability to "decommodify" citizens. If so, the welfare state should contribute to greater well-being to the extent that its defenders are correct in their socio-analysis of markets (for a review, see Radcliff 2001).

[1] The details of the rigorous operationalization are not readily summarized. Perhaps the most succinct description is offered by Messner and Rosenfeld (1997: 1399): the index "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 decommodification 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." It should be noted that the individual indices are weighted by the percent of the relevant population covered by the given programs. Each dimensional index is built from multiple indicators (e.g., five for old age pensions, four each for sickness and unemployment) reflecting the concerns noted above. The data can be located at http://www.sp.uconn.edu/~scruggs/wp.htm (accessed 15 April 2005).

Conversely, 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, 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 "quality" of well-being, relative to markets. This is principally because they displaces the church and family as sources of emotional support and, more critically, because it encourages "collectivization" with deleterious consequences for individual privacy, freedom, and autonomy (for a discussion of these and other arguments against the welfare state as it relates to happiness, see Veenhoven 2000, pp. 112–119).

Surprisingly little empirical research has been undertaken to test these contesting points of view. Bjornskov et al. (2005) detailed analysis on the impact of the *size* of government argues that deleterious consequences of life-satisfaction are a major consequence. What little work has been done specifically on the welfare state comes to decidedly mixed conclusions, however. We take as our guide posts two major, recent studies devoted specifically to this topic: Veenhoven (2000) and Radcliff (2001). The former, contrary to the author's own expectations, finds little or no connection between social security and happiness. He concludes that "there appears to be no link between the size of the welfare state and the level of well-being" so that in the end the only justification for citizenship rights is "political taste." Radcliff (2001) arrives at dramatically different conclusions, finding a strong positive relationship between such rights and life satisfaction. He argues that "subjective evaluation of life…is enhanced by the extent to which states reduce market dependence through the decommodification of labor and, in general, adopt a social democratic welfare regime."

We thus have two major studies coming to precisely opposite conclusions. Further, both are sufficiently plagued by problems with research design that it seems difficult to endorse one over the other. In the end, both sets of findings are suspect. Veenhoven (2000), for instance, relies mostly on raw expenditure data as his indicator of welfare state effort—a practice that, as we review below, is out of sync with contemporary research on the welfare state. He also relies on relatively simple statistical techniques (primarily correlations). For its part, Radcliff's (2001) studies is entirely cross-sectional in nature, relying solely on the 1990–1993 World Values Study wave. It thus remains subject to the traditional, and quite correct, criticisms of research designs that lack a longitudinal component. Simply put, it is necessary to show that changes in the welfare state produce changes in subjective well-being across both space and time. Indeed both studies rely largely on aggregate level data, and only incidentally on individual-level data, which is problematic when assessing individual-level phenomena to say the least.

Given that the arguably most comprehensive and sophisticated work yet done on the nexus between the welfare state and subjective well-being are not only flawed, but also contrary in their conclusions, we must conclude that the professional jury remains out on the nature or existence of the relationship in question.[2] We attempt to provide a verdict in the analyses that follow.

[2] Two more recent studies, focusing on unemployment insurance schemes rather than the welfare state…more broadly, come to equally conflicting results: DiTella et al. (2003) find that higher unemployment benefits are "associated with higher national well-being" whereas Ouweneel (2002) maintains that the level of benefits does not buffer the negative effects of unemployment on subjective well-being.

3 Analysis

We test our central argument that welfare policies will have a positive effect on levels of subjective well-being across a series of individual-level models. For our main dependent variable the data source is the cumulative World Values Survey 1981–2000.[3] We utilize two oft-discussed indicators of subjective well-being: "life satisfaction," and "happiness." *Life Satisfaction* is assessed using the standard question: "All things considered, how satisfied are you with your life now?" (1–10 ascending scale). *Happiness* is assessed using the standard question: "Taking all things together, would you say you are: 1. Very happy, 2. rather happy, 3. Not very happy, 4. Not at all happy?" (1–4 descending scale). Using individual survey data we model both life-satisfaction as a function of both individual and national-level variables. We will discuss these variables as we proceed.

As noted above, our principal dependent variable of interest is *decommodification*, from the time-serial Scruggs dataset (see footnote 1). Higher scores represent greater decommodification (the index ranges from 17.5 to 45.4). We include a wide range of controls drawn from the exhaustive literature on happiness and life-satisfaction across academic fields. We include variables capturing simple demographics—such as gender, age, family ad marital status, income, and education—and social connectedness (Lane 2000). We treat life satisfaction in part as a function of *Sex*, *Age*, and *Age-Squared*, the respondent's *Marital Status*, the number of *Children*, whether the chief wage earner is *Unemployed*, the frequency of *Church Attendance*, household *Income* and *Real GDP per capita*. We also include a measure of social connectedness, *Trust* from the cumulative World Values Survey data set, and a linear measure for time, *Time*, to control for the possibility of a general secular trend in life-satisfaction/happiness. We also introduce a set of dummy variables for each country (excepting a reference category) to account for the relatively fixed, social, economic, and cultural characteristics of a given country. The potential number of such variables is extremely large, but to the extent that they are indeed relatively constant for each country over the comparatively short time frame in question, the most convenient (and econometrically powerful) way to account for them is simply to fit a constant for each country by including dummy variables for each, excepting a reference category. The effect of the dummies is, of course, to fit separate intercepts for each country, thus accounting for the large and sustained differences in satisfaction that one might expect to result from different cultural and institutional contexts. The nation dummies thus account for unmodeled structural difference across countries. This "fixed effect" model has the further econometric advantage of accounting for the pooled structure of the data. By controlling for sustained level-differences in the dependent variable that cannot be attributed to the political variables (or unemployment) these terms also remove the possibility that unit effects could bias the resulting parameter estimates. Estimation is with Huber-White robust standard errors, correcting for the pooled structure of the data (i.e., country clusters). This procedure yields results that are robust to both between-country heteroskedasticity and within country correlation (i.e., robust to error terms being neither identically distributed nor independent). Results for life-satisfaction are reported in Table 1.

In all three models, the independent variable of interest (decommodification) is significant and of the expected sign. To interpret the magnitude of these coefficients, we can

[3] Countries included in our analysis are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

Table 1 The welfare state and life-satisfaction

	Base model	Education added	Time trend added
Decommodification	.063* (.035)	.199*** (.042)	.326*** (.011)
Trust	−.374*** (.027)	−.372*** (.036)	−.369*** (.034)
Church Attendance	−.067*** (.006)	−.063*** (.009)	−.063*** (.008)
Education	n/a	.004 (.007)	.006 (.008)
Sex	−.020 (.029)	−.052* (.027)	−.050* (.026)
Age	−.052*** (.006)	−.065*** (.004)	−.065*** (.004)
Age-squared	.000*** (.000)	.001*** (.000)	.001*** (.000)
Marital status	.504*** (.038)	.555*** (.044)	.557*** (.043)
Children	.001 (.010)	.012 (.015)	.013 (.015)
Unemployed, Head of household	−.788*** (.096)	−.869*** (.147)	−.883*** (.155)
Unemployment rate	.028* (.013)	.031 (.026)	−.010* (.005)
Income	.070*** (.007)	.083*** (.007)	.083*** −.000*
Real GDP per capita	(.000) (.000)	(.000) (.000)	(.000) (.000)
Time	n/a	n/a	.434*** (.032)
Constant	7.20*** (.455)	.865 (2.14)	−.662* (.262)
R-squared	.106	.112	.113
N	43,041	23,362	23,362

Note: Dependent variable is mean life-satisfaction (1–10 scale). Estimation is with robust standard errors. Country dummies are omitted. Entries are regression coefficients (standar errors)

* Significant at .05 level

** Significant at .01 level

*** Significant at .001 level

compute the change in the dependent variable, expressed in the number of standard deviations that would be predicted by moving from the lowest to the highest observed value in the independent variables. As noted, *decommodification* ranges from 17.5 (Japan 1989) to 45.4 (Sweden 1986), a difference of 27.9. With a *decommodification* coefficient of .063, the difference in life satisfaction would be about 1.8. Putting this into perspective, the strength of the decommodification coefficient is approximately twice that of unemployment, which has a long-established reputation as one of the strongest determinants of life-satisfaction. With more refined models in the 2nd and 3rd columns of Table 1, the magnitude is even more pronounced. The results are even more pronounced when adding a measure of education to our analysis; education is missing for a large portion of the sample in the base model, for which it was excluded. Similarly, the models in Table 2 reflect this as well. Thus we have strong evidence that the greater the "quality" of welfare policy, the more fully satisfied individuals are with their lives.

A further test of our contention that more inclusive welfare policies improve levels of subjective well-being involves a closely related yet distinct concept, "happiness." Throughout the happiness literature, the two are often used interchangeably, and indeed some scholars recommend that they be used in this manner (Veenhoven 1994). Others, however, maintain that while they are indeed closely related, precision requires that they be measured and analyzed separately (Cummins 1998). While life-satisfaction is conceived as a cognitive, notion, happiness is more of an emotive, or affective notion. To further test our claims about the impact of welfare policy, we elect to run additional models using happiness, measured as a 1–4 scale, as our dependent variable. Table 2 below reports the base model, and the model with a control for any secular time trend added.

Again, the results are statistically significant and in the expected direction. This conclusion obtains when controlling for a host of well-established and powerful determinants of subjective well-being such as aggregate economic conditions, demographic characteristics, general levels of trust, and family life.

4 Discussion

In his eloquent examination of subjective well-being in the industrial democracies, Lane (2000) lamented the overall and general decline of happiness across the advanced industrial world in recent years. In passionate detail, he chronicled the "loss of happiness" and the spread of depression across the West, from the United States, to Europe, to Oceania. Lane advanced the argument that market democracies carried within them the seeds of an inordinate amount of unhappiness bestowed upon their citizens. While Lane wrote at great length about the replacement of companions with "commodities" in market economies as one of the principal determinants of such widespread unhappiness, he spoke less to the issue of "commodification," and indeed appeared skeptical as to its value (2000, p. 184). Yet an older, rich literature from Karl Marx to Gosta Esping-Andersen is not so easily glossed over.

For some time, scholars such as Marx (1954), Polanyi (1944), and Lindblom (1977) all forcefully laid out the inevitable consequence of commodification: individuals are "captive to powers beyond their control" (Esping-Andersen 1990, p. 37). We see in the works of Lindblom (1977), Esping-Andersen (1990), and others a confirmation of this premise. Backed by a wealth of considerable empirical data, these scholars illustrate precisely how market forces are the embodiment of personal and familial insecurity, whatever their broader economic benefits may be. Moreover, there was a solution to this; not more welfare spending per se, but rather the development of a complex array of policies that have a direct impact on multiple aspects of citizens' lives, from "cradle to grave."

Whatever deleterious aspects of the welfare state critics might point to, it cannot be denied that, at least in its more ambitious guises, the late 20th century welfare state has provided the closest thing to an antidote to the commodifying by-products of market forces. But nearly everywhere it is in retreat, from the United States to Europe, to the former communist world, and across what pockets of the developing world were able to fund such institutions. Small wonder, perhaps, that as Lane observed, the world seems that much less happy as the 21st century loomed. Clearly security matters to individuals,

Table 2 The welfare state and happiness

	Base model	Time trend added
Decommodification	−.020*** (.002)	−.026*** (.004)
Trust	.089*** (.011)	.089*** (.011)
Church attendance	.019*** (.002)	.019*** (.002)
Education	.000 (.003)	.000 (.003)
Sex	.039* (.012)	.039** (.012)
Age	.020*** (.002)	.019*** (.002)
Age-squared	−.000*** (.000)	−.000*** (.000)
Marital status	−.248*** (.017)	−.248*** (.017)
Children	−.001 (.003)	−.001 (.003)
Unemployed, Head of household	.231*** (.042)	.232*** (.042)
Unemployment rate	.012*** (.002)	.014*** (.001)
Income	−.017*** (.002)	−.017*** (.002)
Real GDP per capita	.000*** (.000)	.000*** (.000)
Time	n/a	−.020 (.015)
Constant	.761*** (.085)	.707*** (.071)
R-squared	.121	121
N	22,676	22,676

Note: Dependent variable is mean happiness (1–4 scale). Estimation is with robust standard errors. Country dummies are omitted. Entries are regression coefficients (standard errors)

* Significant at .05 level

** Significant at .01 level

*** Significant at .001 level

perhaps a great deal more than those who object cursorily to whatever costs the welfare state seem to impose upon economies and societies.

If the welfare state affects well-being by improving security from the negative aspects of the market, there is a wealth of implications for further scholarly investigation. First and foremost would be the impact of insecurity per se across the many domains of life identified in the burgeoning literature on life-satisfaction. While we covered but one possible link in this connection here, it may very well be the case that further elements of the market bear empirical scrutiny as to whether possible effects on insecurity are far broader than those identified here. Now more than ever, the market stands as one of the central institutions of contemporary life across the world, affecting people profoundly and in a myriad of ways. It is insufficient to state that "market forces produce insecurity, which in turn diminished levels if happiness and life-satisfaction" and leave it at that. The rich literature on subjective well being has identified countless areas germane to well-being: domestic life, physical and mental health, physical security, life in the workplace, retirement, inter-personal relationships, sense of political efficacy in a democratic polity, and so many more. Is it not possible that the impact of market forces is filtered through all of these areas (and more) before affecting well-being?

Depending on the answers to these inquiries, a further set of implications may well involve the very nature of democracy itself in an increasingly insecure world. Certainly the debate about whether and in what manner the market and political democracy are linked is even older and more spirited than that surrounding the welfare state itself. Scholars have begun focusing considerable empirical attention on the role government itself does and should play in maximizing well-being (Lapinski et al. 1998; Veenhoven 2000; Frey and Stutzer 2002; Veenhoven 2004; Bjornskov et al. 2005). While these studies come to no definitive conclusions on this point, they exist in the near-absence of studies that examine the extent to which individual's perceived life-satisfaction and happiness itself affects various aspects of the democratic process. If "happier" and "more satisfied" citizens behave differently in the political arena, then the questions of whether, to what extent, and how governments might maximize happiness and life-satisfaction take on new meaning.

We have provided some evidence that the welfare state, as a manifestation of government has a tangible impact on life-satisfaction and happiness. What other aspects of democratic governance might similarly affect perceived well-being? We hope that these and related sundry questions attract scholarly inquiry and more importantly, provide badly needed answers to salient theoretical and substantive questions.

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