CONDITIONALLY HAPPY: NEW INSIGHTS ON THE RELATIONSHIP BETWEEN STATE INTERVENTION AND SUBJECTIVE WELL-BEING

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ABSTRACT OF THE DISSERTATION

Conditionally Happy: New Insights on the Relationship between State Intervention and Subjective Well-Being

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To what extent does political intervention into the market condition how individuals find the lives that they lead to be enjoyable, rewarding, and satisfying? I develop theoretical insights that help push the literature beyond its preeminent focus on the overall size, or depth, of state intervention into private markets by asking finer-grained questions about how different forms of market intervention influence the relationship between state intervention and subjective well-being. I focus on three causal conditionalities that represent important theoretical omissions from the literature. All hypotheses are tested using multilevel statistical analyses of times series cross sectional and panel survey data across select OECD countries over the past twenty years.

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Dedication

I dedicate this dissertation to the memory of my father, Marion F. Jakubow. I lost you immediately before embarking on one of the most trying personal, intellectual, and professional experiences of my life. This would not have been possible without your love, support, and encouragement guiding me through every difficult step of this incredible journey. I just wanted to let you know that I made it.

Table of Contents

List of Tables

Chapter 1
Introduction

1.1 Overview

The reconciliation of market forces and social pressures for equality, redistribution, and social solidarity lies at the heart of modern democratic politics. Understanding how and why societies adjudicate between these different, sometimes conflicting, imperatives has a pedigree as old and as colorful as the discipline of political science, itself. Equally as important, our empirical inquiries are inextricably linked to fierce normative debates about the proper relationship between the state and the market. The 'politics vs. markets' debate (Lindblom 1977) is central to beliefs about how best to achieve economic growth and prosperity, to promote social equality, to forge and strengthen the bonds of democratic governance, and to successfully compete in a global economy. The postwar 'consensus' on the virtues of greater state responsibility over the allocation of resources, the implementation of activist economic policies, and the institution of generous social benefits eventually unraveled in the face of economic recession and slower rates of growth during the 1970s. Prevailing modes of policy-making were challenged by arguments that employment was the responsibility of markets, not governments, and that a return to growth required political leaders to expand the scope and competitiveness of markets. This neoliberal challenge to the postwar consensus stressed the importance of opening international markets, intensifying market competition, and unleashing markets to allocate resources more efficiently and

productively. And while the neoliberal agenda has colored macroeconomic policy discussions for the previous thirty years, the global recession of 2008 has prompted academics and policymakers to give the 'Washington Consensus' a second look. The enduring debate between politics and markets has returned, yet again—this time couched in terms of the tradeoffs between 'stimulus' and 'austerity.'

A vast program of theoretical and empirical research has emerged alongside this fundamental policy debate by probing the empirical consequences of these two contrasting ideals of economic governance. An ambitious research agenda explores whether, and to what extent, political interventions into the market influence: economic growth and development; inequalities of income, opportunity, and health; labor market outcomes and patterns of family formation; patterns of political behavior and competition; and patterns of social deviancy. These phenomena are not only important in their own right, but also because the implications each has on how individuals subjectively experience the lives that they lead. Unemployment, for instance, consistently correlates with lower levels of subjective well-being (Clark and Oswald 1994; Di Tella et al. 2003; Frey and Stutzer 2010; Winkelmann and Winkelmann 1998; Young 2012). To the extent that state intervention into the market influences job scarcity and employment growth, policy decisions about the appropriate degree of political control over domestic labor markets indirectly shapes how individuals will find their lives to be enjoyable, rewarding, and satisfying. So, instead of exploring how political control of the market influences these various social and economic outcomes, which are then presumed to have some relationship to individual life satisfaction, recent advances in the quality and availability of data on measures of subjective well-being permit scholars to evaluate the relationship between state intervention and life satisfaction, directly.

Unfortunately, recent investigations within this literature have failed to yield

any conclusive findings on how greater political intrusion into the market influences life satisfaction. Proponents of state intervention contend that greater subordination of market processes to political control improves life satisfaction by insuring individuals against market insecurities, emancipating individuals from their captive dependence on market forces to achieve and maintain socially-acceptable living standards, and by promoting equality. Skeptics, however, retort that state intervention is actually inimical to well-being because it generates various social pathologies and macro-level inefficiencies, disembeds individuals from traditional institutions of social and economic support, and inhibits the ability of individuals to act as autonomous economic agents.

Moving beyond this impasse requires new theoretical thinking about the relationship between state intervention and well-being. Key to this approach is the realization that state intervention cannot merely be measured along a scale ranging from less to more. This obscures important features about the substantive qualities of political interventions into the market. In short, previous explanations suffer from omitted variable biases. By itself, the extent of political intervention into the market is neither a necessary nor sufficient condition for the promotion or inhibition of happiness. This dissertation attempts to push us past the cacophony of conclusions circulating in the literature by lending fresh empirical and theoretical insight to this debate. A more accurate understanding of the relationship between the state, the market, and happiness requires us to abandon the big question of 'whether' state intervention improves happiness and consider instead multiple conditionalities under which the state can help promote (or inhibit) human happiness.

Three separate studies consider three such conditionalities. The first focuses on the complex relationship between welfare, market risk, institutional quality, and well-being. One of the conventional arguments for subjecting the market to

greater political control is that it helps insulate individuals from the risks and vagaries associated with depending on the market to maintain their livelihoods (e.g., Radcliff 2001). While this may be true, not all social welfare programs are equally adept at catering to relevant market risks and administrating social policies effectively. The extent to which social welfare regimes cater to 'new,' or 'post-industrial,' social risks (Bonoli 2005; Taylor-Gooby 2004a) and the quality of administrative institutions are argued to jointly condition the effect state intervention into the market has on subjective well-being. Replicating and extending the findings of a recent and very influential study (i.e., Flavin et al. 2011), my analysis actually reveals that the positive association between intervention and well-being is the strongest and most robust when the quality of administrative institutions is high and when the welfare state caters to 'new' forms of market and social risk. Unless both of these qualifying conditions obtain, the results suggest that greater intervention can actually *undermine* the extent to which individuals find the lives that they lead to be satisfying and rewarding.

The second conditionality identifies a previously ignored causal pathway linking state intervention and subjective well-being. Instead of 'emancipating' individuals from the worst effects of the market, this study considers how public policies can 'empower' individuals to improve the very terms on which they engage with the market. Public investments in human capital formation, proxied by public expenditures on and participation rates in active labor market policy programs, exert a significantly positive effect on well-being. Moreover, it is argued that 'intervention-as-empowerment' will exert a more significant impact on subjective well-being than the conventional, 'intervention-as-emancipation' pathway. Because of the decreasing marginal utility of income,our psychological predisposition to adapt to changes in our material environment, and the centrality of work to our sense of purpose and well-being, passive income supports designed

to emancipate individuals from their dependency on the market are found to be less effective.

The third conditionality considers the extent to which the division in the literature may be rooted in the differential effects of *ex ante* and *ex post* forms of state intervention on well-being. In other words, this chapter considers the possibility that the *promise* of support or 'emancipation' from the market may have different implications for well-being than the actual *receipt* of such support. Until now, conventional approaches in the literature have lacked both the methodological and theoretical infrastructure to seriously consider such a possibility. Methodologically, this chapter leverages panel data to actually measure the extent to which individuals depend on market vs. non-market sources of income to proxy *ex post* intervention. Theoretically, an alternative hypothesis suggests that the degree of *ex post* emancipation from the market may not be nearly as beneficial for well-being than the conventional wisdom linking emancipation and happiness would otherwise suggest. Greater *ex post* intervention suggests that individuals simply trade their dependency on the market for a similar dependency on the state. The transfer of dependencies from the market to the state may cause various social pathologies, subject individuals to a different—yet equally injurious—set of risks and uncertainties, and undermine the autonomy of individuals as economic agents in ways that market-earned income seldom does. The results of the analysis show that, at best, greater dependency on the state has no effect on life satisfaction; at worst, such a dependency can significantly undermine it.

The rest of this introductory chapter proceeds as follows. The next section briefly considers why subjective well-being is relevant to the discipline of political science. The third section reviews the intellectual infrastructure behind the study of subjective well-being to illustrate that even 'soft' concepts like happiness, life satisfaction, and well-being can still be studied using the most rigorous standards

of social scientific inquiry. The final section describes the layout of the remaining chapters of the dissertation.

1.2 Why Well-Being?

As Radcliff (2013) argues, the opening lines of the American Declaration of Independence mark the arrival of a new political era:

> We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness. That to secure these rights, Governments are instituted among Men, deriving their just powers from the consent of the governed, that whenever any Form of Government becomes destructive of these ends, it is the Right of the People to alter or to abolish it, and to institute new Government, laying its foundation on such principles and organizing its powers in such form, as to them shall seem most likely to effect their Safety and Happiness.

The radicalism of this document does not stem from its appeal to notions of self-determination, popular sovereignty, or the social contract between rulers and the ruled. What makes the Declaration of Independence so important is its assertion that the foundation of any political order rests with the happiness of ordinary people. The realization that individuals have a natural right to the 'pursuit of Happiness' and that the protection of such an 'inalienable' right is the purpose of government have inspired peoples across time and space to use government as a positive resource to collectively improve their pursuit of lives that they find to be rewarding, enjoyable, and satisfying.

We, as political scientists, also rank among those who are inspired (whether we realize it or not) by the pursuit of happiness. Aside from providing us with a shot a tenure and a sense of purpose, we read, write, and lecture about many of the subjects that we do because they relate to the fundamental obligation of government to secure for individuals their individual right to happiness. Many

of our objects of inquiry we believe to be fundamental 'Goods'—the pursuit of which relates directly to how easily individuals can pursue their own happiness. We study the relationship between political factors and economic growth, in part, because individuals thrive in fertile economic environments. We value the causes and consequences of democracy because of an underlying belief in the inherent value of democratic rights and freedoms for improving the human condition. We study war so that we may it understand its causes in the hopes of reducing its devastating impact on societies, families, and lives. The list of examples is endless, but the undeniable fact remains that many of the 'big' research questions in political science are fundamentally about the protection, production, and distribution of human happiness.

Happiness can also be an important *independent* political variable. Recent literature suggests that happiness impinges directly on the quality and function of democracy across and within societies. Happier individuals, as political actors, may behave in fundamentally different ways than their more miserable counterparts. Individuals who are more satisfied with their lives are more likely to vote, contact elected officials, and involve themselves in political campaigns (Flavin and Keane 2012; Weitz-Shapiro and Winters 2011). Additionally, a recent paper finds evidence that more satisfied individuals are more likely to identify with conservative parties, adopt conservative ideologies, and support conservative policies (Flavin and Pacek 2012). This has profound implications for scholars of vote choice and political preference formation.

In sum, happiness is a concept of eminent relevance for the discipline of political science—philosophically, normatively, as a dependent variable, and as an independent variable. Despite this, the field still appears relatively reluctant to embrace the concepts of happiness, life satisfaction, or subjective well-being as suitable subjects and objects of political inquiry. I suspect that this hesitancy

is due, in large part, to skepticism regarding the suitability of such an empirically 'soft' concept as subjective well-being. The next section explains why such concerns are unwarranted.

1.3 The Scientific Study of Subjective Well-Being

Subjective well-being is defined as the "degree to which a person evaluates the overall quality of his present life-as-a-whole positively" (Veenhoven 1997, 5). Subjective well-being, along with other synonyms—such as 'happiness' and 'life-satisfaction'—captures the overall extent to which individuals enjoy the lives that they lead. Some scholars (Lucas et al. 1996; Pacek and Radcliff 2008a,b; Radcliff 2001) contend that 'life-satisfaction' and 'happiness' differ slightly in connotation, whereby the former implies a stronger cognitive, more holistic assessment of life while the latter emphasizes the more immediate, affective side of life-evaluation. Nonetheless, for the purposes of theoretical discussion and empirical assessment, most scholars treat the aforementioned concepts as synonyms (e.g., Alvarez-Diaz et al. 2010; Bjornskov et al. 2007, 2008, 2010; Dorn et al. 2006, 2008; Easterlin 2003; Flavin et al. 2009, 2011; Pacek and Radcliff 2008a,b; Radcliff 2001).[1] Occasionally, different survey instruments capturing happiness and life-satisfaction are interchanged with each other in order to increase the robustness of empirical findings (e.g., Inglehart et al. 2008; Pacek and Radcliff 2008a,b).

In the most common treatment, scholars operationalize subjective well-being by leveraging information generated from specific questions on social surveys conducted on both the cross- and sub-national levels. Of the many questions asked

[1]For a dissenting view, see Inglehart et al. (2008). The authors find that happiness increases with greater political and social choice, while life-satisfaction tends to increase with improvements in material standards of living. For the purposes of this dissertation, the concepts 'subjective well-being,' 'well-being,' 'happiness,' and 'life satisfaction' are used interchangeably. I follow convention in the field and treat these terms as synonyms for the same underlying concept.

on such surveys, respondents are typically asked to rank their overall happiness and/or degree of satisfaction with their lives by providing a numeric value from an ordinal scale of possible values. Scholars typically focus on responses to one or the other set of survey questions, although some also combine responses to questions about happiness and life-satisfaction into a composite index (e.g., Inglehart et al. 2008). Repeated iterations of such surveys—like the World Values Survey, European Social Survey, and various other national-level questionnaires—have generated a sizable amount of data suitable for evaluating both cross-sectional and longitudinal hypotheses.

Any attempt to measure a concept as complex and seemingly intangible as subjective well-being through individual responses to a single survey question may be viewed with a healthy degree of skepticism. Extensive work on well-being indicators, however, suggests that this approach to capturing subjective well-being is valid, reliable, and suitable for cross-national comparison.

Validity: Because global measures of subjective well-being taken from survey questions share a high degree of correspondence with other, more objective measures of well-being, we can be fairly confident that these survey instruments actually measure what they claim to be measuring. Happy individuals smile more (Fernández-Dols and Ruiz-Belda 1995), are rated as happy by friends, family (Lepper 1998; Sandvik et al. 1993), and their spouses (Costa and Mccrae 1988), and are less likely to commit suicide (Helliwell 2006a,b). Relatedly, Moum (1996) finds that unhappy individuals are more likely to commit suicide over the next five years than those who view their lives more positively.

Reliability: Scholars have repeatedly proven that global subjective well-being reports taken from survey items exhibit a high degree of correlation with many

other instruments designed to capture subjective well-being (Fordyce 1988; Sandvik et al. 1993; Veenhoven 1993, 1994, 1996, 1997, 2000). Admittedly, some scholars contend that situational factors—such as being in a temporarily bad or good mood just prior to answering survey items about subjective well-being—causes reliability issues (Moum 1988; Schwarz and Strack 1991, 1999). However, fears of situational artifacts are largely exaggerated. Eid and Diener (1999) conclude that any distortions caused by situational factors are likely to pale in comparison to long-run influences on an individual's subjective well-being. Additionally, situational influences wash out when sample sizes are sufficiently large (Kahneman and Krueger 2006).

Another body of criticism maintains that global self-reports on surveys occasionally conflict with results obtained from instruments designed to monitor average mood levels computed from multiple sampling periods and daily mood diaries (Kahneman and Krueger 2006; Schimmack 1997; Thomas and Diener 1990). Scholars frequently attribute such discrepancies to retrospective errors in judgment (Kahneman et al. 1997, 2004; Kahneman and Riis 2005; Kahneman and Krueger 2006). According to this view, peak and terminal experiences exert disproportionately-heavy influence within the cognitive calculus individuals use to reach an overall assessment about their own subjective well-being on surveys. This is what Kahneman and other prominent psychologists refer to as the difference between 'experienced' and 'remembered' utility.

Once again, such concerns are over-stated. Even if non-trivial differences do exist between experienced and remembered utility, individuals are more likely to pass judgments and make decisions on the basis of what they *remember* than what they experience (Helliwell 2006b). If this is the case, then it makes it little sense to pay attention to what individuals experience when we ask them about their overall subjective well-being. Indeed, reflecting later on the use of mood diaries

and other real-time measures of experienced utility, Kahneman (2008) admits that while the exercise proved "interesting and useful," it failed to produce any revolutionary change in methodology.

Endogeneity: Another conventional criticism leveled against the use of subjective well-being measures is the seemingly intractable problem of establishing causality between subjective well-being and relevant covariates due to a host of concerns over self-selection. For instance, while the literature finds that marriage, employment, income, health, social status, and perceived autonomy all correlate positively with subjective well-being, it is not clear whether these characteristics cause, or follow from, an individual being particularly happy. This reasoning similarly applies to the relationship between individual happiness and societal level attributes—such as the welfare state. It is not entirely clear whether more favorable external circumstances cause individuals to be happier or whether happy individuals are more likely to support the creation of better external environments.

Although these criticisms are very serious, empirical evidence suggests that causality runs from external events to subjective well-being, not the other way around. Taking advantage of recent advances in the availability of panel data, scholars find that unemployment—one of the strongest and most robust correlates of unhappiness—*causes* individuals to become unhappy (Clark et al. 2008; Clark and Georgellis 2013; Lucas 2007; Winkelmann and Winkelmann 1998). Relatedly, a study of lottery winners—those who came upon significant amounts of extra cash through no effort of their own (aside from buying the winning ticket)—suggests that increased income *causes* increased subjective well-being (Gardner and Oswald 2007). Although analogous studies have yet to be conducted in order to confirm the causal relationship between welfare and subjective well-being, many studies use empirical techniques—lag structures and instrumental variables,

for example—to help assuage fears about causal endogeneity (Di Tella et al. 2003; Pacek and Radcliff 2008a). The other reason for optimism about making causal claims about the relationship between welfare and subjective well-being comes from evidence on the relationship between welfare and suicide.[2] While less generous welfare benefits may help contribute to a person ending his or her own life (Zimmerman 1987, 2002), it is impossible to argue that being dead causes lower welfare benefits.

Cross-National Comparability: Even after assuaging concerns over validity, reliability, and inference-drawing, the question remains as to whether measures of subjective well-being are suitable for use in cross-national comparisons. Semantically, a common refrain stresses that the meaning of concepts like 'happiness' and 'life-satisfaction' will vary substantially across cultures. Failure to account for this will significantly bias any results obtained from cross-national studies. Once again, such concerns lack solid empirical foundation. Veenhoven (1993; 1997) finds that the rank-ordering of national means on questions about 'life-satisfaction,' 'happiness,' and 'best- and worst-possible lives,' is similar across countries. Relatedly, scholars also find that average levels of life-satisfaction within multilingual countries do not vary by language group (Inglehart 1990; Veenhoven 1997). There is also little evidence to suggest that the entire notion of 'life-satisfaction' is an inherently Western concept that will fail to resonate as well in other cultures (Veenhoven 1994, 1997).

Global measures of subjective well-being are also resistant to social desirability biases in the cross-national context. Positive biases—characteristic of societies that may place a higher emphasis upon being happy within their respective value

[2]Suicide serves as a very suitable proxy for extreme unhappiness (Helliwell 2006a; Moum 1996).

hierarchies—imply that individuals will feel compelled to give themselves relatively high self-evaluation scores. Conversely, one may suspect more modest, reserved societies to appear less happy than their less humble counterparts. In either case, scholars fail to detect any such biases (Veenhoven 1996, 1997).

More recent scholarship challenges these findings by suggesting that non-random differences in the determinants of subjective well-being emerge between 'individualist' and 'collectivist' societies (Diener et al. 2003; Eid and Diener 2009). In more individualistic societies, life-satisfaction is generally higher (Diener 1996; Oishi and Diener 2001) and more strongly correlated with emotions (Diener and Lucas 2000), self-esteem (Diener and Diener 1995) and self-indulgence (Suh et al. 1998) than in more collectivist ones. With appropriate statistical controls, however, scholars can (and do) account for this variance in their analyses (e.g., Helliwell 2006b; Pacek and Radcliff 2008a).

Usage: As final proof that skepticism over the use of subjective well-being is unfounded, one need look no further than the widespread growth of publications and research on subjective well-being in academia during the past several decades. While the use of subjective well-being is a relatively recent phenomenon in political science, subjective well-being research has a well-established pedigree in the fields of psychology and economics. The fact that subjective well-being research within these fields has only accelerated over the course of recent years suggests that skepticism about the use of subjective well-being indicators is largely unwarranted. A recent search of Google Scholar for the term 'subjective well being' produced a list of approximately 2,140,000 entries.[3] To put this in an appropriate context, the number of Google Scholar hits for 'democracy'—one of the most fundamental areas of research in political science—yielded only 1,990,000 results.

[3]'Happiness' yielded approximately 1,530,000 entries while 'life satisfaction' produced a list of more than 2.5 million hits.

Subjective well-being indicators have not gone unnoticed by policy-makers, either. Former French President Nicholas Sarkozy, dissatisfied with the use of GDP per capita and other material measures of social progress, recently tasked a 25-person commission of prominent economists and other academics to search for better indicators of well-being (Commission on Growth and Development 2008). The fact that 'hard-core' behavioralist economists—Joseph Stiglitz, Amartya Sen (both Nobel Prize winners), and Jean-Paul Fitoussi—nonetheless endorsed the use of self-reported data on subjective well-being as a more suitable means of measuring social progress speaks to the confidence that researchers and policy-makers alike should have in the validity, reliability, and comparability of subjective well-being measures[4] (Easterlin 2010).

1.4 Plan of the Dissertation

The rest of the dissertation proceeds as follows. Chapters 2-4 each examine one of the three identified conditionalities modifying the extent to which greater political control of the market influences subjective well-being. Each chapter contains a brief introductory section, a discussion of the relevant literature, a theoretical section including the hypotheses to be evaluated, a discussion of the empirical strategy used, a section reporting the results of the analysis, a brief conclusion, and an appendix inclusive of summary statistics and supplementary tables. Chapter 5 summarizes the main findings of the project and identifies some additional avenues for future research.

[4]A copy of the report is available at: www.stiglitz-sen-fitoussi.fr.

Chapter 2

Conditionality 1: The Role of Governance Quality and Resource (Mis)allocation

2.1 Introduction

This chapter[1] identifies an important conditionality in the relationship between state intervention and subjective well-being by considering the extent to which state intervention privileges certain kinds of market vulnerabilities over others, as well as the quality of the administrative apparatus linking policy decisions to how individuals experience political intervention into the market in their daily lives. Once these important contextual factors are accounted for, we can generate a more accurate understanding of the conditions under which state intervention is likely to produce favorable life satisfaction outcomes. This study identifies one such condition. State intervention exerts a positive impact on life satisfaction when the intervention aims to protect individuals from new, post-industrial forms of market risk and when the quality of administrative institutions is high. The present study partially replicates and then extends the findings of Flavin et al. (2011) to precisely illustrate how these important contextual factors moderate the relationship between state intervention and life satisfaction. Hypotheses are evaluated against data taken from Wave 5 (2005-2008) of the World Values

[1]Previous versions of this chapter were presented at the 2012 meeting of the Council for European Studies and the 2013 meeting of the Western Political Science Association. In the interest of full disclosure, this chapter will be forthcoming as a research article featured in the February 2014 issue of *Politics & Policy*.

Survey using both OLS regressions with country-clustered standard errors and hierarchical, random-effects modeling techniques.

The chapter proceeds as follows. Section 2.1 reviews some of the major theoretical and empirical findings on the relationship between state intervention and well-being. Section 2.2 uses insights from the literatures on post-industrial market risks and governance quality to promote a more accurate theory linking state intervention to life satisfaction and identifies some testable implications of such a theory. Section 2.4 discusses the research strategy used in the study. Section 2.5 presents the results of the analysis, and the last section concludes with a discussion of the implications these findings have for the wider literature exploring the relationship between politics, markets, and subjective well-being.

2.2 A House Divided: State Intervention and Subjective Well-Being

To what extent does state intervention into the market empower individuals to lead lives that they subjectively believe to be rewarding and satisfying? Proponents contend that greater political control of the market can increase life satisfaction through several direct and indirect pathways. First of all, an active state helps insure individuals against the uncertainties and economic insecurities associated with competitive markets. The threat of job loss is an important source of economic and mental frustration for many individuals, but the state can shield individuals from these uncertainties by introducing regulatory barriers to protect employment and/or by providing them with generous economic support in the event that individuals do find themselves without a job. Similarly, the state can be seen as a bulwark against a series of neoliberal policy reforms—such as a shift away from defined-benefit pension plans, reductions in unemployment

benefits, and new limits on health benefits—that have otherwise forced people to assume greater personal responsibility for risks associated with unfortunate life events and economic fluctuations (Hacker 2006; Taylor-Gooby 2004b). Reduced personal capacity to cope with these and similar risks is a profound source of chronic mental stress (e.g., Brenner 1977). Unsurprisingly, higher levels of stress are frequently associated with lower levels of subjective well-being.

Secondly, subordinating the market to political control can increase life satisfaction by emancipating individuals from their dependency on the market as the principal mechanism through which they satisfy their needs, desires, and ambitions in life. This is expressed perhaps most forcefully by Esping-Andersen's concept of 'decommodification' (1990), which measures the extent to which individuals can maintain socially-acceptable standards of living independent of the financial resources they earn from selling their own labor as a commodity on the market. The leads to the powerful observation that most individuals probably do not like being reduced to commodities that are bought and sold on domestic and international labor markets (Flavin et al. 2011). Moreover, market processes can undermine feelings of autonomy and self-efficacy, generate frustrations over economic decision-making, and disembed individuals from meaningful social relationships (Lane 1978, 2000). Political intervention into the market can thus promote life satisfaction by emancipating individuals from the grasp of the 'invisible-hand' of the market.

Thirdly, state intervention has the potential to raise life satisfaction by promoting social and economic equality. Although the empirical literature on the relationship between inequality and subjective well-being presents mixed findings,[2] some studies do find that levels of subjective well-being tend to decline as the level of income inequality rises (Alesina et al. 2004; Tomes 1986). This

[2]See Graham (2011) for a comprehensive overview of the literature.

corroborates important epidemiological findings on the positive correlation between equality and good physical and mental health outcomes (Marmot et al. 1978; Marmot 2004; Wilkinson and Pickett 2009). Health, in turn, is a strong predictor of subjective well-being (Frey and Stutzer 2010; Helliwell 2003). Some scholars even maintain that egalitarian social relations approach the status of a fundamental human need, the satisfaction of which is vital for improving how individuals experience the lives that they lead in a positive way (Wilkinson 1996; Wilkinson and Pickett 2009). Greater inequality, by contrast, may force individuals to engage more frequently in relative comparisons of status that, on the whole, exert a detrimental effect on life satisfaction (Fujita 2008). According to this perspective, state intervention can increase life satisfaction by actively smoothing market-generated inequalities through redistributive taxation and transfers between different income classes. The aforementioned arguments find support in several empirical studies of the relationship between state intervention and subjective well-being (Alvarez-Diaz et al. 2010; Di Tella et al. 2003; Flavin et al. 2011; Haller and Hadler 2006; Radcliff 2001; Pacek and Radcliff 2008a,b).

Welfare opponents, however, also offer a convincing theoretical explanation of why state intervention produces more misery, not happiness. One set arguments maintains that even the most well-intended government interventions into the market can generate many negative, unintended consequences. Firstly, standard economic theory predicts that greater market competition will raise aggregate levels of well-being by facilitating improved economic performance. Open and competitive markets help stimulate trade, encourage innovation, and slash consumer prices. Greater state intervention into the market prevents the realization of these gains, and these inefficiencies can translate into lower rates of economic growth (Butler and Kondratas 1987; Lindbeck 1995).[3] Suboptimal growth, in

[3]See Kenworthy (1999) for a discussion of this debate.

turn, negatively affects levels of prosperity, employment, and funding for key social programs.

Secondly, state encroachment upon market processes may negatively interfere with infrastructures of social support people call upon when confronted with challenging life situations. The use of social- and interpersonal-connections as resources that enhance our capabilities to deal with life challenges is well-documented in the literature (Hall and Lamont 2009). Sociological studies conducted in formerly communist countries report that people frequently sought assistance from relatives, friends, and colleagues as a means of coping with resource scarcity and navigating through complex, frequently corrupt, public bureaucracies (Hann 1993; Wedel 1986). Epidemiological research also suggests that the ill recover more quickly and that individuals with denser ties to social networks generally enjoy better health outcomes than those lacking such ties (Berkman and Glass 2000). The problem is that greater state intervention can disarticulate individuals from, and/or reduce the effectiveness of, these important sources of social resilience. For instance, a stronger state may undermine the relative usefulness of the family as a social resource because welfare correlates with higher levels of martial instability (Buckingham 2000; Gilder 1993) and an increase in low-income, single parent families (Murray 1984). In short, the sprawling tentacles of the welfare state undermine well-being by strangling off traditional social institutions like the church and the family to which generations of individuals have long turned for social support.

Thirdly, the collectivization of social life that proceeds in lockstep with the advance of the state into society further reduces happiness by undermining individual autonomy and free choice (DeSwaan 1988; Veenhoven 2000). Instead of arguing that the economic choices involved in market participation generate a host

of decision-making frustrations (Lane 1978, 2000) or that the market reduces individuals to the level of commodities to be bought and sold (Esping-Andersen 1990), work by Freyer (1986) suggests that market participation actually promotes well-being by empowering individuals to exercise their autonomy as economic agents. Greater state intervention into the marketplace undermines well-being by placing unnecessary restrictions on private economic choice.

The other strand of arguments linking state intervention to greater misery stems from a host of rhetorical arguments positing a linkage between political intrusion into the market and the imposition of significant 'moral' costs on society. Despite the noblest of intentions, state intervention into the market generates its own set of perverse incentives. Instead of empowering individuals to improve their own aspirations, desires, and living standards, social supports from the state lock individuals into a state of perpetual dependence on the beneficence of public welfare. Strengthened by perverse financial incentives that actually make it more cost-effective for individuals to remain unemployed or to remain in low-skilled, low-wage professions, state intervention directly facilitates 'cultures of dependency' (Fraser 1997; Saunders 2000). Additionally, state intervention can generate patterns of benefit-induced migration (Allard and Danziger 2000), where moving decisions—instead of being influenced by calculations regarding one's family or employment prospects—are shaped instead by the extent to which particular jurisdictions offer robust and generous social insurance benefits. Although these rhetorical claims are hard to falsify and the empirical evidence in support of these phenomena is widely disputed (Blank 1997), the meaning is clear: greater political intrusion into the market significantly undermines subjective well-being through moral perversion. As a whole, two important empirical studies find a negative relationship between state intervention and well-being (Bjornskov et al. 2007; Ouweneel 2002) and another finds no relationship (Veenhoven 2000).

2.3 Beyond the Impasse: Size Isn't Everything

The literature clearly lacks consensus on the relationship between state intervention into the market and individual levels of subjective well-being. A reasonable explanation could stem from the fact that the empirical analysis of survey data, particularly when our dependent variable relates to something as seemingly complex as subjective well-being, yields few strong and robust empirical signals relative to the disproportionately large amount of noise these analyses tend to produce. Variation in research designs—from modeling techniques, to sample sizes and case selection, to operationalizations of the dependent and independent variables—could all help explain the divergent findings across the literature. Be that as it may, the origins of these widely divergent findings may also have to do with important theoretical oversights, not just methodological choices. The literature's preeminent focus on the overall size or extent of state intervention into the market overlooks how other factors—notably the quality of administrative institutions and the orientation of social programs—can moderate the effect of state intervention on subjective well-being.

First of all, irrespective of its substantive content, state intervention hinges on the quality of public bureaucracies. The concept of administrative quality used here refers to the way in which authority is exercised by public officials. More specifically, we are interested in the extent to which public power is exercised impartially. Following Rothstein and Teorell, impartial administration means that "government officials shall not take into consideration anything about the citizen/case that is not beforehand stipulated in the policy or the law... when implementing laws and policies" (2008, 170). It is also important to note that the impartial exercise of public authority is not conterminous with corruption. While

corruption—frequently defined as the abuse of public office for private gain—implies a violation of impartiality, impartiality includes other forms of partial exercise of administrative authority. Other practices—clientelism, discrimination, nepotism, patronage, and political favoritism—also interfere with the impartial implementation of policy and law (Rothstein and Teorell 2008).

The impartiality of administrative institutions matters because it ultimately influences how individuals experience the state in their daily lives—from their use of public transportation, to the consumption of publicly-provided and/or -financed health care, to the frequenting of public parks and recreation areas. When citizens are consistently treated professionally, respectfully, and impartially in their interactions with public servants, the procedural utility of consuming public goods and services increases (Frey and Stutzer 2010). People not only evaluate actions taken toward them by considering the consequences of those actions, but also on the basis of how they feel treated by other people. Institutions shape the nature of those interactions by incentivizing participants to treat each other positively (or negatively) during the course of their everyday interactions. Specifically, policies regarding the provision of welfare goods and services crucially shape the interaction between policy administrators and welfare state constituencies. The extent to which the intended beneficiaries of political interventions into the market feel treated in a manner that is fair, respectful, and consistent with their prior experiences and the experiences of others who are like them improves their sense of self. Indeed, empirical research repeatedly shows that procedural utility in the consumption of public goods and services is positively correlated with subjective well-being (Frey and Stutzer 2000, 2005; Layard 2006; Ott 2011; Whiteley et al. 2010).

Opportunities for interacting with public service bureaucracies increase as the state assumes a more active role in managing and regulating markets. Under

these circumstances, the procedural experiences associated with the consumption of public goods and services become increasingly important in how individuals evaluate the quality of their own lives. Therefore, the extent to which state intervention into the market increases subjective well-being hinges on the quality of administrative institutions. A robust state presence in the management of market forces can actually do more harm than good if public service bureaucracies are corrupt, unprofessional, disrespectful to citizens, and inconsistent in the application of regulatory rules and policies. Indeed, a recent study (Bjornskov et al. 2007) finds that state intervention into the market only exerts a positive effect on happiness at high levels of institutional quality.

Procedural experiences in the consumption of public goods and services are important, but this should not detract from the fact that the substantive content of market interventions also influence how individuals subjectively experience life. This leads to another potential theoretical oversight dogging the relationship between state intervention and subjective well-being. One of the principle mechanisms linking state intervention to greater quality of life outcomes relates to the ability of the state to insure individuals against market-generated risks. However, the concept of risk invoked by the literature is cast in a very general sense. The nature of these risks is not always clearly defined, and it is also unclear whether such risks are considered homogeneous across time and space. This latter issue is of particular concern.

Political scientists have long recognized that drastic structural changes across many of the world's advanced, capitalist democracies have generated a series of new, post-industrial market risks (Bonoli 2005; Esping-Andersen 2002; Taylor-Gooby 2004b) and that societies have differed greatly in their ability to respond to this challenge. Such risks include unstable employment patterns, long-term unemployment, working poverty, single parenthood, demographic ageing, the role

of women in the workforce, and the related issues stemming from reconciling the demands of work and family life. We briefly review some of these post-industrial risks in greater detail.

Deindustrialization. In the last thirty years or so, most advanced market economies have experienced a marked decline in manufacturing and a subsequent rise in service sector employment. The shift from the shop floor to the store front has placed particular strains upon employees in low-skilled, low-value jobs (Bonoli 2007). In the immediate postwar period, most low-skilled labor still managed to enjoy a relatively prosperous existence. Technological advances in the industrial sector precipitated a constant trend of increasing productivity across much of the low-to-semi-skilled workforce. This, coupled with the strong mobilization capacity of many trade unions, helped ensure that wage increases in low-skilled, low-value jobs kept pace with rises elsewhere in the market. The end result was a low-skilled workforce that still enjoyed a comfortable standard of living.

For the low-skilled worker of today, the picture is far bleaker. Today's low-value service sector jobs—retail, cleaning, catering, etc.—lack the scope for productivity increases common in the post-war industrial sectors. As such, this segment of the labor market finds itself exposed to a type of risk that would be nearly unfathomable in the world of the early 1950s: *working poverty.* Admittedly, some countries have attempted to stem the tide of declining real wages through mechanisms of centralized wage bargaining between relevant social partners and governmental authorities. While this 'solution' helps prevent wage spirals, it undermines job creation (Bonoli 2007). High unemployment rates within the low-skilled labor force is the result.

Women in the Workforce. Another feature of post-industrial societies concerns the increasing prevalence of women in the active labor market. Whether a function of changing value orientations or economic necessity, or both, a higher

proportion of women are working or are in search of work than ever before. New risks revolve around the difficulties many women have in reconciling motherhood and childrearing with paid employment. Child care and other domestic services previously done by housewives now needs to be externalized, but supply—either via the state or via market mechanisms—has failed to match demand. Unable to receive the extra-household support they need, women frequently choose to raise fewer children (Esping-Andersen 2002). This shift in reproductive habits carries its own risks for financing old age pension schemes and social security programs.

Family Instability. Divorce rates have risen steadily across much of the Western world during the previous thirty years. Given the legacies of post-war welfare policies, one or both partners often find themselves exposed to increased market risks following a divorce. Most social security systems inherently assume stable family marriages. As such, divorce often causes one or both partners to suffer significant entitlement losses. States frequently used the threat of such entitlement penalties as a means to endorse and promote particular types of social relations. In this case, particularly in Christian Democratic welfare states, the implicit social goal was the promotion of stable, long-term marriages. However, changes in value orientations and socialization patterns have caused many individuals to reassess the relative costs and benefits of divorce. Changing value orientations make divorce a more acceptable social practice, but we are still forced to deal with the attendant welfare costs of doing so.

Alternative Employment Biographies. Finally, the modern era is characterized by a profundity of employment 'biographies' (Schwander and Häusermann 2013) that differ from the full-time, continuous employment model supported by the traditional welfare state. Long-term unemployment, delayed labor market entry, premature labor market exit, high turnover, fluctuating salaries, and the rise of part-time employment are common features of modern labor markets. In

many cases, however, eligibility for pension coverage and the generosity of benefit packages is still inextricably linked to and premised upon an employment biography geared towards full-time, continuous employment from an early age with a steadily rising salary.

Protecting individuals from new social risks requires an array of policy instruments distinct from those used to address the traditional risks defining many societies in the immediate post-war era. A traditional concern with income replacement policies—in the form of pensions, disability payments, or unemployment benefits—competes with additional concerns about the promotion of human capital formation and the empowerment of various family types to balance the exigencies of employment with childbearing. Unfortunately, current approaches fail to explicitly model these heterogeneities of risk—both theoretically and empirically. Overall measures of government size, welfare effort, or similar indices of state intervention fail to differentiate between different types of risk. States with seemingly robust welfare capacities may be grossly misallocating those resources. The extent to which welfare resources are allocated between old and new social risks determines the extent to which particular welfare state constituencies are actually insured against relevant market risks. Greater resource misallocation suggests that more individuals go un- or under-insured, and this, in turn, should correspond to lower levels of subjective well-being.

However, this second pathway linking the allocation welfare resources and subjective well-being is clearly conditional on the quality of the administrative apparatus of the state. The implementation and enforcement of regulatory frameworks, the provision of public goods and services, and the resolution of disputes regarding the administration of benefits in a manner consistent with social policy legislation designed to privilege post-industrial forms of market risk all presume an impartial, non-partisan, and efficient system of public administration. Public

bureaucracies operate as an important transmission belt between legislative outputs and policy outcomes. However, policy opponents can more easily weaken this linkage when corruption and mismanagement plague public administration. Policy opponents can use a pliable civil service system to undermine the influence of regulators, raise legal challenges, weaken monitoring and enforcement mechanisms, and dilute sanctions for noncompliance in order to circumvent policies they find inconvenient or disagreeable. The literature on post-communist transitions, for example, is replete with examples of vested political and private interests capturing public institutions and exploiting them to achieve their own ends, frequently circumventing current policy statutes in the process (e.g., Hellman 1998; Holmes 2006; Vachudova 2009). Such relationships are not unique to the post-communist realm, either. A recent study of Western European democracies finds that satisfaction with democracy, frequently regarded as a proxy for how well democracy works in practice (Linde and Ekman 2003), is associated with the rule of law, smooth regulatory frameworks, and low levels of corruption (Wagner et al. 2009).

Such destructive behavior is not unique to policy opponents, either. Poorly-trained, unprofessional public bureaucrats can also subvert the letter of the law when administering public goods and services designed to help insulate individuals from market and social risks. Bureaucrats can wrongfully deny eligible benefit claimants due to poor administrative practices, poor operating procedures, and/or poor quality decision-making (Van Oorschot 2002). Errors in administrative judgment could stem from a lack of sufficient information or stereotyping clients on the basis of race, ethnicity, religion, etc. For instance, in an ethnographic study of a local social security office in Northern Ireland, Howe (1985) finds that administrators frequently treated claimants differently on the basis of their physical characteristics and social demeanors. Overall, administrators were less likely

to solicit sufficient biographical and financial information from claimants when claimants appeared slovenly and/or were perceived to be rude, aggressive, and intransigent. Profiling in this manner undermines the intentions of various forms of political intervention into the market designed to help particular constituencies of the welfare state. Otherwise eligible individuals, such as single mothers seeking tax relief or the recently unemployed in search of training services, could be wrongfully denied public assistance. In the aggregate, actions such as these overstate the effectiveness of social policy regimes that would otherwise appear quite accommodating of post-industrial forms of market risk.

Combing insights from these two moderating variables suggests that state intervention should have a strong positive effect on life satisfaction when social programs are oriented towards post-industrial market risks and when the quality of administrative institutions is high. In this scenario, individuals benefit from the efficient and fair administration of social policies designed to insure them against relevant market risks. This leads to the following hypothesis:

H1: State intervention will have a strong positive effect on life satisfaction when the quality of administrative institutions is high and when social policies insure individuals against post-industrial forms of market risk.

2.4 Research Design

The main hypothesis of this paper attempts to explore how the effect of state intervention on subjective well-being is moderated by two key variables: the quality of administrative institutions and the extent to which social policies cater to traditional vs. post-industrial forms of market risk. To help isolate the effects of these key theoretical variables, the empirical approach will center on replicating

and then extending the findings of a recent study by Flavin et al. (2011) on the relationship between state intervention and life satisfaction. In their original study, Flavin et al. find that greater state intervention, measured in a variety of ways, exerts a positive and significant effect on life satisfaction.

All individual-level data come from survey responses drawn from 15 advanced capitalist democracies in Wave 5 (2005-2008) of the World Values Survey (WVS).[4] The case selection in this study reflects key analytical interests, as well as practical considerations regarding the availability of data on important independent variables. First of all, the countries included in this study mirror those included in the original analysis conducted by Flavin et al. (2011). Restricting the analysis to an identical set of cases helps increase the validity of the causal inferences drawn from the empirical analysis. This quasi-experimental approach helps ensure that any observed effects can be attributed to our key theoretical variables of interest, as opposed to the inclusion of different countries in the analysis or some combination of the two. As part of the iterative and cumulative nature of social scientific research, future research could then take up the cause of extending the arguments here to new empirical domains. The second reason for such fidelity in the case selection stems from a pragmatic concession that data limitations simply prevent us from including additional countries in the analysis.[5]

The dependent variable, life satisfaction, is taken from a survey item asking respondents the following question: "All things considered, how satisfied are you with your life as a whole these days?" Responses are coded along a 1-10 scale, whereby greater values correspond with higher levels of perceived life satisfaction.

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[4]Countries analyzed from the WVS dataset include: Australia, Canada, Finland, France, Germany, Great Britain, Italy, Japan, the Netherlands, Norway, South Korea, Spain, Sweden, Switzerland, and the United States (WVS 2011).

[5]Data on two important macro-level variables, in particular—the year in which countries experience the onset of new social risks and social expenditures statistics—were not available for all of the other countries included in Wave 5 of the WVS.

The main independent variable, state intervention, is measured using total public expenditures on social policy as a percentage of GDP. Covered areas include: old age, survivors, incapacity, health, family, active labor market programs, unemployment, housing, and a residual category of other social expenditures and subsidies (OECD. 2011b; Svensson et al. 2012). Admittedly, Flavin et al. also measure the size of state intervention using three additional indicators—a country's tax revenue as a percentage of GDP, a government's consumption share of real GDP per capita, and a 'social wage' measure that captures the average gross unemployment benefit replacement rate across two earning levels, three family types, and three durations of unemployment. The use of multiple indicators in this fashion reflects their contention that "[a]s important as the welfare state is, it is hardly isomorphic to the wider questions of what they [previous scholars] call 'dependency' on the market" (Flavin et al. 2011, 256). This is a valid point, but limitations in the available data preclude easy empirical specification of the extent to which tax revenues or government consumption, for instance, reflect post-industrial forms of market risk—one of the key moderating variables examined in this study. Even so, this is no reason to throw the theoretical baby out with the bathwater. As long as we are aware of the potential limitations of defining state intervention solely on the basis of welfare state size, we can still produce useful insights about whether and how the relationship between welfare and well-being is moderated by important contextual factors.

The main moderating variables seek to capture how state intervention discriminates, or allocates resources, in favor of post-industrial forms of market risk and the quality of administrative institutions. Allocation is proxied by the New Social Risk Share (NSRS) measure, a spending variable designed to measure the extent to which public welfare expenditures cater towards the alleviation of new, post-industrial risks. Following the conventions of Tepe and Vanhuysse (2010),

this measure is defined as the ratio of spending on family benefits and active labor market policies (numerator) to the sum total of spending on family benefits, active labor market policies, unemployment benefits, survivors benefits, and incapacity benefits (denominator). Spending on family and active labor market policies are key new social risk programs, as they reflect new socioeconomic policy goals established across many advanced capitalist democracies. The European Union's Europe 2020 Agenda, for instance, stresses the importance of empowering European workforces through renewed investment in skills and human capital as a means of increasing productivity, competitiveness, and reducing levels of unemployment. Also key to the Agenda's flagship initiative for "New Skills and Jobs" is the reduction of labor market segregation by facilitating the reconciliation of work and family life. Additionally, some may notice that spending on public pensions, while common in many discussions of social policy, is conspicuously absent from the denominator. Pensions are deliberately omitted because old age is an inherent feature of the human condition, not something that we can easily classify as a 'new' or 'old' social risk. Higher NSRS values indicate that social policies cater more towards accommodating post-industrial forms of market risk.

Measures of administrative quality abound, but these indicators are plagued by many of the same substantive tradeoffs and practical considerations as the theoretical constructs they claim to reflect. One obvious candidate is a measure of administrative impartiality generated from the QoG Expert Survey (Teorell et al. 2011). The impartiality variable measures the extent to which government institutions exercise their power impartially, with the norm of impartiality, again, defined as: "When implementing laws and policies, government officials shall not take into consideration anything about the citizen/case that is not beforehand

stipulated in the policy or the law" (Rothstein and Teorell 2008, 170).[6] The principle advantage of this measure is that it most closely approximates the concept of administrative quality used in this study. However, the national averages computed from the QoG Expert Survey only refer to the period between 2008 and 2012, as the QoG Expert Survey was first introduced in 2008. Unfortunately, Wave 5 of the WVS only covers the years 2005-2008. Thus, any results obtained from the use of the impartiality variable should be interpreted cautiously, particularly since the onset of the financial crisis might be associated with quite marked shifts in the quality and performance of some public bureaucracies.

To partially offset the time-inconsistencies in the impartiality data, the analysis also considers another measure of administrative quality derived from the aggregate score of Transparency International's Corruption Perceptions Index (CPI)[7] as a robustness check. The CPI focuses on public sector corruption, defined as the abuse of public office for private gain. Values range between 0 and 10, whereby higher numbers indicate 'cleaner' public administrative and political practices. The score reflects perceptions of the degree of corruption in different societies by business people, risk analysts, and members of the general public. Unlike the impartiality variable, aggregate CPI scores do match the country-years

[6]The impartiality variable represents an index built on expert responses to the following five items asked on the QoG Expert Survey: 1) Firms that provide the most favorable kickbacks to senior officials are awarded public procurement contracts in favor of firms making the lowest bid; 2) When deciding how to implement policies in individual cases, public sector employees treat some groups in society unfairly; 3) When granting licenses to start up private firms, public sector employees favor applicants with which they have strong personal contacts; 4) How often would you say that public sector employees today act impartially when deciding how to implement a policy in an individual case?; and 5) Hypothetically, let's say that a typical public sector employee was given the task to distribute an amount equivalent to 1000 USD per capita to the needy poor in your country. According to your judgement, please state the percentage that would reach the needy poor. The index is constructed by weighting each item by a factor loading obtained from a principle components analysis and taking the sum of all five of the weighted items. Aggregation to the country level occurs by taking the mean value across all surveyed experts per country. Values in this analysis range between -0.18 and 1.33, whereby higher values indicate more impartial administrations.

[7]Data reported in Svensson et al. 2012.

covered in the WVS data. However, one major shortcoming of the CPI concerns its exclusive substantive focus on corruption. However, these substantive concerns do not translate into substantially different values when compared to scores from the impartiality index. The zero-order correlation between the CPI scores and the impartiality index in the data is a very reasonable 0.73. This strengthens our confidence in the suitability of the CPI data as a reasonable substitute for the impartiality data.[8]

Life satisfaction is also modeled as a function of important individual- and country-level controls that could influence respondents' assessments of how satisfied they are with their lives. At the individual level, the analysis controls for the respondent's income, education, health, gender, age, church attendance, interpersonal trust, and religion.[9] At the country-level, the analysis controls for each country's gross domestic product (GDP), national unemployment rate, and the

[8]A third alternative to measuring administrative quality comes from the World Bank Governance Indicators Dataset (Kaufmann et al. 2010). The dataset's aggregate indicator is commonly used in studies of the relationship between government quality and subjective well-being, but it includes data from subindicators on political stability, political accountability, and the rule of law—the combination of which is less directly relevant for our primary interest in gauging the impartiality of administrative institutions. Additionally, recent scholarship has also challenged the construct validity of this indicator (Langbein and Knack 2010; Thomas 2010). By contrast, the methodology of the CPI was generally well-received in a recent independent review by the European Commission's Joint Research Center. A copy of the report is available for download at: http://cpi.transparency.org/cpi2012/in_detail/

[9]Income is measured using a scale of incomes variable, ranging from 1-10, where 1 indicates the lowest income decile and a value of 10 indicates the highest income decile. Decile placement is based upon a respondent's self-reported income and the relevant income distribution for the country in which the respondent resides. Education is a continuous measure that ranges from 1 and 9, whereby higher scores indicate higher levels of educational attainment. A value of 1 indicates that the respondent has no formal education, while a value of 9 indicates that the respondent has a university degree. Health reflects a self-assessment of the respondent's health status, ranging from very poor (1) to very good (5). Respondent age and age-squared are both included in the analysis, reflecting the fact an individual's level of happiness typically follows a U-shaped function. Individuals are significantly happier at the beginnings and ends of their lives than they are at the middle. Dummy variables account for a respondent's gender, marital status, employment status, interpersonal trust, and religious domination. The trust variable comes from a survey item that asks the following question: "Generally speaking, would you say that most people can be trusted or that you need to be very careful in dealing with people?" The trust variable is coded 1 if the response was "most people can be trusted" and 0 otherwise. Religious dummies include variables for Protestants, Catholics, Muslims, Jews, Hindus, and Buddhists. All other confessional groups constitute the reference category.

"individualism" of each country's culture.[10] Additionally, we must confront the fact that measures of resource allocation will be partly endogenous to structural characteristics of domestic labor markets. Higher NSRS values, for example, do not constitute *a priori* evidence of a well-calibrated welfare state. Higher NSRS values may simply reflect high levels of female labor force participation and/or high fertility rates. A variable measuring the year in which each country experienced the onset of post-industrial risks (Bonoli 2007; Tepe and Vanhuysse 2010) is included to control for the prevalence of new social risks within domestic labor markets. Earlier post-industrial transitions imply greater functional pressures for reallocating welfare resources towards new social risks.[11]

Following Flavin et al. (2011), estimation proceeds by using a series of ordinary least squares regressions reporting country-clustered, Huber-White robust standard errors to account for between-country heteroskedasticity and within-country correlation. Although respondents answered questions about their perceived life satisfaction using a multi-step ordinal scale, the dependent variable is treated as continuous in the analysis. Ferrer-i Carbonell and Frijters (2004) find that assuming ordinality or cardinality makes no difference in the analysis of subjective well-being data, and treating the dependent variable as continuous follows a convention used by many in the literature, including Flavin et al. (2011).

However, one of the potential limitations of this research design concerns the

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[10]GDP data is measured in 1,000s of US dollars and are from the Penn World Tables (Heston et al. 2009). Unemployment rate data are taken from the OECD. (2011a). Individualism captures the orientation of society along the collectivist-individualist continuum highlighted by Diener et al. (1995). Values range between 1 and 10. Higher values indicate more individualistic societies. The data originally come from Triandis (1989) but are reported in Diener et al. (1995).

[11]This measure represents the average year in which each country in the dataset experienced the onset of three post-industrial, structural developments associated with the rise of new social risks: service employment as a percentage of total civilian employment, female employment rate, and the divorce rate. Sweden in 1970 constitutes the benchmark year (service employment = 54%; female employment rate = 58%; divorce rate = 30%). The new risk onset variable represents the average of the three years in which each country approached the Swedish 1970 levels of these indicators. See Bonoli (2007) for more details.

fact that the analysis covers a relatively small set of countries (N=15). Conventional OLS modeling techniques can generate estimates that are subject to a high degree of sample-to-sample variability. In other words, the estimates can be overly sensitive to the random error in any given dataset (Clark and Linzer 2013), as well as heterogeneity in the sample sizes between countries[12] (Snijders and Berkhof 2008). Moreover, the Nordic countries—renowned for having both high levels of happiness and high levels of governance quality—weigh quite heavily in the dataset and that this correlation could be rooted in other sources. While the inclusion of macro-economic and cultural controls in the analysis helps reduce the likelihood of confounding relationships between the main independent and dependent variables, the inferential concerns raised by the small number of countries included in the analysis remain.

To ensure the validity and reliability of the results, analyses were also conducted using a two-level, hierarchical random-effects model. This approach allows factors at the levels of country (Level 2) and individual (Level 1) to explain variation in individual life satisfaction. Instead of merely correcting for the clustered nature of the data, the random-effects specification estimates random intercepts for each of the countries included in the analysis. This estimation approach is more suitable for when our target of inference is more than just the sample of countries represented in the dataset, but actually includes a wider population of countries (Skrondal and Rabe-Hesketh 2004; Rabe-Hesketh and Skrondal 2008). In the case of this analysis, the estimated country intercepts are used to help generate valid inferences about the entire population of advanced, capitalist democracies about which we are concerned. For these reasons, a random-effects approach is a good robustness check of the findings generated from the pooled OLS regressions with country-clustered standard errors. All analyses were conducted using

[12]The number of observations for each country are presented in Table 2.9 in the Appendix.

Stata 12.1.

2.5 Results

Table 2.1 presents results on the relationship between state intervention, resource allocation, impartiality, and life satisfaction. The base model reproduces results from Flavin et al. (2011) on the relationship between social expenditures and life satisfaction. Greater state intervention exerts a significant and positive effect on the extent to which respondents feel satisfied about the lives that they lead. The average effect of state intervention on life satisfaction is even robust to the inclusion of controls for the share of resources allocated towards new social risks and impartiality in Model 2. Administrative quality exerts a strong, significant, and positive effect on life satisfaction, which resonates with the findings of other studies on the relationship between government quality and subjective well-being (Helliwell and Huang 2008; Holmberg et al. 2009; Layard 2006; Ott 2011; Whiteley et al. 2010). The effect of the NSRS variable is negative. This may seem counterintuitive, as it is argued that higher NSRS values imply that social policies are bettered suited to insulate individuals from post-industrial forms of market risk. However, a key part of the argument is that the effect of NSRS will be conditional on the quality of administrative institutions.

Models 3 and 4 explore the nature of these conditionalities by interacting NSRS, administrative quality, and social expenditures. Model 3 uses a conventional OLS estimation with country-clustered robust standard errors, while Model 4 employs a random-effects, multilevel model using maximum likelihood estimation to address concerns about the small number of countries included in the dataset. It was originally hypothesized that state intervention would exert a positive effect on life satisfaction when state intervention privileges post-industrial

Table 2.1: Full Models of Life Satisfaction (Impartiality)

	(1) Base	(2) Moderators added	(3) Interaction (FE)	(4) Interaction (RE)
NSRS*Impartial*Spending			2.074***	1.882**
			(0.536)	(0.798)
NSRS*Impartial			-25.103**	-29.070*
			(11.467)	(15.626)
NSRS*Spending			-0.908	-1.234*
			(0.587)	(0.651)
Impartial*Spending			-0.787***	-0.676**
			(0.206)	(0.316)
Impartiality		0.641***	12.336***	12.240**
		(0.177)	(3.756)	(5.998)
NSRS		-1.341*	-1.030	14.039
		(0.698)	(18.865)	(18.372)
NSR onset		0.009	0.034**	0.031**
		(0.015)	(0.014)	(0.012)
Social expenditures	0.035**	0.044**	0.429**	0.491**
	(0.016)	(0.015)	(0.151)	(0.194)
GDP	-0.000	-0.000	-0.000	-0.000
	(0.000)	(0.000)	(0.000)	(0.000)
Unemployment rate	-0.075	-0.040	0.018	0.014
	(0.044)	(0.048)	(0.033)	(0.048)
Individualism	0.094	0.072	0.152**	0.112**
	(0.061)	(0.054)	(0.063)	(0.051)
Income	0.073***	0.073***	0.072***	0.077***
	(0.014)	(0.014)	(0.014)	(0.007)
Education	-0.019	-0.018	-0.013	-0.007
	(0.012)	(0.011)	(0.012)	(0.009)
Health	0.711***	0.705***	0.703***	0.706***
	(0.032)	(0.031)	(0.030)	(0.021)
Female	0.056	0.044	0.046	0.052*
	(0.040)	(0.038)	(0.038)	(0.031)
Age	-0.041***	-0.041***	-0.041***	-0.040***
	(0.007)	(0.006)	(0.007)	(0.005)
Age sq.	0.000***	0.000***	0.000***	0.000***
	(0.000)	(0.000)	(0.000)	(0.000)
Married	0.404***	0.402***	0.404***	0.391***
	(0.043)	(0.045)	(0.045)	(0.036)
Unemployed	-0.414***	-0.401***	-0.378***	-0.370***
	(0.120)	(0.120)	(0.118)	(0.059)
Church attendance	0.035*	0.047**	0.053***	0.052***
	(0.017)	(0.018)	(0.014)	(0.009)
Trust	0.242***	0.205***	0.181***	0.191***
	(0.055)	(0.055)	(0.052)	(0.033)
Constant	3.927***	-13.627	-67.721**	-65.370***
	(0.472)	(30.170)	(26.939)	(24.405)
σ_u				-1.932***
				(0.220)
σ_e				0.440***
				(0.007)
N	10405	10405	10405	10405
R-squared	0.202	0.208	0.216	
Log-likelihood				-19356.802

Country-clustered robust standard errors in parentheses. Religious dummies omitted.

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

forms of market risk (i.e., a high NSRS value) and the quality of administrative institutions is high (i.e., a high score on the Impartiality Index). The interaction term is positive and significant, although a three-way interaction between three continuous variables does not lend itself to easy interpretation. To facilitate this, Table 2.2 presents and compares the marginal effect slopes of a one-unit increase in social expenditures on life satisfaction across four different combinations of the moderating variables—NSRS and impartiality. The high and low values of each of the moderating variables respectively correspond to a one standard deviation change above and below each variable's global mean. The four different conditions are presented in the first column of the table.

If H1 is correct, the marginal effect of a one-unit increase in social expenditures should exert a positive effect on life satisfaction when administrative quality and NSRS are high (Condition 1). This is indeed the case illustrated by the marginal effect slopes of each of the four conditions presented in the second (Model 3) and third (Model 4) columns. An increase in social expenditures exerts a significant and positive effect on life satisfaction when Condition 1 (high administrative quality; high NSRS) obtains. By contrast, increased spending exerts no significant effect on levels of life satisfaction in relatively impartial welfare states that still privilege more traditional forms of market risk (Condition 2) and relatively partial welfare states that privilege post-industrial (Condition 3) forms of market risk. Surprisingly, the marginal effect of social expenditures is also significantly positive in polities characterized by low administrative quality and outmoded forms of risk protection (Condition 4). This was not anticipated and suggests multiple conjunctural causalities (Ragin 1989) linking state intervention and subjective well-being. Even so, the effect size of Condition 1 is roughly twice as strong in magnitude as the effect size of Condition 4, and the fact that an increase in social expenditures is positively correlated with life satisfaction when both impartiality

and NSRS values are high confirms the main hypothesis of the paper.

Table 2.2: Marginal Effects Slope Comparison (Table 2.1)

Condition	M3 Slopes	M4 Slopes
1. High Quality, High NSRS	0.187***	0.142***
	(0.053)	(0.049)
2. High Quality, Low NSRS	-0.100	-0.053
	(0.062)	(0.086)
3. Low Quality, High NSRS	0.088	0.020
	(0.088)	(0.088)
4. Low Quality, Low NSRS	0.078***	0.077***
	(0.011)	(0.021)

Standard errors in parentheses.
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

To ensure that the observed relationships are not merely artifacts of the impartiality measure, the analysis is rerun using CPI scores as a new proxy for administrative quality. This allows us to partially correct for the fact that the impartiality data used in the first analysis applies to country-years not represented in Wave 5 of the WVS. Table 2.3 presents the results of the analysis. Model 5 adds our two key moderating variables—CPI and NSRS. As in Model 2, the effect of administrative quality is again positive and significant, although the effects of the NSRS measure and social expenditures are now insignificant. This last finding is important as it suggests that the relationship between social expenditure and life satisfaction may vary over different combinations of our key independent variables.

Models 6 and 7 explore how our moderating variables influence the relationships between social expenditures and life satisfaction. As before, Table 2.4 helps us interpret the significant and positive interaction terms between social expenditures, administrative quality, and NSRS presented in both models. From the second and third columns of Table 2.4, we again observe that an increase in social expenditures exerts a positive and significant effect on life satisfaction when both

Table 2.3: Full Models of Life Satisfaction (CPI)

	(5) Moderators added	(6) Interaction (FE)	(7) Interaction(RE)
NSRS*CPI*Spend		0.938***	0.898***
		(0.235)	(0.214)
NSRS*CPI		-20.951***	-20.077***
		(5.475)	(5.296)
NSRS*Spending		-7.164***	-6.891***
		(1.861)	(1.749)
CPI*Spending		-0.307***	-0.292***
		(0.071)	(0.063)
CPI	0.244***	7.134***	6.810***
	(0.068)	(1.616)	(1.540)
NSRS	-0.781	162.168***	155.902***
	(0.644)	(45.068)	(44.429)
Social expenditures	0.019	2.282***	2.188***
	(0.018)	(0.543)	(0.502)
NSR onset	0.006	0.031**	0.036***
	(0.015)	(0.012)	(0.010)
GDP	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)
Unemployment rate	-0.051	-0.014	-0.019
	(0.050)	(0.021)	(0.029)
Individualism	0.003	-0.064**	-0.049
	(0.048)	(0.028)	(0.033)
Income	0.071***	0.070***	0.075***
	(0.014)	(0.015)	(0.007)
Education	-0.013	-0.004	-0.005
	(0.011)	(0.012)	(0.009)
Health	0.709***	0.708***	0.707***
	(0.031)	(0.029)	(0.021)
Female	0.046	0.048	0.051*
	(0.039)	(0.037)	(0.031)
Age	-0.040***	-0.040***	-0.040***
	(0.007)	(0.006)	(0.005)
Age sq.	0.000***	0.000***	0.000***
	(0.000)	(0.000)	(0.000)
Married	0.400***	0.399***	0.392***
	(0.044)	(0.045)	(0.036)
Unemployed	-0.378***	-0.363***	-0.367***
	(0.123)	(0.116)	(0.059)
Church attendance	0.054***	0.050***	0.051***
	(0.015)	(0.013)	(0.009)
Trust	0.198***	0.208***	0.198***
	(0.051)	(0.053)	(0.033)
Constant	-8.770	-109.954***	-118.622***
	(30.313)	(35.200)	(29.629)
σ_u			-2.434***
			(0.287)
σ_e			0.440***
			(0.007)
N	10405	10405	10405
R-squared	0.210	0.219	
Log-likelihood			-19351.289

Country-clustered robust standard errors in parentheses. Religious dummies omitted.
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

administrative quality and NSRS are high. Under all other combinations of these two moderating variables, increased social expenditures exerts either significantly negative effects on life satisfaction (Conditions 2 and 3) or no effect at all (Condition 4). While the inclusion of a different measure of administrative quality changes the relationship between social expenditures and life satisfaction across Conditions 2-4, only Condition 1 is positive and significant across both analyses. This not only confirms the main hypothesis of the paper, but it also helps emphasize the more general point that the relationship between state intervention and life satisfaction is conditioned by other important contextual factors.

Table 2.4: Marginal Effects Slope Comparison (Table 2.3)

Condition	M6 Slopes	M7 Slopes
1. High Quality, High NSRS	0.104***	0.106***
	(0.036)	(0.031)
2. High Quality, Low NSRS	-0.147***	-0.129***
	(0.043)	(0.038)
3. Low Quality, High NSRS	-0.173***	-0.164***
	(0.058)	(0.059)
4. Low Quality, Low NSRS	-0.016	-0.016
	(0.016)	(0.016)

Standard errors in parentheses.
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Before proceeding, a final remark about model specification is in order. In their original study, Flavin et al. conducted a second analysis of the data in which control variables for national unemployment rate and unemployment status were omitted. This modified approach helps account for the fact that these control variables could potentially mask some of the negative consequences of social expenditures on life satisfaction. To the extent that unemployment undermines life satisfaction and to the extent that increased social expenditures could be partially a response to higher levels of unemployment, controlling for unemployment

could artificially inflate the positive effect of social expenditures on life satisfaction. The modified analysis also omitted the dummy variable for marital status, on the expectation that the incentives for marriage may be, themselves, partially endogenous to the generosity of the welfare state. To address these concerns, all models were respecified and reanalyzed after dropping variables for unemployment status, national unemployment rates, and marital status. Table 2.5 presents respecified versions of all the interaction models from Tables 2.1 and 2.3. Like Flavin et al., respecifying all of the models yields substantively similar findings. An analysis of marginal effects slopes in Table 2.6 still demonstrates that greater state intervention significantly increases life satisfaction when the quality of administrative institutions is high and when social policies privilege post-industrial market risks.

2.6 Discussion

This paper helps explain the cacophony of conclusions circulating in the literature about the relationship between state intervention into the market and subjective well-being. In a sense, everyone is right; state intervention is simultaneously a force for happiness and misery. However, instead of writing off these divergent results as a function of different methodological choices, this chapter identifies in administrative quality and resource allocation two important factors that significantly moderate the effect of state intervention on happiness. Greater intervention exerts a strong, positive effect on perceived levels of life satisfaction when the quality of administrative institutions is high and intervention focuses on insuring individuals against post-industrial forms of market risk. Under these conditions, individuals benefit from the impartial administration of social policies designed to protect them from relevant sources of market risk.

Table 2.5: Unemployment-Modified Models of Life Satisfaction

	(8) Impartiality (FE)	(9) Impartiality (RE)	(10) CPI (FE)	(11) CPI (RE)
NSRS*Impartial*Spending	1.643***	1.485**		
	(0.538)	(0.678)		
NSRS*CPI*Spend			0.852***	0.828***
			(0.263)	(0.224)
NSRS*Spending	-0.717	-1.101*	-6.410***	-6.256***
	(0.563)	(0.640)	(2.065)	(1.843)
NSRS*Impartial	-17.150	-22.384		
	(10.907)	(13.919)		
Impartial*Spending	-0.620**	-0.516*		
	(0.219)	(0.276)		
Impartiality	9.079**	9.292*		
	(3.881)	(5.182)		
NSRS*CPI			-18.571***	-18.078***
			(6.082)	(5.596)
CPI*Spending			-0.286***	-0.276***
			(0.080)	(0.066)
CPI			6.546***	6.350***
			(1.812)	(1.619)
NSRS	-4.097	12.805	141.456**	138.121***
	(18.673)	(19.178)	(49.488)	(47.048)
NSR onset	0.035**	0.033**	0.030**	0.036***
	(0.015)	(0.013)	(0.014)	(0.010)
Social expenditures	0.357**	0.433**	2.086***	2.029***
	(0.150)	(0.184)	(0.605)	(0.528)
GDP	-0.000	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)
Individualism	0.126*	0.085	-0.094***	-0.083***
	(0.066)	(0.055)	(0.028)	(0.031)
Income	0.100***	0.104***	0.097***	0.103***
	(0.012)	(0.007)	(0.014)	(0.007)
Education	-0.019	-0.012	-0.008	-0.010
	(0.013)	(0.009)	(0.012)	(0.009)
Health	0.724***	0.726***	0.728***	0.727***
	(0.032)	(0.021)	(0.030)	(0.021)
Female	0.032	0.040	0.034	0.039
	(0.039)	(0.031)	(0.039)	(0.031)
Age	-0.024***	-0.023***	-0.022***	-0.023***
	(0.006)	(0.005)	(0.006)	(0.005)
Age sq.	0.000***	0.000***	0.000***	0.000***
	(0.000)	(0.000)	(0.000)	(0.000)
Church attendance	0.061***	0.059***	0.058***	0.059***
	(0.014)	(0.009)	(0.012)	(0.009)
Trust	0.189***	0.200***	0.219***	0.208***
	(0.055)	(0.033)	(0.057)	(0.033)
Constant	-69.557**	-68.643***	-104.235**	-114.196***
	(29.028)	(25.972)	(40.313)	(31.265)
σ_u		-1.846***		-2.350***
		(0.214)		(0.276)
σ_e		0.450***		0.450***
		(0.007)		(0.007)
N	10475	10475	10475	10475
R-squared	0.202		0.207	
Log-likelihood		-19591.254		-19585.593

Country-clustered robust standard errors in parentheses. Religious dummies omitted.

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 2.6: Marginal Effects Slope Comparison (Table 2.5)

Condition	M8 Slopes	M9 Slopes	M10 Slopes	M11 Slopes
1. High Quality, High NSRS	0.172***	0.125**	0.089**	0.091***
	(0.057)	(0.050)	(0.040)	(0.033)
2. High Quality, Low NSRS	-0.056	-0.008	-0.155***	-0.142***
	(0.066)	(0.078)	(0.045)	(0.032)
3. Low Quality, High NSRS	0.090	0.014	-0.145**	-0.141**
	(0.088)	(0.093)	(0.063)	(0.062)
4. Low Quality, Low NSRS	0.081***	0.079***	-0.018	-0.013
	(0.011)	(0.022)	(0.015)	(0.012)

Standard errors in parentheses.

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

These findings have some important normative implications for policymakers, as well. Because this study promotes a more nuanced picture of the relationship between state intervention and subjective well-being, policymakers should rethink increasing state intervention into the market as a panacea for empowering individuals to feel more satisfied about the lives that they lead. In polities plagued by inefficiencies in the administration of public goods and services and/or anachronistic social protection regimes, funneling more resources into the welfare state could actually make matters worse.

This study finds robust support for one set of contextual factors that lead to a positive relationship between state intervention and subjective well-being, but other conditionalities may likely lead to similar outcomes. Indeed, one of the analyses suggested that greater intervention also promoted life satisfaction in the absence of both contextual factors (i.e., in poorly administered welfare states privileging outmoded forms of market risk). More theorizing and empirical analysis is needed to tease out these alternative pathways. To this end, future studies would also do well to extend the arguments here to new empirical domains. One of the potential limitations of this study is the small number of countries included in the analysis. While the use of multilevel modeling techniques increases our confidence in the results, methodological controls are no substitute for testing

these hypotheses against more data. Experimenting with different case selections and time periods will help increase the robustness of these findings or identify important scope conditions to the main arguments of this chapter. Analyses of longitudinal data would also allow us to predict how changes in levels of administrative quality and the allocation of welfare resources map onto the changes in subjective well-being individuals experience over time.[13] Finally, this study advances a relatively narrow interpretation of state intervention into the market by focusing exclusively on social expenditures. A variety of other measures—from tax revenues to government consumption statistics to regulatory measures also proxy how prevalent the state is in the economy. However, limitations in the available data preclude easy empirical specification of the extent to which these and similar indicators reflect post-industrial forms of market risk—one of the key moderating variables examined in this study. This paper makes no pretense of settling the debate as to whether greater state intervention into the market improves the extent to which individuals find their lives to be enjoyable, satisfying, and rewarding. In fact, it raises more questions than it answers. However, in doing so, the hope is that future research will continue to ask finer-grained questions about the relationship between state intervention and subjective well-being.

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[13]Admittedly, Veenhoven's study (2000) is longitudinal to the extent that it finds no relationship between the change in well-being and the change in the size of the welfare state between the years 1981 and 1990. However, the dependent variable only refers to the change in national-level averages of life satisfaction between two time points (1981 and 1990), and the analysis relies solely on zero-order and partial correlations that fail to control for important national-level factors. Most importantly, Veenhoven's analysis does not consider the quality of administrative institutions and the extent to which those expenditures privilege different forms of market risk.

2.7 Appendix

Table 2.7: Summary Statistics for Level 1 Variables

Variable	Mean	Std. Dev.	Min	Max	Observations
Income	4.935	2.47	1	10	10475
Education	4.966	2.227	1	8	10475
Health	3.983	0.803	2	5	10475
Female	0.54	0.498	0	1	10475
Age	49.211	17.096	15	98	10475
Age sq.	2713.919	1738.186	225	9604	10475
Married	0.656	0.475	0	1	10443
Unemployed	0.08	0.271	0	1	10436
Church attendance	3.64	1.958	1	7	10475
Trust	0.43	0.495	0	1	10475
Protestant	0.3	0.458	0	1	10475
Muslim	0.014	0.119	0	1	10475
Orthodox	0.011	0.104	0	1	10475
Hindu	0.002	0.046	0	1	10475
Buddhist	0.061	0.239	0	1	10475
Jewish	0.005	0.068	0	1	10475
Catholic	0.409	0.492	0	1	10475

Table 2.8: Summary Statistics for Level 2 Variables

Variable	Mean	Std. Dev.	Min	Max	Observations
NSRS	0.363	0.088	0.253	0.565	15
CPI	7.92	1.399	5	9.6	15
Impartiality	0.878	0.432	-0.181	1.328	15
NSR onset	1983.933	8.336	1970	1999	15
Social expenditures	21.113	5.850	6.9	29.4	15
GDP	26697.244	4538.286	18423.73	36098.148	15
Unemployment rate	6.513	2.191	3.7	11.1	15
Individualism	7.467	1.995	3	10	15

Table 2.9: Country Statistics

Country	Observations
Australia	750
Canada	1242
Finland	778
France	429
Germany	942
Italy	541
Japan	346
S. Korea	843
Netherlands	383
Norway	627
Spain	846
Sweden	680
Switzerland	831
United Kingdom	401
United States	836

Table 2.10: Religious Dummy Variables for Models in Table 2.1

	Model 1	Model 2	Model 3	Model 4
Protestant	-0.121	-0.061	-0.133	-0.020
	(0.134)	(0.112)	(0.091)	(0.061)
Muslim	-0.554**	-0.498**	-0.433**	-0.406***
	(0.199)	(0.194)	(0.181)	(0.138)
Orthodox	-0.108	-0.093	-0.153	-0.182
	(0.276)	(0.232)	(0.207)	(0.155)
Hindu	-0.646	-0.472	-0.491	-0.438
	(0.410)	(0.400)	(0.387)	(0.344)
Buddhist	-0.153	-0.186	0.033	-0.042
	(0.197)	(0.196)	(0.110)	(0.104)
Jewish	-0.398	-0.264	-0.231	-0.203
	(0.297)	(0.292)	(0.259)	(0.231)
Catholic	-0.191	-0.092	-0.147*	-0.122**
	(0.152)	(0.124)	(0.078)	(0.056)

Country-clustered robust standard errors in parentheses.

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 2.11: Religious Dummy Variables for Models in Table 2.3

	Model 5	Model 6	Model 7
Protestant	-0.029	-0.024	-0.005
	(0.083)	(0.056)	(0.059)
Muslim	-0.421**	-0.438**	-0.413***
	(0.189)	(0.180)	(0.138)
Orthodox	-0.050	-0.116	-0.160
	(0.225)	(0.181)	(0.154)
Hindu	-0.460	-0.499	-0.451
	(0.396)	(0.391)	(0.344)
Buddhist	-0.100	-0.183	-0.101
	(0.164)	(0.128)	(0.102)
Jewish	-0.221	-0.213	-0.201
	(0.286)	(0.261)	(0.231)
Catholic	-0.030	-0.117*	-0.115**
	(0.092)	(0.058)	(0.054)

Country-clustered robust standard errors in parentheses.
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 2.12: Religious Dummy Variables for Models in Table 2.5

	Model 8	Model 9	Model 10	Model 11
Protestant	-0.136	-0.009	-0.001	0.012
	(0.090)	(0.061)	(0.057)	(0.058)
Muslim	-0.445**	-0.414***	-0.437**	-0.416***
	(0.196)	(0.139)	(0.179)	(0.139)
Orthodox	-0.157	-0.194	-0.098	-0.162
	(0.220)	(0.156)	(0.194)	(0.155)
Hindu	-0.401	-0.342	-0.401	-0.351
	(0.373)	(0.339)	(0.376)	(0.339)
Buddhist	0.035	-0.040	-0.149	-0.080
	(0.131)	(0.103)	(0.133)	(0.102)
Jewish	-0.223	-0.187	-0.188	-0.181
	(0.286)	(0.233)	(0.278)	(0.233)
Catholic	-0.159	-0.128**	-0.116*	-0.118**
	(0.094)	(0.056)	(0.058)	(0.054)

Country-clustered robust standard errors in parentheses.
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Chapter 3

Conditionality 2: Intervention-As-Emancipation vs. Intervention-As-Empowerment

3.1 Introduction

The previous chapter identified two important omitted variables—the quality of administrative institutions and the allocation of welfare state resources towards different forms of market risk—that could help promote a clearer understanding of the conditions under which greater political intervention into the market contributes to subjective well-being. Specifically, this more nuanced theoretical approach contends that greater state intervention only contributes positively to perceived levels of life satisfaction when social policies favor post-industrial forms of market risk *and* when administrative institutions impartially follow the letter of the law.

One of the limitations of this approach, however, rests with its narrow emphasis on expenditure-based conceptualizations of state intervention. As many welfare state scholars note, a strict focus on the overall size of the welfare state generates a unique series of theoretical and inferential concerns.[1] Such concerns are also taken seriously among scholars exploring the relationship between state intervention and subjective well-being. As Flavin et al. (2011, 256) maintain, "[a]s important as the welfare state is, it is hardly isomorphic to the wider questions

[1]For a review, see Adema and Whiteford (2010) and Chapter 4 of this dissertation. Others, however, have defended the use of public expenditures in welfare state research. See Castles (2009) for an opposing view.

of...'dependency' on the the market."

With these sensitivities in mind, recent contributions to the field have consistently shown a positive relationship between empirical measures of Esping-Andersen's concept of 'decommodification' and subjective well-being (Flavin et al. 2011; Pacek and Radcliff 2008a,b; Radcliff 2001). Decommodification is argued to be a more comprehensive measure of state intervention into the market because it considers the *structure* of social policies alongside their overall level of generosity. The robust empirical relationship between decommodification and subjective well-being is an important finding, particularly given that the analysis of survey data on subjective well-being yields few signals and much noise, but enthusiasm over such an empirical find should not blind us to some of decommodification's own conceptual shortcomings.

Just as with earlier approaches that focused on expenditure-based conceptualizations of welfare, the concept of decommodification may also obscure more than it reveals about how state intervention affects how satisfied and content individuals feel about the lives that they lead. Decommodification concerns itself primarily with passive, income-based supports designed to 'emancipate' individuals from their dependence on the market. This is an important aspect of state intervention, but the concept entirely ignores how state intervention can also empower individuals to improve how they interact with the market through key investments in human capital formation. This alternative pathway—'intervention-as-empowerment'—is also argued to exert a positive influence on individual well-being, not by insulating citizens from the market, but by helping individuals thrive and prosper on the market through the promotion of human capital formation. Moreover, this second pathway is argued to exert a stronger positive influence than the 'intervention-as-emancipation' pathway associated with decommodification. Because of the decreasing marginal utility of income and our psychological

predisposition to adapt to changes in our material environment, passive income supports designed to emancipate individuals from their dependency on the market will exert a weaker, perhaps even fleeting, effect on the ability of individuals to find the lives that they lead to be satisfying and rewarding.

Data on public expenditures on and coverage rates for passive and active labor market policies proxy the fundamentally substantive and theoretical differences between intervention-as-emancipation (passive) and intervention-as-empowerment (active). Passive labor market policies generally provide recipients with various forms of income support. This includes payments designed to offset the loss of wages incurred during spells unemployment, to compensate individuals for having to work reduced hours, to facilitate early exit from the labor market, or to support individuals while they look for new sources of employment. Active labor market policies, by contrast, generally seek to increase the overall employability of target populations. Public outlays on active labor market policies cover training programs, job rotation and sharing schemes, employment incentives for job recruitment and job maintenance, supported employment and rehabilitation programs for individuals with reduced working capacity, incentives for job creation, and start-up incentives to promote entrepreneurship and self-employment.

All hypotheses are examined using fixed-effects estimation techniques applied to data taken from Waves 1-3 of the European Social Survey. Individual-level satisfaction is modeled as a function of individual- and country-level covariates. To anticipate the findings of the analysis, investments in active labor market policies do exert a positive effect on life satisfaction. Additionally, as hypothesized, the effect of active interventions into the market are more effective in promoting satisfaction than passive ones. Finally, the observed effects are found to be invariant across labor market status, which means that both labor market insiders and outsiders benefit from greater public investment in active labor market

policies. This is an interesting finding, as it suggests a potential conflict between what is ostensibly in the economic self-interest of labor market insiders (Rueda 2005, 2006) and the types of public policies that actually improve their sense of subjective well-being.

This chapter proceeds as follows. Section 3.2 critically reviews Esping-Andersen's concept of decommodification and the positive empirical association it has with subjective well-being in the literature. Section 3.3 makes a theoretical case for the relative superiority of active labor market policies in helping individuals lead lives that they find to be satisfying and rewarding. Section 3.4 discusses the empirical strategy used in the study. Section 3.5 presents the results of the analysis. Section 3.6 concludes.

3.2 Literature Review

The concept of decommodification lies at the heart of recent scholarship positing a positive relationship between political intervention into the market and perceived levels of subjective well-being. Pioneered by Esping-Andersen's work on welfare regimes, decommodification is a complex term capturing the extent to which an individual or family can uphold socially-acceptable standards of living independent of their dependence on the market. For Esping-Andersen (1990, 23), "[a] minimal definition [of decommodification] must entail that citizens can freely, and without loss of job, income, or general welfare, opt out of work when they themselves consider it necessary." It is therefore not only necessary that state intervention be sufficiently generous so as to ensure that individuals can maintain a decent livelihood if and when they decide to leave the labor market. Decommodification also implies that these public benefits are intended to cover

all citizens—irrespective of status—and that entitlement to those benefits is provided as a social right of citizenship—irrespective of prior contributions to the system. Decommodification, therefore, speaks directly to the *generosity*, *eligbility*, and *coverage* of state intervention into the market.

Attempts at quantifying a concept as complex as decommodification for the purposes of cross-national comparison have proven challenging and contentious.[2] However, the common operational definition of decommodification represents the ease of access to benefits, the expansiveness of coverage across different status groups, and the values of income replacement across three specific welfare programs: pensions, sickness, and unemployment. Esping-Andersen's original decommodification index has drawn a variety of theoretical and methodological criticisms[3], but methodological refinements and extensions conducted by Scruggs (2006) have increased both the portability and conceptual validity of Esping-Andersen's original decommodification index. Recent empirical inquiries into the relationship between decommodification and subjective well-being use this improved measure.

Decommodification is generally argued to increase subjective well-being through two main pathways—the first is sociological, the second economic. First of all, thinking about the concept of decommodification leads to the powerful observation that most individuals probably abhor the thought of being reduced to commodities that are bought and sold on domestic and international labor markets (Flavin et al. 2011). Excessive reliance upon the market as the principal mechanism through which individuals must make a life for themselves and for their dependents reinforces particular value-orientations that are widely regarded

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[2]Indeed, a recent special issue of the *Journal of European Public Policy* (Volume 20, Issue 9) is devoted entirely to this topic.

[3]See Bambra (2006), Scruggs (2006), and Chapter 4 of this dissertation for an overview of these criticisms.

to be inimical to individual subjective well-being. Internalizing the centrality of the market to daily life can cause individuals to view their entire self-worth as human beings almost exclusively in terms defined by the market. Despite the many positive features of capitalism, "the market becomes to the worker a prison within which it is imperative to behave as a commodity in order to survive" (Esping-Andersen 1990, 36). The loss of personal autonomy entailed by the sale of one's labor to an impersonal and autonomous market is argued to have negative consequences for well-being.

Moreover, markets are indifferent to an individual's personal relationships and to the *intrinsic* reward he or she derives from gainful employment. According to Lane (2000), these factors are externalities in modern labor markets. Material wages paid for services rendered cannot easily 'purchase' more time to be spent with loved ones and frequently fail to compensate individuals for the quality of their workplace environments. The unfortunate result is that individuals can become increasingly disembedded from precisely those meaningful social relationships and environments with the greatest positive influence on their own sense of life satisfaction. Decommodificaiton helps break this cycle of market dependency and can promote subjective well-being by empowering individuals to reclaim these important companionships.

Second, decommodification also improves subjective well-being by insulating individuals from a host of economic and market risks. To the extent that individuals must rely upon the sale of their own labor to maintain decent standards of living, those very livelihoods are threatened by a variety of economic forces beyond their immediate control. These forces generally refer to market vagaries in business cycles, patterns and intensities of international competition, trading relationships, and technological innovations, among other factors. These economic uncertainties, in turn, translate into higher levels of perceived psychological stress

(e.g., Brenner 1977)—something clearly inimical to subjective well-being. Therefore, the more a society emancipates its citizens from market dependence, the more it emancipates them from these market-generated anxieties and stresses.

Empirical evaluations of the relationship between decommodification and measures of subjective well-being generally confirm these logics. Greater decommodification scores correlate with higher levels of life satisfaction, both at the individual- (Flavin et al. 2009; Pacek and Radcliff 2008b; Radcliff 2001, 2013) and national-level (Pacek and Radcliff 2008a; Radcliff 2013) of analysis. The strong relationship between decommodification and life satisfaction could indeed go a long way in explaining why Scandinavian societies consistently rank among the most satisfied and happiest societies in the world. A 2010 Gallup report on global well-being finds that 4 of the 5 happiest countries in the world are from Scandinavia (Gallup. 2010).[4] Relatively high levels of decommodificaiton are a hallmark of 'Social Democratic' welfare states, the inhabitants of which Radcliff (2001) finds to be significantly more satisfied with life than individuals living in either 'Conservative' or 'Liberal' welfare regimes (Esping-Andersen 1990). In a study of the subjective well-being of the unemployed, Nordenmark et al. (2006) also find that unemployed individuals are significantly happier in social democratic welfare states.

However, high levels of decommodification are but one of the many features of the Social Democratic welfare state. Social Democratic welfare states also invest heavily in active labor market policies—a factor that is completely ignored by the concept of decommodification and marks a huge qualitative difference in the ways in which political interventions into the marketplace help individuals thrive. Decommodification focuses explicitly on the generosity, accessibility, and coverage of 'passive' welfare programs—insurances against disability, unemployment, and

[4] 5 happiest countries: 1. Denmark, 2. Finland, 3. Norway, 4. Sweden, 5. Netherlands.

old age/retirement—designed to emancipate individuals from their dependency on the market.

This obscures the fact that state intervention into the market is as much about passively protecting individuals from the worst effects of their dependency on the market as it is about empowering them to succeed in the market. After all, complete decommodification seems fundamentally incompatible with capitalist patterns of social and economic organization. For better or for worse, markets are an indispensable fact of daily life in post-industrial, capitalist economies. Three important questions emerge from this simple observation: 1) What features of the welfare state make citizens more capable of succeeding in their relationships with the market?; 2) How might these features influence how individuals subjectively experience life?; and 3) Do passive and active forms of market intervention exert equal influence on those subjective experiences? The next section explores these questions in greater detail.

3.3 Theory and Hypotheses

Political interventions into the market assume many different forms, but policy measures designed to empower individuals to succeed on domestic and international labor markets typically refer to active labor market policies (ALMP). ALMP help individuals find new and better jobs by improving their overall employabilty. Publicly-financed training schemes help target groups acquire marketable skills through a combination of on-the-job and/or institutional (school or college) experience. Job rotation or job sharing programs help at-risk individuals maintain ties to the labor market and help prevent the erosion of learned skills. Other active measures help support the continued employment of target

groups, help create additional job opportunities for at-risk populations, and promote entrepreneurship by incentivizing individuals to start their own businesses or become gainfully self-employed.

Greater investments in ALMP can help promote subjective well-being in two ways. First of all, by helping individuals maintain their ties to the workplace, ALMP help individuals satisfy important psychosocial needs for employment (Jahoda 1982; Nordenmark 1999; Nordenmark et al. 2006). Work helps routinize and structure daily living, promotes self-purpose and a sense of social identity, socializes individuals into extended professional and social networks, and contributes to a general sense of belonging.

Secondly, ALMP help individuals find better quality jobs. Job quality and desirability is a function of many factors—including compensation and benefits, time off, working schedules, workplace environments, as well as the duties and responsibilities of the job, itself. The relative importance of each of these factors will vary from individual to individual, but the important point is that ALMP help individuals increase their human capital so that they can find and secure positions that better match their preferences. ALMP have long been associated with empowering single mothers and young families to reconcile the dual demands of work and family (Rovny 2011) and helping workers transition out of careers threatened from international competitive pressures (Bonoli 2010). Most recently, greater investments in ALMP are also seen as a partial solution to the problem of high levels of youth unemployment among many European economies (Caliendo et al. 2011; Eichhorst et al. 2013). The European Union's Lisbon 2000 Agenda, for example, stresses renewed investment in skills and human capital formation among at-risk groups such as women and the long-term unemployed. The European Commission's 2008 "New Skills for New Jobs" initiative provides even more evidence of this 'active turn' in European employment strategies. Given

the centrality of work to daily living—both in terms of the amount of time spent at work as well as predominant social norms about the importance of being an active and productive member of society—it is not surprising that job satisfaction is so closely related to one's overall sense of life satisfaction (Sousa-Poza and Sousa-Poza 2000).

Greater public investment in ALMP should also increase the well-being of labor market insiders. ALMP can incentivize individuals to consider alternative jobs or careers that better suit their own preferences. In countries like the United States, individuals fear seeking out new and better jobs precisely because of the various costs likely to be incurred in transitioning from one career to another. Besides the obvious loss in wages, such costs can also include the loss of job-related benefits—particularly health insurance in the case of the US—and the expenses involved in preparing for a new career. If the *ex ante* costs of job transition are too high, individuals will remain in suboptimal employment. Job satisfaction, however, is an important component of overall satisfaction with life.

ALMP lower the *ex ante* costs of job transition by defraying—in whole or in part—retraining expenses and facilitating job placement. Under these conditions, individuals are more likely to risk the transition into careers they believe to be more desirable than the status quo. ALMP thus increase well-being by helping ensure that labor market insiders work in careers they want, not just those that they need to make ends meet.

Relatedly, greater public investment in ALMP should also increase the well-being of labor market insiders through a process of contagion. If an individual's sense of well-being is partially determined by his or her interactions with others (Fowler and Christakis 2008), he or she is more likely to be happier when his or her coworkers find their jobs to be rewarding. Insiders working in countries that invest more heavily in ALMP will thus benefit indirectly from their workplace

interactions with coworkers who are more likely to be satisfied with their own jobs. Taken as a whole, these arguments lead to the following hypothesis: Taken as a whole, these arguments lead to the following hypothesis:

H1: Greater public investment in ALMP will correspond with higher levels of life satisfaction.

However, the question remains as to whether passive and active measures contribute equally to satisfaction. A direct comparison of decommodification scores and ALMP may appear most sensible, but such a comparison is fraught with empirical and conceptual difficulties. Unlike ALMP—typically measured as a share of GDP—the concept of decommodification also seeks to represent the eligibility and coverage of different social policy programs. Data on the coverage rates and eligibility criteria for receiving ALMP benefits are not as readily available as in the case of decommodification, not to mention the inherent limitations of empirical measures of decommodification alluded to earlier. That said, a fairer comparison would involve an assessment of the relative effects of active and passive labor market policies on subjective well-being. Passive labor market policies (PLMP) generally provide recipients with various forms of income support. This includes payments designed to offset the loss of wages incurred during spells unemployment, to compensate individuals for having to work reduced hours, to facilitate early exit from the labor market, or to support individuals while they look for new sources of employment. Like decommodificaiton, the material support offered by PLMP can help 'emancipate' individuals from their dependency on the market. Nonetheless, several reasons suggest that active measures are likely to be more effective in promoting subjective well-being than passive ones. We consider each in turn.

First of all, it is well-documented that income exerts diminishing returns to subjective well-being (Andrews and Withey 1976; Campbell et al. 1976; Easterlin

2001, 2003; Michalos 1985). The marginal utility of a fixed amount of income is greater when income is scarce than when it is plentiful. While an unemployed individual receiving unemployment benefits at 75% of previous income will likely be more satisfied than if those benefits were paid at a lower rate of replacement (say, 70%), the difference in generosity may not make that much difference in satisfaction levels if that individual lives in a relatively wealthy and prosperous society. If that individual lives in a very poor society—where average earnings are barely above the level of subsistence and the state may lack the capacity or resources to provide many public goods and services—a difference of 5% may translate into fewer days in which that individual and his or her dependents go without food. In a developed society, by contrast, that same 5% change in benefits may translate into a slight increase in number of dinners to be enjoyed at one's favorite restaurant. Adjustments in benefit levels notwithstanding, even the unemployed and their dependents still enjoy a retinue of other social and economic rights—to education, to healthcare, to support in old age—that will not have to be paid for out of any passive labor market support they receive from the state.

In both scenarios, more generous income supports would likely help increase the satisfaction of benefit recipients. However, income supports are likely to be more useful in lesser developed societies. As the current project is concerned primarily with social policies within the mature welfare states of highly developed societies, marginal increases in the generosity of PLMP may not be particularly effective in improving how individuals anticipate or experience the loss of income associated with labor market exit.

This mirrors other scholarly and professional discussions about whether, and under what conditions, an emphasis on economic growth and prosperity should constitute the *sine qua non* of economic policy in advanced, capitalist societies.

Although widely disputed, research by Wilkinson and Pickett (2009) suggests that a policy shift away from growth towards equality is the best way to promote a wide array of positive social and health-related outcomes. Policy circles have also begun to reconsider the usefulness of traditional measures of economic development—such as GDP per capita—as the appropriate metric for measuring 'progress.' Former French President Nicholas Sarkozy, dissatisfied with the use of GDP per capita and other material measures of social progress, recently tasked a 25-person commission of prominent economists and other academics to search for better indicators of well-being (Commission on Growth and Development 2008). Not surprisingly, self-reported data on subjective well-being ranked high among the alternative measures of progress considered and endorsed by the commission. All of these debates reinforce the same underlying point—the marginal effect of income maximization is particularly low at high levels of economic development. To the extent that this is true, labor market policies rooted in providing passive income support to beneficiaries may be less efficient than active measures—at least among wealthy societies.

Secondly, literature from social psychology and behavioral economics suggests that individuals generally adapt to changes in their material standards of living. Adaptability theories maintain that individuals adjust their aspirations in life as their living standards increase (Easterlin 2001, 2003; Frank 1997). Simply put: the more we have, the more we want. But, to the extent that people evaluate their own sense of well-being as a function of the distance between their aspirations and attainments in life, an individual's overall sense of happiness will remain relatively constant, even as his or her living standards change. This process of hedonic adaptation lies at the heart of the so-called 'Easterlin Paradox' (Easterlin 1974, 1995). Although wealthier individuals tend to report higher levels of happiness *within* societies, Easterlin finds that the linkage between wealth and happiness vanishes

when comparing happiness levels *between* societies. Individuals living above societal 'consumption norms' will be happier than those living below such norms, but the definition of what constitutes a socially-acceptable standard of living rises as societies grow wealthier. As a result, Easterlin finds that many Western societies were no happier in the 1970s and 1980s than they were in the immediate post-war period, despite the fact that average incomes nearly trebled during the same period. Passive measures may help individuals more easily maintain socially-acceptable living standards, but any happiness gains from this process will be fleeting as adaptive processes generate new expectations that individuals will struggle to meet.

Although the soundness of Easterlin's conclusions are contested,[5] more recent contributions by Easterlin suggest that the rate and completeness of adaptation varies across different life domains (2001; 2003). Easterlin maintains that adaptation occurs much more quickly and thoroughly in material domains of life, such as the amount of money one makes, the size of one's house, the quality of one's car, etc. PLMP, with their predominate focus on providing income supports, may constitute one of those factors to which people easily adapt. Drawing on individual-level panel data from the General Social Survey, Easterlin finds that the quantity and quality of positional goods respondents considered important to 'living the good life' rose to the extent that respondents obtained more of those material goods. Psychological research also confirms the high adaptability of individuals to material situations. In a study of lottery winners, Brickman et al. (1978) finds that a massive windfall of income failed to exert any lasting influence on the happiness of lottery winners.

However, Easterlin finds that the rate and completeness of adaptability is

[5]For criticisms of the Easterlin Paradox, see Stevenson and Wolfers (2008) and Veenhoven and Hagerty (2006). See Easterlin (2005) for Easterlin's reply to Veenhoven and Hagerty.

lower when people consider the 'non-pecuniary' factors they believe are associated with living the good life. These factors include things like one's health, marital status, loss of a loved one, interpersonal relationships, other life experiences and—extremely important for our present purposes—job loss. Although Easterlin merely speculates about the lasting negative effects of being unemployed, evidence from other studies confirms Easterlin's basic intuition. In a study of people's hedonic responses to various life events, Clark et al. (2008) find unemployment constitutes one of the few life events to which respondents failed to adapt.[6] Unemployed individuals were significantly more miserable than they were before losing their job and remained so for as long as five years after becoming unemployed in the case of men and as long as three years in the case of women. These results obtained across many different types of welfare states, suggesting that the extent to which state intervention emancipates unemployed individuals from their dependency on the market did not alter how individuals experienced spells of unemployment.

This leads to the widely accepted argument that the greatest costs of labor market exit are largely non-pecuniary in nature (Frey 2010; Winkelmann and Winkelmann 1998). Successful state intervention may therefore be more about empowering individuals to maintain and improve the quality of the their ties to the labor market, as well as their position within it, than it is about insulating individuals from the market's worst effects through the provision of material goods and services. This leads to the following hypothesis:

H2: ALMP exert a stronger, positive effect on subjective well-being than PLMP.

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[6]Clark and Georgellis (2013) and Lucas (2007) also find suggestive evidence that individuals fail to completely adapt to job loss.

3.4 Research Design

The analysis relies upon the pooled European Social Survey (ESS), which provides survey data drawn from nationally-representative samples for most European countries over time (ESS 2010). The analysis considers all countries of the EU-25 plus Norway and Switzerland for which data are available over the first three waves of the ESS (2002-2006).[7] More recent waves were excluded from the analysis due to a lack of reliable data on the independent variables of interest, as well as the fact that the onset of the financial crisis in 2008 raises a series of inferential concerns. The main dependent variable, *Life Satisfaction*, captures the respondent's perceived level of overall life satisfaction. Specifically, respondents were asked to answer the following question on the ESS survey: "All things considered, how satisfied are you with your life as a whole nowadays? Please answer using this card, where 0 means extremely dissatisfied and 10 means extremely satisfied." Higher values correspond to higher levels of perceived life satisfaction. A value of 1 was added to each response, so that the scale of the life satisfaction variable used in this analysis ranges from 1-11.[8]

The main independent variables seek to emphasize two different theoretical facets of state intervention into the market. One variable, *PLMP*, represents the emancipating side of state intervention. Like the concept of decommodification, PLMP can be conceptualized as a form of material assistance provided to individuals to help reduce their dependency on the market to maintain a socially-acceptable standard of living. At the level of an empirical indicator, PLMP

[7]The following countries were completely excluded from the analysis due to incomplete and/or missing data on labor market policy expenditures: Cyprus, Greece, Latvia, Lithuania, Malta. For country-level statistics, such as the number of observations per country (in total and on a per wave basis), see Table 2.9 in the Appendix.

[8]Descriptive statistics for all variables used in this analysis are presented in Tables 2.7 and 2.8 in the Appendix.

measures total public spending (as a percentage of GDP) on income support payments to those who are out of work, as well as income supports to facilitate early exit from the labor market (OECD. 2013a).

The other variable, *ALMP*, represents the empowering side of state intervention. The emphasis is not on insulating individuals from their material dependence on the market, but is instead on investing in their human capital so they can succeed within the market. ALMP captures public spending on activation policies for the unemployed, measures to move people out of involuntary inactivity into employment, and policies designed to help maintain the jobs of those at high risk of unemployment. This covers spending on training programs, job rotation and sharing schemes, employment incentives for job recruitment and job maintenance, supported employment and rehabilitation programs for individuals with reduced working capacity, incentives for job creation, and start-up incentives to promote entrepreneurship and self-employment (OECD. 2013a).

The relationship between intervention-as-empowerment and life satisfaction has yet to be rigorously examined in the literature, and it is hypothesized that greater expenditures on ALMP will exert a positive effect on satisfaction. However, we are also interested in comparing the relative contributions investments in PLMP and ALMP make towards satisfaction. In relative terms, life satisfaction is predicted to be more sensitive to changes in ALMP spending than to equivalent changes in PLMP spending. We approach this second hypothesis in two different ways. One simply compares the coefficients of both terms when they are included in the same empirical model. The coefficient on the ALMP variable should be positive and of a greater magnitude than the PLMP coefficient. However, the results from this approach should be interpreted with caution due to the high degree of correlation between ALMP and PLMP ($\rho = 0.816$). To explore this relationship from a different angle, the third main independent variable used in

the analysis measures the share of total labor market policy expenditures[9] allocated towards *active* policies and programs. If ALMP exert a stronger, positive effect on satisfaction than PLMP, the relationship between the active share of LMP and satisfaction should also be positive. All data on these main independent variables are either obtained or calculated from the OECD Employment and Labour Market Statistics database OECD. (2013a).

The study also considers a second set of main independent variables that measure participation rates in different labor market policy programs. Using public expenditure data is a very common proxy for state intervention in the literature, but the size of public welfare and labor market policy budgets is but only one of the ways to measure the extent to which the state subordinates market forces to political control. Another proxy considers the percentage of the active labor force enrolled in active and passive labor market policy programs. Higher coverage rates imply greater state intermediation between citizens and the market. Using labor market program participation data from Eurostat. (2013), coverage rates are respectively calculated for ALMP and PLMP by dividing the number of program participants by the size of the active labor force.[10] A final indicator calculates the share of labor market program participants enrolled in active programs as a percentage of total enrollment in all labor market programs. As before, this alternative indicator helps us gain additional leverage on H2. If H2 is correct, greater active share coverage should positively influence satisfaction.[11]

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[9]This variable is calculated as the sum of ALMP and PLMP.

[10]Participation in active programs corresponds with an individual's enrollment in one or more of the following 6 categories: Training, Job rotation and job sharing, Employment incentives, Supported employment and rehabilitation; Direct job creation; and Start-up incentives. Passive program participation corresponds with the remaining 2 categories: Out-of-work income maintenance and support; and Early retirement. More details on the definitions for each of these policy categories can be found in Eurostat. (2012).

[11]Because higher program coverage rates may likely correspond with greater expenditures on labor market policy, some may question whether this second indicator actually captures something fundamentally different about the nature of state intervention. A casual inspection

The analysis also controls for important individual-level determinants of subjective well-being. Following conventions in the literature, life satisfaction is modeled as a function of the respondent's marital status, primary economic activity, income, gender, age, age-squared to account for the curvilinear relationship between age and life satisfaction, education, whether the respondent has any children living at home, and the frequency with which the respondent attends religious services.[12] The model also controls for two additional individual-level factors that, while less conventionally used in the literature, are very relevant for the present study. The first variable accounts for whether or not the respondent is a labor market 'outsider.' Labor market outsiders refer to those individuals who are currently unemployed and/or have tenuous ties to the labor market (Rueda 2005). Rueda (2005, 2006) argues that an individual's sensitivity to, and preferences for, labor market policies and programs will vary depending on his or her status as a labor market insider or outsider. Outsiders are more likely to support increased investments in ALMP and PLMP because they are more likely to directly benefit

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of the coefficients of correlation between these main independent variables suggests that this criticism is largely unwarranted. While the zero-order correlation between the passive policy measures is rather large (ρ=0.845) , the active policy measures are much more modestly correlated (ρ=0.423), and the active share measures are hardly correlated at all (ρ=-0.005). Therefore, we are fairly confident that the the hypotheses of this study are being examined against two empirically distinct definitions of state intervention.

[12]Marital status is coded 1 if the respondent is married, in a civil partnership, or is living as married and 0 otherwise. A series of dummy variables identify whether the respondent is disabled, retired, a student, or a homemaker. Each variable is coded 1 if the condition applies and 0 otherwise. For income, one survey question asks respondents to express their feelings regarding current levels of household income. Respondents who responded that they were 'living comfortably on present income' were considered as part of the 'Rich' group. Those who responded that it was 'difficult' or 'very difficult' on their present income were considered as part of the 'Poor' group. The reference category is the middling income group—those respondents who were 'coping' on present income. The ESS did not include a scale of incomes measure—the more conventional way of measuring respondent income—until the fourth round of the survey (2008), but data from the fourth round was not included in the analysis because of the onset of the financial crisis. Gender assumes a value of 1 if the respondent is male and 0 otherwise. Education is measured using a four-category response item ranging from less than lower secondary education through completion of post-secondary education. Children is coded 1 if the respondent reports at least one child living at home and 0 otherwise. Church attendance uses a seven-category response item that captures how frequently individuals attend religious services. Higher values correspond to more frequent attendance.

from those policies—both materially and in terms of human capital formation—than insiders. This level of specificity in one's labor market status is not available from standard survey items used in other cross-national surveys—such as the World Values Survey or the Eurobarometer—commonly used in political research on the determinants of subjective well-being. This makes the ESS an ideal choice for examining the hypotheses of this study. The second variable indicates whether the respondent's partner (if applicable) is unemployed. Regardless of the respondent's own labor market status, it is reasonable to assume that he or she will be more sensitive to changes in labor market policy when his or her partner is unemployed.[13]

To control for national-level factors, the analysis adopts a fixed-effects modeling technique. The inclusion of dummy variables for each country (with the exception of a reference category) accounts for the relatively fixed social, economic, and cultural characteristics of each country. The dummies fit separate intercepts for each country, which helps account for the large and sustainable differences likely to result from different cultural and economic contexts. This conventional and econometrically powerful estimation method is generally resistant to producing biased estimates and is simple to implement. The use of country dummies helps ensure that one of the more contentious assumptions of random-effects models—that the unit effects are uncorrelated with covariates in the model—is not violated. Indeed, Hausman tests of endogeneity conducted on all models used in the analysis returned significant test statistics, which suggests that random-effects specifications do violate this assumption. These statistics are

[13]Outsider is coded 1 if any of the follow conditions apply: 1) The respondent is currently unemployed; 2) The respondent reported being unemployed at any point in the last five years; or 3) The respondent is currently working on a limited, or fixed-term contract. Outsider is coded 0 if otherwise. Unemployed partner is coded 1 if the respondent's partner is currently unemployed and 0 otherwise.

reported in the results section.[14] Finally, because the number of macro-level units used in this analysis is so small (22 countries), the small number of degrees of freedom at the macro-level precludes the inclusion of enough national-level controls to sufficiently account for all potential sources of cross-national variance in satisfaction (Moehring 2012). This means, among other things, that a random-effects model is more likely to suffer from omitted variable biases at the country-level.

For all of these reasons, the analysis uses fixed-effects estimation techniques with Huber-White, country-clustered standard errors. This specification helps ensure that the estimates are robust to error terms that are neither identically distributed (i.e., between-country heteroskedasticity) nor independent (i.e., within-country correlation). Although the life satisfaction survey item from the ESS is an ordinal-level variable, estimation treats the dependent variable as continuous. Ferrer-i Carbonell and Frijters (2004) find that treating the dependent variable as ordinal or continuous makes no substantive difference in the analysis of data on subjective well-being, and the approach used here follows conventions in the literature. A series of period dummies are also included in the analysis to control for any secular trends in reported levels of life-satisfaction over time. Lane (2000), for instance, finds that the last quarter of the twentieth century has seen a secular decline in levels of happiness and satisfaction with life across most advanced, capitalist democracies.

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[14] In a recent paper, Clark and Linzer (2013) suggest that the correlation between regressors and unit effects may be less serious than previously thought. Through a series of Monte Carlo simulation experiments, Clark and Linzer show that this correlation is neither a necessary nor sufficient condition for ruling out the use of a random-effects design. Instead, the authors contend that the amount of between- vs. within-variability of theoretically-interesting variables, the number of units, and the average number of observations per unit condition whether the amount of correlation between unit effects and theoretically-relevant covariates poses a serious risk to the biases (if any) of random-effects estimates. Even on the basis of their more nuanced, optimistic analysis, however, the degree of correlation between the regressors and the unit effects is so high in the data (*rho* ranges between -0.61 and -0.69), that Clark and Linzer's recommendations also suggest the use of a fixed-effects design.

3.5 Results

Preliminary results are reported in Table 3.1.[15] Model 1 examines the effect of PLMP expenditure on life satisfaction. An increase in PLMP expenditure fails to exert a significant effect, suggesting that intervention-as-emancipation does not appear to improve the extent to which individuals evaluate the quality of their lives positively. By contrast, Model 2 introduces the ALMP variable, and its coefficient is significant and of the expected sign. Thus, empowering forms of state intervention into the market do correspond with higher levels of satisfaction, all else being equal. Well-being appears to increase as public investments in human capital formation and job placement also increase. The relationship is even robust to the inclusion of the PLMP variable in Model 3.

More importantly, the results from Model 3 also provide evidence that investments in ALMP and PLMP do not influence citizen satisfaction equally. While the effect of ALMP is positive and significant, the coefficient for the PLMP variable is negative and insignificant. And even if the effect of PLMP was significant and of the expected sign, the coefficients suggest that the magnitude of a one-unit increase in ALMP expenditures is approximately *three times* stronger in increasing satisfaction than an equivalent increase in PLMP expenditures. In other words, for every dollar increase in ALMP, states would have to allocate nearly three dollars towards PLMP to achieve an effect of a similar magnitude.

However, as noted before, the high colinearity between ALMP and PLMP suggests that the results obtained from Model 3 should be interpreted with caution.

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[15] All results presented in this chapter are also robust to the inclusion of variables designed to capture the respondent's self-rated health status and political self-identification. The health status variable ranges from very poor (1) to very good (5). The political self-identification indicator measures the extent to which the respondent self-identifies as politically 'left' vs. 'right.' The scale ranges between 0 and 10, where greater values indicate a stronger affiliation with the political right. A value of 1 was added to all scores, so the indicator used in the analysis ranges between 1 and 11. The results are substantively similar across these alternative model specifications.

To compare the relative effects of ALMP and PLMP from a different angle, Model 4 explores how the share of total labor market expenditures (LMP) devoted to active policies influences satisfaction. Higher values indicate more active forms of state intervention into the market. As expected, the coefficient is appropriately signed and is statistically-significant. As a whole, the analysis of the ESS data finds strong support for notion that active forms of state intervention do improve well-being (H1) and that intervention-as-empowerment (active) is more effective in promoting satisfaction than intervention-as-emancipation (passive) (H2).

As a robustness check on these findings, Table 3.2 reports results using coverage rates for participation in different labor market policy programs as an alternative measure of state intervention. The results are largely the same as before. Models 5-7 again illustrate that only an increase in ALMP coverage rates exerts a significantly positive effect on life satisfaction and that the positive effect of ALMP coverage is greater than an equivalent increase in PLMP coverage. However, the active share measure in Model 8 is appropriately signed, but the effect is just outside of acceptable boundaries of statistical significance (p=.17). As a whole, these analyses clearly confirm that intervention-as-empowerment, proxied by public investment in ALMP, improves life satisfaction (H1) and provides at least qualified support for the notion that changes in life satisfaction are more sensitive to intervention-as-empowerment as opposed to intervention-as-emancipation (H2).

In Tables 3.3 and 3.4, the analysis considers the possibility that the effects of the independent variables of interest on life satisfaction could be conditional upon an individual's labor market status. Despite the fact that there are strong theoretical reasons to expect that labor market insiders will also benefit from public investment in labor market policies—particularly active ones—labor market outsiders might be more sensitive to changes in labor market policy given their more tenuous connection to the labor market. Moreover, the arguments of Rueda (2005,

Table 3.1: Fixed-Effect Models of Life Satisfaction (Expenditures)

	(1) PLMP	(2) ALMP	(3) PLMP & ALMP	(4) Active Share
PLMP	-0.139		-0.207	
	(0.254)		(0.223)	
ALMP		0.531*	0.571*	
		(0.288)	(0.288)	
Active share of LMP				1.521**
				(0.623)
Outsider	-0.316***	-0.316***	-0.316***	-0.316***
	(0.046)	(0.046)	(0.046)	(0.046)
Disabled	-0.822***	-0.824***	-0.825***	-0.824***
	(0.091)	(0.091)	(0.091)	(0.090)
Retired	0.140***	0.141***	0.141***	0.140***
	(0.032)	(0.032)	(0.032)	(0.032)
Student	0.118	0.120	0.119	0.115
	(0.104)	(0.104)	(0.104)	(0.103)
Housework	0.137***	0.137***	0.137***	0.136***
	(0.033)	(0.033)	(0.033)	(0.033)
Married	0.179*	0.174*	0.174*	0.174*
	(0.097)	(0.098)	(0.097)	(0.097)
Rich	0.589***	0.588***	0.589***	0.589***
	(0.048)	(0.047)	(0.047)	(0.047)
Poor	-1.184***	-1.183***	-1.183***	-1.181***
	(0.098)	(0.096)	(0.096)	(0.096)
Male	-0.056**	-0.056**	-0.057**	-0.058**
	(0.022)	(0.022)	(0.022)	(0.022)
Age	-0.052***	-0.052***	-0.053***	-0.053***
	(0.009)	(0.009)	(0.009)	(0.009)
Age sq.	0.000***	0.000***	0.000***	0.000***
	(0.000)	(0.000)	(0.000)	(0.000)
Education	0.012	0.012	0.013	0.014
	(0.019)	(0.019)	(0.019)	(0.019)
Children	-0.017	-0.017	-0.017	-0.017
	(0.028)	(0.027)	(0.027)	(0.028)
Church attendance	0.050***	0.050***	0.050***	0.050***
	(0.007)	(0.007)	(0.007)	(0.007)
Partner unemployed	-0.318***	-0.317***	-0.316***	-0.312***
	(0.069)	(0.069)	(0.069)	(0.069)
Constant	9.410***	9.185***	9.214***	8.451***
	(0.224)	(0.178)	(0.191)	(0.321)
N	55590	55590	55590	55590
R-Squared	0.263	0.263	0.263	0.264
Endogeneity Test : χ^2 (d.f.)	1634.91 (17)	1712.84 (17)	3352.02 (18)	1081.50 (17)
Prob $> \chi^2$	0.000	0.000	0.000	0.000

Country-clustered robust standard errors in parentheses. Period and country dummies omitted.

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 3.2: Fixed-Effect Models of Life Satisfaction (Coverage)

	(5) PLMP	(6) ALMP	(7) PLMP & ALMP	(8) Active Share
PLMP coverage	2.315		1.438	
	(1.926)		(1.922)	
ALMP coverage		4.842**	4.630**	
		(1.905)	(1.938)	
Active share coverage				0.924
				(0.587)
Outsider	-0.301***	-0.318***	-0.318***	-0.307***
	(0.053)	(0.056)	(0.055)	(0.054)
Disabled	-0.834***	-0.842***	-0.842***	-0.839***
	(0.100)	(0.107)	(0.107)	(0.094)
Retired	0.146***	0.145***	0.145***	0.142***
	(0.037)	(0.040)	(0.040)	(0.037)
Student	0.146	0.118	0.119	0.133
	(0.114)	(0.120)	(0.119)	(0.114)
Housework	0.128***	0.130***	0.130***	0.132***
	(0.039)	(0.040)	(0.040)	(0.036)
Married	0.164	0.157	0.158	0.129
	(0.114)	(0.134)	(0.134)	(0.131)
Rich	0.609***	0.606***	0.606***	0.599***
	(0.053)	(0.054)	(0.054)	(0.049)
Poor	-1.158***	-1.148***	-1.148***	-1.140***
	(0.104)	(0.112)	(0.112)	(0.107)
Male	-0.045*	-0.032	-0.032	-0.035
	(0.026)	(0.025)	(0.025)	(0.024)
Age	-0.051***	-0.051***	-0.051***	-0.049***
	(0.009)	(0.009)	(0.009)	(0.009)
Age sq.	0.000***	0.000***	0.000***	0.000***
	(0.000)	(0.000)	(0.000)	(0.000)
Education	0.002	0.005	0.005	0.007
	(0.019)	(0.019)	(0.019)	(0.018)
Children	-0.009	-0.011	-0.011	-0.007
	(0.032)	(0.033)	(0.033)	(0.031)
Church attendance	0.052***	0.054***	0.054***	0.051***
	(0.008)	(0.008)	(0.008)	(0.008)
Partner unemployed	-0.312***	-0.315***	-0.315***	-0.317***
	(0.088)	(0.092)	(0.092)	(0.088)
Constant	9.307***	9.422***	9.373***	9.318***
	(0.232)	(0.220)	(0.223)	(0.228)
N	45604	42356	42356	45551
R-Squared	0.255	0.256	0.256	0.252
Endogeneity Test : χ^2 (d.f.)	7.6e+04 (17)	2.3e+04 (17)	5.9e+04 (18)	3559.31 (17)
Prob $> \chi^2$	0.000	0.000	0.000	0.000

Country-clustered robust standard errors in parentheses. Period and country dummies omitted.

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

2006) suggest that labor market insiders may actually grow *less* satisfied as both forms of market intervention increase. Greater investments in both forms of labor market policy may imply higher marginal tax rates on the earnings of insiders, while more robust ALMP regimes can lead to greater competition for insider jobs and/or generate downward wage pressures as the skills and qualifications of outsiders increase. Tables 3.3 and 3.4 thus present a series of cross-level interactions between our main independent variables and an individual's labor market status (i.e., outsider vs. insider).[16] With two exceptions, the interaction terms in all of these models are insignificant. This provides fairly strong evidence for the notion that the substantive effects of both forms of state intervention are invariant across labor market status. In other words, insiders and outsiders both benefit in similar ways from intervention-as-empowerment and intervention-as-emancipation.

Even in the case of the two significant interaction terms between ALMP expenditures and outsider status in Model 11 and between ALMP coverage and outsider status in Model 14, an analysis of the marginal effects in Tables 3.5 and 3.6 confirm that even the net effects for insiders are also positive. In other words, ALMP expenditures and ALMP coverage affect the satisfaction of everyone, insiders and outsiders alike, in positive ways.[17]

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[16]The marginal effects of all of these models are presented in Tables 3.5 and 3.6 in the Appendix.

[17]For ALMP expenditures in Model 11, the predicted positive effect on life satisfaction for labor market insiders is reduced by about 40% from the value for labor market outsiders; the decline in the benefit provided by greater ALMP coverage in Model 14 is about 31%. Again, these comparisons are between labor market insiders and outsiders. This means that even labor market insiders also benefit from anti-market policies that seemingly contradict their economic self-interests.

Table 3.3: Cross-Level Interaction Models of Life Satisfaction (Expenditures)

	(9) PLMP	(10) ALMP	(11) PLMP & ALMP	(12) Active Share
Outsider*PLMP	0.016		-0.140	
	(0.107)		(0.144)	
Outsider*ALMP		0.139	0.334**	
		(0.141)	(0.121)	
Outsider*Active share				0.006
				(0.004)
PLMP	-0.142		-0.179	
	(0.255)		(0.213)	
ALMP		0.506*	0.507*	
		(0.278)	(0.272)	
Active share of LMP				0.014**
				(0.006)
Outsider	-0.334***	-0.415***	-0.392***	-0.543***
	(0.091)	(0.073)	(0.080)	(0.190)
Disabled	-0.822***	-0.824***	-0.826***	-0.825***
	(0.091)	(0.091)	(0.091)	(0.091)
Retired	0.140***	0.140***	0.138***	0.139***
	(0.032)	(0.032)	(0.032)	(0.032)
Student	0.118	0.112	0.106	0.110
	(0.104)	(0.105)	(0.107)	(0.105)
Housework	0.137***	0.137***	0.137***	0.136***
	(0.033)	(0.033)	(0.033)	(0.033)
Married	0.179*	0.173*	0.172*	0.175*
	(0.097)	(0.098)	(0.097)	(0.096)
Rich	0.589***	0.591***	0.591***	0.589***
	(0.046)	(0.046)	(0.046)	(0.047)
Poor	-1.184***	-1.181***	-1.179***	-1.179***
	(0.098)	(0.097)	(0.095)	(0.095)
Male	-0.056**	-0.056**	-0.057**	-0.058**
	(0.022)	(0.022)	(0.022)	(0.022)
Age	-0.052***	-0.053***	-0.053***	-0.053***
	(0.009)	(0.009)	(0.010)	(0.010)
Age sq.	0.000***	0.000***	0.000***	0.000***
	(0.000)	(0.000)	(0.000)	(0.000)
Education	0.012	0.012	0.013	0.015
	(0.019)	(0.019)	(0.019)	(0.019)
Children	-0.017	-0.017	-0.017	-0.018
	(0.028)	(0.028)	(0.028)	(0.028)
Church attendance	0.050***	0.050***	0.050***	0.050***
	(0.007)	(0.007)	(0.007)	(0.007)
Partner unemployed	-0.318***	-0.316***	-0.313***	-0.310***
	(0.068)	(0.070)	(0.068)	(0.068)
Constant	9.413***	9.206***	9.240***	8.512***
	(0.227)	(0.182)	(0.198)	(0.304)
N	55590	55590	55590	55590
R-Squared	0.263	0.263	0.264	0.264

Country-clustered robust standard errors in parentheses. Period and country dummies omitted.
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 3.4: Cross-Level Interaction Models of Life Satisfaction (Coverage)

	(13) PLMP	(14) ALMP	(15) PLMP & ALMP	(16) Active Share
Outsider*PLMP coverage	0.962		-0.038	
	(1.579)		(1.930)	
Outsider*ALMP coverage		2.000*	2.018	
		(0.965)	(1.179)	
Outsider*Active share coverage				0.143
				(0.383)
PLMP coverage	2.175		1.450	
	(1.954)		(1.939)	
ALMP coverage		4.438**	4.221**	
		(1.843)	(1.892)	
Active share coverage				0.899
				(0.576)
Outsider	-0.369***	-0.404***	-0.402***	-0.359**
	(0.082)	(0.075)	(0.097)	(0.168)
Disabled	-0.833***	-0.842***	-0.842***	-0.839***
	(0.100)	(0.107)	(0.107)	(0.094)
Retired	0.146***	0.142***	0.143***	0.141***
	(0.038)	(0.039)	(0.039)	(0.037)
Student	0.144	0.122	0.123	0.134
	(0.113)	(0.120)	(0.119)	(0.113)
Housework	0.128***	0.130***	0.130***	0.132***
	(0.039)	(0.040)	(0.040)	(0.036)
Married	0.163	0.154	0.155	0.128
	(0.114)	(0.134)	(0.134)	(0.132)
Rich	0.610***	0.607***	0.607***	0.599***
	(0.051)	(0.053)	(0.052)	(0.049)
Poor	-1.158***	-1.148***	-1.148***	-1.140***
	(0.104)	(0.112)	(0.112)	(0.107)
Male	-0.044*	-0.031	-0.031	-0.035
	(0.025)	(0.025)	(0.025)	(0.024)
Age	-0.051***	-0.051***	-0.051***	-0.049***
	(0.009)	(0.009)	(0.009)	(0.009)
Age sq.	0.000***	0.000***	0.000***	0.000***
	(0.000)	(0.000)	(0.000)	(0.000)
Education	0.002	0.005	0.005	0.007
	(0.019)	(0.019)	(0.019)	(0.018)
Children	-0.009	-0.011	-0.010	-0.006
	(0.032)	(0.033)	(0.033)	(0.031)
Church attendance	0.052***	0.054***	0.054***	0.051***
	(0.008)	(0.008)	(0.008)	(0.008)
Partner unemployed	-0.312***	-0.314***	-0.314***	-0.318***
	(0.088)	(0.092)	(0.091)	(0.088)
Constant	9.319***	9.434***	9.385***	9.325***
	(0.236)	(0.220)	(0.229)	(0.223)
N	45604	42356	42356	45551
R-Squared	0.255	0.256	0.256	0.252

Country-clustered robust standard errors in parentheses. Period and country dummies omitted.

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

3.6 Discussion

The main theoretical and empirical contributions of this analysis are threefold. First, for as central as the concept of decommodification is to recent theoretical and empirical explorations of the relationship between socio-economic policy and well-being, decommodification is hardly isomorphic to the myriad ways state intervention into the market can influence how individuals subjectively experience the lives that they lead. As a first theoretical cut, this analysis differentiates between two main forms of market intervention. *Intervention-as-emancipation* comports with the basic logic of decommodification. Political intervention into the market is designed to help insulate individuals from the risks and vagaries of the market by making their ability to maintain socially-acceptable standards of living independent of the sale of their labor on the market. *Intervention-as-empowerment*, by contrast, helps individuals improve the very conditions of their dependency on the market by actively investing in human capital formation through training programs, vocational education, and job placement services. The analysis shows that intervention-as-empowerment, proxied by public expenditures on and participation in active labor market policies, exerts a positive influence on perceived levels of life satisfaction.

Second, there are strong theoretical reasons to expect that different forms of state intervention into the market may influence satisfaction with different intensities. For several reasons—the decreasing marginal utility of income, hedonic adaptation to material conditions, and the substantial non-pecuniary benefits associated with gainful employment—it was hypothesized that intervention-as-empowerment would exert a stronger, more positive influence on satisfaction than intervention-as-emancipation. This hypothesis was also largely confirmed by the results of the analysis. Future studies would do well expand upon the theoretical

framework outlined here and test its arguments across new empirical domains.

Finally, a series of cross-level interactions between labor market status suggests that both insiders and outsiders benefit from intervention-as-empowerment. Despite the fact that public investment in active labor market policies is argued to undermine the economic and professional self-interests of labor market insiders (Rueda 2005, 2006), this does not translate into a loss of satisfaction with life. This also has several interesting implications for future research. First, this lends new perspective to ongoing debates in social psychology about the relationship between the pursuit of economic self-interest and subjective well-being. What improves one may not necessarily improve the other. This raises important questions for political psychologists about whether and how individuals support policies that may paradoxically end up lowering the extent to which they find their lives to be satisfying, rewarding, and enjoyable. More generally, measures of subjective well-being represent a potentially useful tool with which political researchers can check the assumptions and preferences they assign to political actors in modeling political behavior (Frey 2010). Finally, this suggests that future research would do well to think more rigorously—both empirically and theoretically—about whether and how the effects of state intervention into the market may differ across different substrata of society. Many previous studies explore how the effects of state intervention vary across income status (e.g., Flavin et al. 2011; Pacek and Radcliff 2008b; Radcliff 2001, 2013), but there are multiple other social cleavages—gender, citizenship status, family status, etc.—that are also of substantive and theoretical interest.

Again, this chapter raises far more questions than it originally set out to answer. We view this, not as a shortcoming, but as a clarion call for other scholars to continue probing for interesting empirical puzzles and compelling theoretical

explanations about how political variables can influence the extent to which individuals find their lives to be satisfying, rewarding, and enjoyable.

3.7 Appendix

Table 3.5: Marginal Effects for Cross-Level Interaction Models in Table 3.3

Outsider Interactions (Expenditures)	dy/dx	Std. Error
Model 9: Outsider*PLMP		
Outsider=0	-0.142	0.255
Outsider=1	-0.126	0.265
Model 10: Outsider*ALMP		
Outsider=0	0.505*	0.278
Outsider=1	0.645*	0.346
Model 11: Outsider*PLMP, Outsider*ALMP		
PLMP, Outsider=0	-0.179	0.213
PLMP, Outsider=1	-0.320	0.271
ALMP, Outsider=0	0.507*	0.272
ALMP, Outsider=1	0.840**	0.336
Model 12: Outsider*Active share		
Outsider=0	1.402**	0.585
Outsider=1	1.967**	0.780

Standard errors in parentheses.
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 3.6: Marginal Effects for Cross-Level Interaction Models in Table 3.4

Outsider Interactions (Coverage)	dy/dx	Std. Error
Model 13: Outsider*PLMP		
Outsider=0	2.175	1.954
Outsider=1	3.137	2.264
Model 14: Outsider*ALMP		
Outsider=0	4.438**	1.842
Outsider=1	6.438***	2.154
Model 15: Outsider*PLMP, Outsider*ALMP		
PLMP, Outsider=0	1.450	1.939
PLMP, Outsider=1	1.412	2.482
ALMP, Outsider=0	4.221**	1.892
ALMP, Outsider=1	6.239**	2.205
Model 16: Outsider*Active share		
Outsider=0	0.899	0.576
Outsider=1	1.042	0.722

Standard errors in parentheses.
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 3.7: Summary Statistics for Individual-Level Variables

Variable	Category	Mean	Std. Dev.	Min	Max	Observations
Life satisfaction	Overall	8.25	2.13	1.00	11.00	55590
	Between		0.92	6.55	9.70	
	Within		1.93	-0.45	12.70	
Outsider	Overall	0.17	0.38	0.00	1.00	55590
	Between		0.06	0.09	0.32	
	Within		0.37	-0.15	1.08	
Disabled	Overall	0.02	0.15	0.00	1.00	55590
	Between		0.01	0.01	0.05	
	Within		0.14	-0.03	1.02	
Retired	Overall	0.23	0.42	0.00	1.00	55590
	Between		0.05	0.16	0.31	
	Within		0.42	-0.07	1.07	
Student	Overall	0.01	0.09	0.00	1.00	55590
	Between		0.01	0.00	0.02	
	Within		0.09	-0.01	1.01	
Housework	Overall	0.15	0.35	0.00	1.00	55590
	Between		0.08	0.02	0.27	
	Within		0.34	-0.12	1.12	
Married	Overall	0.99	0.08	0.00	1.00	55590
	Between		0.01	0.98	1.00	
	Within		0.08	0.00	1.02	
Rich	Overall	0.35	0.48	0.00	1.00	55590
	Between		0.21	0.05	0.72	
	Within		0.43	-0.37	1.30	
Poor	Overall	0.18	0.38	0.00	1.00	55590
	Between		0.14	0.03	0.47	
	Within		0.36	-0.30	1.14	
Male	Overall	0.49	0.50	0.00	1.00	55590
	Between		0.03	0.43	0.54	
	Within		0.50	-0.05	1.06	
Age	Overall	50.81	14.40	14.00	102.00	55590
	Between		1.71	46.61	53.47	
	Within		14.31	13.69	102.31	
Age sq.	Overall	2788.99	1525.01	196.00	10404.00	55590
	Between		174.57	2375.10	3061.00	
	Within		1516.11	109.69	10422.88	
Education	Overall	2.80	1.00	1.00	4.00	55590
	Between		0.39	1.64	3.26	
	Within		0.91	0.53	5.16	
Children	Overall	0.56	0.50	0.00	1.00	55590
	Between		0.09	0.46	0.76	
	Within		0.49	-0.20	1.10	
Church attendance	Overall	4.13	2.29	1.00	8.00	55590
	Between		0.90	2.76	6.23	
	Within		2.11	-1.10	9.37	
Unemployed partner	Overall	0.04	0.19	0.00	1.00	55590
	Between		0.02	0.01	0.09	
	Within		0.19	-0.05	1.02	

Table 3.8: Summary Statistics for Country-Wave-Level Variables

Variable	Category	Mean	Std. Dev.	Min	Max	Observations
ALMP	Overall	0.723	0.424	0.060	1.880	57
	Between		0.415	0.065	1.697	
	Within		0.090	0.533	0.916	
PLMP	Overall	1.108	0.716	0.080	2.660	57
	Between		0.701	0.125	2.300	
	Within		0.139	0.691	1.491	
Active share of LMP	Overall	0.415	0.103	0.159	0.703	57
	Between		0.880	0.268	0.620	
	Within		0.459	0.307	0.535	
ALMP coverage	Overall	0.042	0.028	0.002	0.148	43
	Between		0.028	0.002	0.110	
	Within		0.009	0.022	0.080	
PLMP coverage	Overall	0.070	0.043	0.013	0.194	47
	Between		0.041	0.022	0.189	
	Within		0.007	0.053	0.086	
Active share coverage	Overall	0.365	0.144	0.054	0.706	46
	Between		0.148	0.095	0.688	
	Within		0.039	0.285	0.466	

Table 3.9: Country Statistics

Country	Observations	Number of Waves	Avg. Observations per Wave
Austria	3213	3	1071
Belgium	2852	3	951
Czech Republic	2006	2	1003
Denmark	2426	3	809
Estonia	1504	2	752
Finland	2956	3	985
France	1020	1	1020
Germany	4583	3	1528
Hungary	2432	3	811
Ireland	3119	3	1040
Italy	800	1	800
Luxembourg	1574	2	787
Netherlands	3195	3	1065
Norway	2864	3	955
Poland	3098	3	1033
Portugal	3216	3	1072
Slovakia	1703	2	852
Slovenia	1563	2	782
Spain	2907	3	969
Sweden	2569	3	856
Switzerland	3062	3	1021
United Kingdom	2928	3	976

Table 3.10: Period and Country Fixed-Effects for Models in Table 3.1

	Model 1	Model 2	Model 3	Model 4
Wave 2 (2004)	0.040	0.036	0.060	0.046
	(0.061)	(0.047)	(0.059)	(0.046)
Wave 3 (2006)	0.074	0.124	0.104*	0.056
	(0.056)	(0.073)	(0.060)	(0.039)
Austria	0.445	0.141*	0.364*	0.741***
	(0.289)	(0.080)	(0.207)	(0.184)
Belgium	0.610	-0.058	0.345	0.773***
	(0.528)	(0.204)	(0.366)	(0.186)
Czech Republic	-0.144***	-0.065	-0.069	0.056
	(0.042)	(0.065)	(0.061)	(0.096)
Denmark	1.356**	0.353	0.724*	1.347***
	(0.523)	(0.388)	(0.359)	(0.114)
Estonia	-0.811***	-0.655***	-0.666***	-0.401**
	(0.047)	(0.078)	(0.069)	(0.162)
Finland	1.058**	0.527***	0.857***	1.265***
	(0.432)	(0.160)	(0.301)	(0.181)
France	-0.661**	-1.171***	-0.930***	-0.493***
	(0.314)	(0.201)	(0.227)	(0.134)
Germany	-0.025	-0.670***	-0.316	0.128
	(0.472)	(0.210)	(0.321)	(0.168)
Hungary	-1.189***	-1.222***	-1.193***	-1.029***
	(0.061)	(0.043)	(0.056)	(0.094)
Ireland	0.401**	0.129	0.242**	0.559***
	(0.158)	(0.098)	(0.098)	(0.100)
Italy	-0.567***	-0.767***	-0.701***	-0.434***
	(0.096)	(0.079)	(0.064)	(0.077)
Luxembourg	0.539***	0.490***	0.551***	0.821***
	(0.086)	(0.017)	(0.068)	(0.138)
Netherlands	0.507	-0.272	0.022	0.556***
	(0.412)	(0.298)	(0.280)	(0.112)
Norway	0.379***	0.164	0.208**	0.386***
	(0.075)	(0.097)	(0.076)	(0.026)
Poland	-0.587***	-0.686***	-0.528***	-0.159
	(0.199)	(0.041)	(0.178)	(0.227)
Portugal	-1.203***	-1.478***	-1.302***	-0.944***
	(0.231)	(0.081)	(0.164)	(0.169)
Slovakia	-0.919***	-0.917***	-0.888***	-0.700***
	(0.053)	(0.042)	(0.057)	(0.107)
Slovenia	-0.456***	-0.441***	-0.406***	-0.184
	(0.035)	(0.018)	(0.044)	(0.113)
Spain	0.283	-0.111	0.134	0.525***
	(0.318)	(0.115)	(0.220)	(0.173)
Sweden	0.681**	0.059	0.223	0.693***
	(0.248)	(0.260)	(0.203)	(0.064)
Switzerland	0.755***	0.497***	0.614***	0.929***
	(0.159)	(0.095)	(0.104)	(0.102)

Reference period: Wave 1 (2002); Reference country: United Kingdom
Country-clustered robust standard errors in parentheses.
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 3.11: Period and Country Fixed-Effects for Models in Table 3.2

	Model 5	Model 6	Model 7	Model 8
Wave 2 (2004)	-0.018	-0.020	-0.024	-0.008
	(0.027)	(0.040)	(0.038)	(0.039)
Wave 3 (2006)	0.062	0.009	0.021	0.001
	(0.054)	(0.038)	(0.047)	(0.041)
Austria	0.199**	0.105	0.058	0.038
	(0.070)	(0.066)	(0.066)	(0.139)
Belgium	-0.041	-0.094	-0.304	0.096
	(0.303)	(0.160)	(0.284)	(0.131)
Czech Republic	-0.135***	-0.193***	-0.186**	-0.326**
	(0.044)	(0.064)	(0.066)	(0.124)
Denmark	0.949***	0.806***	0.742***	0.772***
	(0.098)	(0.093)	(0.100)	(0.169)
Estonia	-0.758***	-0.804***	-0.791***	-0.836***
	(0.039)	(0.041)	(0.047)	(0.044)
Finland	0.614***	0.630***	0.508***	0.661***
	(0.173)	(0.071)	(0.152)	(0.085)
France	-0.975***	-1.092***	-1.177***	-1.089***
	(0.146)	(0.108)	(0.136)	(0.171)
Germany	-0.444***	-0.520***	-0.614***	-0.514***
	(0.139)	(0.094)	(0.128)	(0.132)
Hungary	-1.269***	-1.333***	-1.321***	-1.550***
	(0.049)	(0.079)	(0.083)	(0.204)
Ireland	0.190**	0.104	0.038	0.075
	(0.090)	(0.070)	(0.080)	(0.125)
Italy	-0.625***	-1.068***	-1.054***	-1.218***
	(0.031)	(0.171)	(0.172)	(0.356)
Luxembourg	0.491***	0.285***	0.297***	0.041
	(0.028)	(0.068)	(0.073)	(0.252)
Netherlands	.	.	.	-0.021
	.	.	.	(0.169)
Norway	0.326***	0.206***	0.201***	0.031
	(0.024)	(0.049)	(0.044)	(0.177)
Poland	-0.339***	-0.449***	-0.468***	-0.604***
	(0.065)	(0.077)	(0.073)	(0.197)
Portugal	-1.411***	-1.491***	-1.531***	-1.573***
	(0.082)	(0.076)	(0.079)	(0.136)
Slovakia	-0.930***	-1.183***	-1.172***	-1.453***
	(0.055)	(0.126)	(0.129)	(0.328)
Slovenia	-0.462***	-0.549***	-0.551***	-0.748***
	(0.033)	(0.040)	(0.039)	(0.187)
Spain	0.030	-0.453**	-0.475**	-0.425
	(0.061)	(0.210)	(0.197)	(0.314)
Sweden	0.440***	0.290***	0.237**	0.240
	(0.082)	(0.084)	(0.087)	(0.168)
Switzerland	.	.	.	.
	.	.	.	.

Reference period: Wave 1 (2002); Reference country: United Kingdom
Country-clustered robust standard errors in parentheses.
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 3.12: Period and Country Fixed-Effects for Models in Table 3.3

	Model 9	Model 10	Model 11	Model 12
Wave 2 (2004)	0.040	0.036	0.059	0.046
	(0.061)	(0.047)	(0.058)	(0.045)
Wave 3 (2006)	0.074	0.124	0.103*	0.056
	(0.056)	(0.072)	(0.059)	(0.039)
Austria	0.446	0.142*	0.360*	0.730***
	(0.289)	(0.079)	(0.203)	(0.176)
Belgium	0.611	-0.054	0.339	0.761***
	(0.529)	(0.202)	(0.359)	(0.179)
Czech Republic	-0.142***	-0.061	-0.069	0.048
	(0.039)	(0.065)	(0.057)	(0.090)
Denmark	1.357**	0.357	0.727*	1.341***
	(0.523)	(0.385)	(0.356)	(0.110)
Estonia	-0.810***	-0.652***	-0.666***	-0.409**
	(0.045)	(0.078)	(0.066)	(0.155)
Finland	1.058**	0.529***	0.856***	1.257***
	(0.433)	(0.158)	(0.296)	(0.174)
France	-0.661**	-1.168***	-0.929***	-0.500***
	(0.315)	(0.199)	(0.225)	(0.128)
Germany	-0.025	-0.668***	-0.317	0.120
	(0.472)	(0.209)	(0.316)	(0.160)
Hungary	-1.187***	-1.218***	-1.194***	-1.039***
	(0.058)	(0.041)	(0.050)	(0.087)
Ireland	0.401**	0.130	0.243**	0.554***
	(0.158)	(0.097)	(0.096)	(0.096)
Italy	-0.567***	-0.766***	-0.699***	-0.438***
	(0.096)	(0.078)	(0.064)	(0.075)
Luxembourg	0.538***	0.486***	0.547***	0.813***
	(0.085)	(0.016)	(0.066)	(0.133)
Netherlands	0.508	-0.266	0.028	0.550***
	(0.413)	(0.294)	(0.278)	(0.108)
Norway	0.379***	0.165	0.214***	0.390***
	(0.074)	(0.096)	(0.074)	(0.026)
Poland	-0.586***	-0.676***	-0.515***	-0.157
	(0.198)	(0.040)	(0.174)	(0.220)
Portugal	-1.203***	-1.477***	-1.304***	-0.952***
	(0.232)	(0.080)	(0.161)	(0.162)
Slovakia	-0.917***	-0.909***	-0.885***	-0.710***
	(0.049)	(0.040)	(0.051)	(0.099)
Slovenia	-0.456***	-0.438***	-0.406***	-0.190*
	(0.036)	(0.020)	(0.044)	(0.108)
Spain	0.283	-0.110	0.133	0.518***
	(0.318)	(0.115)	(0.216)	(0.165)
Sweden	0.681**	0.063	0.230	0.690***
	(0.249)	(0.257)	(0.200)	(0.062)
Switzerland	0.755***	0.498***	0.616***	0.924***
	(0.159)	(0.094)	(0.103)	(0.099)

Reference period: Wave 1 (2002); Reference country: United Kingdom
Country-clustered robust standard errors in parentheses.
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 3.13: Period and Country Fixed-Effects for Models in Table 3.4

	Model 13	Model 14	Model 15	Model 16
Wave 2 (2004)	-0.018	-0.019	-0.024	-0.008
	(0.027)	(0.040)	(0.038)	(0.039)
Wave 3 (2006)	0.062	0.009	0.021	0.000
	(0.054)	(0.038)	(0.046)	(0.041)
Austria	0.199**	0.108	0.060	0.039
	(0.070)	(0.065)	(0.066)	(0.138)
Belgium	-0.040	-0.084	-0.295	0.096
	(0.303)	(0.156)	(0.284)	(0.130)
Czech Republic	-0.132***	-0.187***	-0.179**	-0.324**
	(0.042)	(0.063)	(0.064)	(0.123)
Denmark	0.949***	0.810***	0.746***	0.773***
	(0.097)	(0.091)	(0.100)	(0.168)
Estonia	-0.756***	-0.801***	-0.787***	-0.835***
	(0.037)	(0.041)	(0.046)	(0.044)
Finland	0.613***	0.634***	0.512***	0.661***
	(0.173)	(0.069)	(0.151)	(0.084)
France	-0.976***	-1.086***	-1.172***	-1.089***
	(0.146)	(0.105)	(0.135)	(0.170)
Germany	-0.445***	-0.516***	-0.610***	-0.513***
	(0.139)	(0.092)	(0.127)	(0.132)
Hungary	-1.267***	-1.329***	-1.317***	-1.550***
	(0.048)	(0.078)	(0.081)	(0.203)
Ireland	0.189**	0.107	0.041	0.075
	(0.090)	(0.069)	(0.079)	(0.125)
Italy	-0.625***	-1.059***	-1.045***	-1.216***
	(0.031)	(0.168)	(0.168)	(0.354)
Luxembourg	0.489***	0.287***	0.299***	0.044
	(0.026)	(0.068)	(0.071)	(0.250)
Netherlands	.	.	.	-0.020
	.	.	.	(0.168)
Norway	0.325***	0.206***	0.201***	0.032
	(0.022)	(0.049)	(0.043)	(0.176)
Poland	-0.335***	-0.441***	-0.461***	-0.604***
	(0.064)	(0.075)	(0.069)	(0.196)
Portugal	-1.411***	-1.487***	-1.527***	-1.572***
	(0.081)	(0.075)	(0.078)	(0.135)
Slovakia	-0.924***	-1.179***	-1.168***	-1.457***
	(0.052)	(0.123)	(0.124)	(0.329)
Slovenia	-0.460***	-0.544***	-0.547***	-0.747***
	(0.034)	(0.039)	(0.037)	(0.186)
Spain	0.030	-0.452**	-0.474**	-0.426
	(0.061)	(0.206)	(0.192)	(0.314)
Sweden	0.440***	0.294***	0.241**	0.240
	(0.081)	(0.082)	(0.086)	(0.168)
Switzerland	.	.	.	.
	.	.	.	.

Reference period: Wave 1 (2002); Reference country: United Kingdom
Country-clustered robust standard errors in parentheses.
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Chapter 4

Conditionality 3: *Ex Ante* vs. *Ex Post* Intervention

4.1 Introduction

The previous chapter identified an alternative pathway of intervention through which the state can promote subjective well-being. Markets, for better or for worse, are an indispensable aspect of modern societies. Instead of merely 'emancipating' individuals from them, the state also plays a vital role in empowering individuals to succeed within them. Greater expenditure on and participation in active labor market policies exerts a significantly positive effect on life satisfaction. By contrast, the previous analysis found little support for the notion that greater emancipation—proxied by public investment in and consumption of passive labor market policies—similarly improves well-being. This is a particularly surprising finding, given that so many other empirical measures of market emancipation, especially the decommodification index, are found to exert a positive effect on life satisfaction.

These divergent findings may stem from important conceptual oversights regarding potential differences in the *ex ante* vs. *ex post* effects of state intervention on subjective well-being. In the previous chapter, passive labor market policies more decidedly represent an *ex post* form of market emancipation. Individuals do not usually qualify for this form of public assistance until *after* their relationship to the market is already altered in a significant way. Passive benefits only accrue

to those individuals who have already lost their jobs, suffered a career-altering injury, endured the loss of a breadwinner upon whom they depended, or were forced to prematurely exit the labor market. In other words, this form of market 'emancipation' is only experienced *after* a change in one's relationship to the market. By contrast, measures of social entitlement rights such as the decommodification index specify the boundaries of social protection *ex ante* by indicating how much support a typical individual should *expect* to receive from the state in the event of job loss, retirement, sickness, etc. This second form of emancipation insures individuals against a host of social and market risks, and it is commonly argued—in the literature and in the previous chapters of this dissertation—that more generous insurance promotes well-being by offering individuals the promise of public support when they encounter market and social uncertainties first-hand. Nonetheless, these are fundamentally *ex ante* arguments about the relationship between intervention and well-being. Until now, few studies have attempted to see if the basic logic of the intervention hypothesis still works *ex post*, as individuals actually grow more or less dependent on the sale of their labor to the market in order to maintain socially-acceptable living standards. For reasons to be discussed below, such a logic may not apply at all. The transfer of dependencies from the market to the state may cause various social pathologies, subject individuals to a different—yet equally injurious—set of risks and uncertainties, and undermine the autonomy of individuals as economic agents in ways that market-earned income seldom does.

This delay in examining the *ex post* effects of state intervention stems, in large part, from limitations in the conventional analytical approach used in the literature. Empirical analyses typically evaluate the relationship between intervention and well-being by regressing micro-level outcomes on macro-level measures of

intervention. This is problematic because these aggregate measures of state intervention mask the extent to which dependency on the market inherently varies across and within individuals. In order to explicitly model the *ex post* effects of intervention on subjective well-being, we require data at the level of a macro-micro intermediary—one where intervention is experienced at the individual level. Moreover, traditional analyses use only cross-sectional survey data (static and in time series), so there is no way for us to examine how changes in an individual's dependency on the market map onto changes in his or her level of life satisfaction over time.

The current study reevaluates this hypothesis in a novel way by using insights drawn from analyses of panel data on life satisfaction from four different national surveys: the German Socioeconomic Panel (GSOEP), the British Household Panel Survey (BHPS), the Household, Income and Labour Dynamics in Australia survey (HILDA), and the Swiss Household Panel (SHP) for various years between 1992 and 2007. To anticipate the findings of the analysis, *ex post* intervention exerts a fundamentally different, less beneficent, effect on life satisfaction. Greater *ex post* intervention—proxied by the extent to which a respondent's income comes from public/state sources—fails to exert a positive effect on life satisfaction across all four national surveys. In fact, there is some evidence that the relationship between this specific form of state intervention and life satisfaction is actually negative, particularly in the case of data analyzed from the BHPS.

This chapter proceeds as follows. Section 4.2 briefly reviews the various ways the literature has evolved in its exploration of the intervention hypothesis. Section 4.3 illustrates how conventional approaches fail to give us sufficient leverage on the *ex post* effects of state intervention on subjective well-being, discusses how analyses using high-quality income data taken from panel surveys can provide such leverage, and ends by considering some theoretical arguments as to how and

why the *ex post* effect of state intervention may actually prove inimical to greater well-being. Section 4.4 discusses the empirical strategy used in the analysis. Section 4.5 presents the results, and Section 4.6 concludes.

4.2 Literature Review

The conventional case for market emancipation begins with the observation that competitive markets, despite their many commendable and positive attributes, can generate profound economic insecurities and undermine personal autonomy. Speaking in a tradition that extends as far back as the writings of Marx and Polanyi (1944), Esping-Andersen (1990, 36) famously observes that "the market becomes to the worker a prison within which it is imperative to behave as a commodity in order to survive." In advanced capitalist economies, the livelihoods for a majority of individuals depend principally on the sale of this labor power as a commodity on domestic and international labor markets. The problem, according to this view, is that these labor markets are characterized by profound uncertainty in a manner that is ultimately indifferent to the fate of individuals. To the extent that individuals must sell their labor under conditions of uncertainty, they live at the mercy of factors beyond their immediate control, such as technological change, capital flows, shifts in credit and currency markets, fluctuating business cycles, differential rates of growth, and other market vagaries. In short, market insecurities constitute a profound source of chronic psychological stress, and—unsurprisingly—stress is clearly inimical to well-being (Brenner 1977). State intervention thus promotes well-being by limiting the extent to which individuals must depend on the market to provide for the things they consider necessary for maintaining a satisfactory quality of life. By stressing a program of market 'emancipation,' societies shield individuals from many of the stresses

and anxieties associated with the market. Well-being should therefore rise as ideological and policy commitments to emancipation increases.

Empirically, conventional approaches use cross-sectional data (static and time-series)—exploring the relationship between macro-level measures of state intervention and individual-level measures of subjective well-being—to evaluate the intervention hypothesis. Veenhoven (2000) represents one of the earliest empirical investigations of the state intervention hypothesis. Veenhoven explores the relationship between social expenditures (as a percentage of GDP) and different indicators of subjective well-being presented in the form of national-level averages for each country in the dataset. Social expenditures are frequently used to proxy a society's level of commitment to a program of market emancipation. *Ceterius paribus*, it is reasonable to assume that greater emancipation will consume a larger share of a state's economic resources. Veenhoven fails to find any relationship between either the level of or change in social expenditures and the corresponding level of or change in subjective well-being in countries between 1981 and 1990.

Since Veenhoven's study, empirical analyses of the relationship between intervention and well-being have progressed in one of two different ways. First, scholars have expanded the conceptualization and operationalization of state intervention. As Flavin et al. (2011) maintain, "As important as the welfare state is, it is hardly isomorphic to the wider questions of what they [i.e., scholars] call 'dependency' on the market" (259). Some scholars continue using data on public expenditures, but rightly argue that the state impacts the lives of individuals in many different ways outside the realm of social welfare policy. These studies explicitly model the total size of the state by using indicators on tax revenues and/or government consumption expenditures as a proportion of GDP. The results are mixed. Flavin et al. (2011) find that tax revenues and government consumption both exert a positive effect on life satisfaction, but other studies report negative

(Bjornskov et al. 2007), quadratic (Hessami 2010), and no significant (Ram 2009) relationships between these variables.

Other scholars proxy state intervention by examining the partisan composition of government. Radcliff (2001) contends that left parties are one of the strongest advocates of institutionalizing a program of market emancipation. Left party influence is positively associated with overall levels of welfare spending (Hicks and Misra 1993), the boundaries of social citizenship (Korpi 1989), and the establishment of a social democratic welfare state regime—where the principle of market independence is perhaps most firmly entrenched (Esping-Andersen 1990). It therefore stands to reason that the strength of left parties should exert a positive effect on well-being. Indeed, Radcliff (2001) finds that 'left dominance'—defined as the difference between left and right seat share in the national legislature—is positively associated with measures of life satisfaction taken form the World Values Survey. Pacek and Radcliff (2008a) reach similar conclusions when using the left dominance measure in a time-series cross sectional analysis of national-level averages of life satisfaction computed from the Eurobarometer and the World Values Survey.

A third major approach adopts a 'rights-based' perspective where composite indicators capture the strength of social entitlements provided to citizens of different states. The most popular measure used in the literature is Esping-Andersen's concept of 'decommodification,' popularized and operationalized for the purposes of time-series analysis by Scruggs' Comparative Welfare Entitlements Datset (2004). Decommodification is formally defined as the"degree to which individuals or families can uphold a socially acceptable standard of living independent of market participation" (Esping-Andersen 1990, 37). This conceptualization of intervention perhaps most closely reflects the theoretical argument

at the core of the intervention hypothesis: the state enhances well-being by emancipating individuals from their dependence on the market and its accompanying retinue of risks and uncertainties. As such, this third way of defining political control of the market marks an important moment in the empirical assessment of the intervention hypothesis. At the level of an empirical indicator, decommodification represents the ease of access to benefits, the expansiveness of coverage across different status groups, and values of income replacement across three specific welfare programs: pensions, sickness, and unemployment compensation. The 'benefit generosity index,' also pioneered by Scruggs, modifies Esping-Andersen's original scoring system for individual programs in a way that Scruggs' argues more accurately captures how citizens actually experience decommodification (2006). A third measure of entitlement rights is commonly referred to as the 'social wage.' This measure is similar to both the decommodification and benefit generosity indices, except that the social wage measure focuses exclusively on unemployment entitlements. The social wage constitutes the average gross income replacement rate across two earnings levels, three family situations, and three durations of unemployment (OECD. 2013b). Empirical explorations of the relationship between decommodification scores, the benefit generosity index, and/or social wage measures and well-being generally confirm the intervention hypothesis (Flavin et al. 2011; Pacek and Radcliff 2008b,a; Radcliff 2001, 2013).

The second major advancement in the empirical evaluation of the intervention hypothesis has been a turn towards the analysis of individual-level data on subjective well-being. While Veenhoven originally examined national-level averages of well-being, the joint consideration of individual- and national-level factors—where the dependent variable is at the individual-level of analysis—have become *de rigueur* in the literature. National-level averages of well-being obscure important information about the distribution of well-being outcomes across different

substrata of society, ignore important individual-level sources of well-being variance, and drastically reduce the number of observations analysts can incorporate into their analyses. More fundamentally, happiness and satisfaction are ultimately experienced at the individual-level; it is not readily apparent what anthropomorphizing these personal states of being to the national-level achieves.

4.3 Measuring and Theorizing about Ex Post Intervention

Despite these collective advances in exploring the effects of state intervention on well-being, the original hypothesis fails to consider that emancipation from the market can be defined in two different ways. Emancipation as a social right specifies *ex ante* how much support an individual can expect to receive from the state as a right of his or her social citizenship. This is essentially a form of public insurance designed to protect individuals from the material and social consequences of various life events. These events can both be involuntary or voluntary. Involuntary events would include such things as sickness, widowhood, ageing and perhaps unemployment, while voluntary events could include such moments as the birth of a child, marriage, divorce, and decisions regarding one's education. In either instance, the primary concern rests with the content and generosity of what support the state must provide in the event that an individual were to experience any number of these life events. *Ex ante* intervention focuses on how levels of well-being relate to the height, breadth and depth of the social safety nets waiting to catch citizens before they fall into various life events. To continue the analogy, proponents of intervention maintain that more robust state influence in the market improves well-being by limiting how far individuals will fall when confronted with these important life events. Stable and secure expectations about the future reduces stress, which helps promote well-being.

The *ex post* function of intervention, by contrast, is strictly compensatory. This refers to the degree of support individuals actually receive from the state—a quantity that changes with respect to changes in labor market status, marital status, age, etc. This function deals directly with how much individuals depend on material resources from the state vs. those earned through the sale of their labor on the market. If we again follow the logic of intervention's proponents, the market will always be less preferable because it undermines individual autonomy and places individuals at the mercy of economic forces beyond their immediate control. If this is true, then greater *ex post* independence from the market should also correspond with higher levels of subjective well-being.

Foundational texts and articles in the literature do not clearly differentiate between these two logics of intervention. In Radcliff's seminal article in the *American Political Science Review*, the main argument is that "there is ample reason to believe that citizenship-rights will tend to produce greater average satisfaction than market distribution" Radcliff (2001, 941). However, in this and the discussion that follows, Radcliff does not specify whether it is the *possession* or the *exercise* (or both) of those rights that will produce greater well-being than the market. Radcliff continues that "the principal political determinant of subjective well-being is the extent to which a program of 'emancipation' from the market is institutionalized within a state" Radcliff (2001, 941). Again, it is not readily apparent whether Radcliff speaks to the insurance or compensation function of market emancipation. Writing more than a decade later in a monograph of immense empirical scope, Radcliff's main conclusion—that "the surest way to maximize the degree to which people positively evaluate the quality of their lives is to create generous, universalistic, and truly decommodifying welfare states" (2013, 177)—again escapes placement as a definitively *ex ante* or *ex post* statement.

The literature's failure to consider the potential tradeoffs between the *ex post* and *ex ante* effect of intervention roots in two sources. The first is methodological. Commonly used indicators of state intervention are measured at the national level, and thus cannot provide us with accurate information about the balance between market and non-market forces individuals experience in their daily lives. This necessarily precludes us from gaining leverage on the *ex post* effects of state intervention. The other reason is theoretical. Previous scholarship may have simply assumed that the insurance and compensation functions of emancipation influence well-being in similar ways. Why, after all, should we expect that the *promise* of generous support of the state would elicit a different response than the *receipt* of generous support from the state? We consider both sets of factors in greater detail.

Each of the conventional ways of measuring state intervention in the literature precludes us from identifying the extent to which individuals actually depend on the market in their daily lives. This is very problematic, however, if our primary concern is with exploring the *ex post* effects of market emancipation on well-being. Effort, or expenditure-based, measures suffer from several shortcomings. First, measures of welfare effort are highly sensitive to a variety of 'demand-side factors' (Kangas and Palme 2007)—such as macro-economic performance, demographic change, or political competition—that may have absolutely nothing to do with the extent to which social welfare institutions actually emancipate individuals from their dependency on the market. Does greater welfare effort reflect an important shift in the social rights of citizens and thus a fundamentally-positive change in the relationship citizens have vis-à-vis the market? Or is it simply an *ex post* response to higher rates of unemployment, an increase in the number of retirees claiming pensions, or political largess in anticipation of an upcoming election? The first instance would be associated with an increase in *ex ante*

emancipation, while the second instance may or may not suggest greater *ex post* emancipation. Unfortunately, there is no way to tell the difference between the two. More importantly, aggregate indicators of welfare effort say nothing about whether an individual is actually covered by one or more of the programs such expenditures pay for, nor does it provide any information about the generosity of those programs.

Measures of partisanship fare even worse. First, the causal connection between political incumbency and policy outputs is much more difficult to establish than previous studies suggest. A host of institutional factors—from patterns of policy decentralization, to variance in subnational partisanship, to the strength of other horizontally- and vertially- arranged veto players in social policy—may serve to either attenuate or strengthen the power of the left at the national level to pass and implement generous welfare policies. Second, the simple dichotomy between left-as-intervention and right-as-market is a convenient fiction that masks a much more complicated relationship between partisanship and social policy preferences. Parties on the right can also support the expansion of social citizenship, just as parties on the left do not always support policies that improve the terms in which particular social constituencies interact with markets. Häusermann's study of pension reform, for instance, illustrates that—at the very least—political support from center-right parties is frequently a necessary component of many of the cross-class coalitions at the heart of any significant reform to social policy entitlements (2010). Insights from the varieties of capitalism literature also help explain why typical constituencies of the right—such as business interests—press right parties to promote welfare in the first place (Hall and Soskice 2001). At the same time, Rueda's work on insider-outsider politics shows that the left frequently neglects the social and economic interests of certain elements of its own traditional working-class constituency (Rueda 2005, 2006). Moreover, individual

levels of subjective well-being vary as a function of the congruence between and individual's partisan affiliation and the partisan composition of incumbent governments. Di Tella and MacCulloch (2005) find that individuals are happier when the party they support is in power. Therefore, the effect of left party strength will vary as a function of an individual's own political preferences. But most fundamentally, partisan control of government again tells us very little about the extent to which individuals actually depend on the market vs. the state in their day-to-day lives.

Measures of social citizenship rights, such as the 'decommodification index,' the 'benefit generosity index,' or the 'social wage,' are also imperfect measures of *ex post* state intervention into the market. One serious limitation of these entitlement measures is that the indicators are constructed using very specific models of working individuals that are unlikely to match the lived experiences of many individuals, particularly since the rise of 'new' social risks (Bonoli 2005; Taylor-Gooby 2004a). Decommodification and benefit generosity index calculations assume either a single worker with no dependent children or a married breadwinner with a dependent spouse and two dependent children. These assumptions fail to recognize growing heterogeneity in family structures in recent decades. Rising divorce rates, dual-earner couples, single parenthood, cohabitation, and declining birth rates are new family realities conspicuously unaccounted for by these measures of social entitlements. These indices of social citizenship rights also make questionable assumptions about the individual employment biographies that go into the calculation of benefits. The decommodification and benefit generosity indices assume individuals work full-time and have a continuous history of employment. For instance, when calculating benefits for unemployment and sickness, Scruggs'

model worker is a 40 year-old individual with a 20 year work history and constant tenure with the same employer. Social wage measures assume a 40 year-old individual with continuous contributions to unemployment insurance funds since age 18 (Howell and Rehm 2009). Calculations made off of these templates will be grossly inaccurate for many individuals in modern labor markets increasingly defined by patterns of temporary and part-time work, delayed entry into the workforce due to more time spent in formal education, and frequent gaps in employment. Relatedly, unemployment benefit replacement rates are only calculated for durations of unemployment that extend up to 26 weeks (approximately 6 months), but this ignores the fact that long-term unemployment is an increasingly grim reality facing many of those without jobs, particularly in countries with 'social market economies' (Pontusson 2005). Replacement rate estimation for longer durations of unemployment is possible, but only after assuming that replacement rates do not decline with duration; this assumption is likely problematic in a significant number of cases (Danforth and Stephens 2013).

A second major limitation of these indicators relates to the substantive policy areas that they cover. The transfer programs covered by the decommodification and generosity indexes—old age pensions, sick pay, and unemployment insurance—reflect inherently 'old' forms of market risk. Each one of these policy areas reflect traditional concerns about industrial workers experiencing temporary or permanent interruptions in work. The data fail to cover social entitlements relating to work-family reconciliation (e.g., parental leave, maternity leave, paternity leave, care leave, etc.) and important social services (e.g., early childhood education and care, education, healthcare, etc.) that also exert significant influence over the extent to which individuals depend on market mechanisms to provide for themselves and their dependents.

A final complaint against these measures of state intervention relates to the

calculation of replacement rates. Replacement rates are typically calculated as a percentage of the average wage of a production worker. This is a very restrictive assumption because the generosity of entitlements, like sick pay and unemployment insurance, commonly vary by one's level of income. Different calculations based on multiple income levels would provide a more accurate picture of how much assistance different individuals can reasonably expect to receive from the state. Moreover, replacement rates are highly sensitive to changes in the real wage. Replacement rates will rise, even in the absence of a change to the institutional entitlement status quo, when wages fall, thus giving the false impression that the social rights of citizens have grown more generous. For instance, since the onset of the financial crisis in 2008, the replacement rate for unemployment insurance for a single earner with no dependents in Greece has 'risen' by 4.5% through 2011.[1] This is not because the Greek government somehow miraculously managed to increase the generosity of unemployment insurance while undergoing a harsh program of fiscal austerity, but because real wages fell faster than the rate at which the Greek government slashed unemployement entitlements. Finally, social wage measures also have their own issues. The social wage only reports *gross* replacement rates (Howell and Rehm 2009). Given the high degree of cross-national variability in taxation policies, the rate of replacement net of taxes will likely vary substantially between countries.

As this review illustrates, there is a clear need for better and more accurate measures of state intervention into the market at the individual level. These indicators may be adequate for evaluating the *ex ante* or indirect effects of state intervention on subjective well-being, but they are less suitable for analyzing the *ex post* effects of market independence. This is because that independence varies

[1]Calculations made using Lyle Scruggs' Comparative Welfare Entitlements Dataset 2. Dataset accessed on 30 September 2013 from: http://cwed2.org/

both within and between individuals due to differences in labor market status, marital status, stage in the life cycle, occupation, etc. Revisiting the intervention hypothesis using high-quality panel data offers the principal advantage of providing us with a direct measure of the extent to which individuals are actually emancipated from their dependency on the market. With detailed records about the sources of respondents' income, we can calculate how much income an individual receives from state vs. market sources.[2] If the original intervention hypothesis still applies to the *ex post* side of state intervention into the market, a respondent's sense of well-being should rise as he or she becomes less dependent on market sources of income. This leads to the following hypothesis:

H1: Subjective-well being rises as an individual's emancipation from the market increases.

Or, alternatively:

H1a: Subjective-well being falls as an individual's dependency on the market increases.

However, there are important reasons to doubt that the *ex post* effect of intervention will be equally as beneficent for well-being. First, we reconsider a line of reasoning—perhaps more rhetorical than social scientific—frequently invoked by the political Right linking dependency on the state with a variety of social pathologies. Principal among these is the so-called 'perversity thesis' (Hirschman 1991), which states that interventions designed to insulate individuals from some

[2]Equally as important, the use of panel data drawn from national surveys allows us to evaluate the effect of *ex post* intervention while simultaneously controlling for the *ex ante* effects and other indirect pathways linking state intervention to well-being. Over the past decade of research, the literature collectively identifies at least four other analytically distinct mechanisms through which greater political control of the market promotes well-being (Radcliff 2013). A more robust welfare state improves the quality of life by reducing poverty and unmet basic human needs, limiting the various social pathologies (especially crime) associated with poverty, increasing levels of social capital, and by improving the quality of democracy. By limiting the analysis to samples drawn from individual states, variation in poverty, social capital, and democratic quality are easily accounted for.

of the market's worst effects actually end up creating 'perverse incentives' for individuals to engage in self-destructive and immoral behavior. The welfare state discourages personal responsibility, which imposes tremendous costs on individuals, their families, and society as a whole (Murray 1984). For instance, welfare programs undermine the institution of marriage by encouraging the poor to remain single (and thus preserve their eligibility for certain entitlements) and the profligacy of single-mother 'welfare queens' to extract more generous welfare payments from producing ever more children. Income support payments, intended to help individuals get back on their feet during hard times, only end up eroding self-reliance and the ethic of work. The end result is what Murray (1984) envisages as a 'culture of dependency,' where individuals are perpetually trapped in a morally-corrosive environment of government hand-outs and public largess. While the empirical veracity of these claims is widely debated,[3] the underlying logic of this argument strongly suggests that individuals will grow more miserable the more they come to depend on the state.

Second, dependency on the state carries its own set of risks and uncertainties. Although highly durable, social policy regimes are still mutable constructs. Exogenous shocks can precipitate fundamental changes to social welfare programs many individuals may depend upon to maintain an acceptable standard of living. Unexpected fiscal shocks can seriously undermine the ability of the state to maintain its social commitments to its citizens, just as changes in political leadership can precipitate drastic changes to the social contract between citizen and state. The more individuals depend on the state, the greater their vulnerabilities to patterns of welfare state reform. To see this process first-hand, one need look no further then the recent economic and political climate across much of Europe. Fiscal austerity and entitlement reform in Greece, Portugal, and other troubled

[3]See Blank (1997) for a discussion.

Eurozone economies fall disproportionately on those who depend most crucially on the state. Public sector jobs, salaries, and pensions, development projects, and other sources of social spending are being cut while user fees for various public and municipal services, taxes, and retirement ages are all on the rise.

Welfare state uncertainties need not always emerge from punctuated institutional equilibria, either. Indeed, given the high profile of social policies, reforms to the welfare state are more likely to occur through subtle processes of institutional displacement, layering, drift, and/or conversion (Mahoney and Thelen 2009). Using the United States as a case study, work by Hacker (Hacker 2004, 2005) illustrates how opponents of the welfare state have slowly eroded the effectiveness of important social programs like Medicare by denying it funding and undermining efforts at recalibrating existing policies to better accommodate new forms of social risk. Again, the more individuals come to depend on the state, the more vulnerable they are to the uncertainties inherent in entitlement reform and retrenchment.

Third, conditionalities increasingly associated with the provision of public assistance may undermine the autonomy of individuals as economic agents in ways that market-earned income seldom does. In an effort to discipline public welfare budgets and reign in the threat of moral hazard, many public assistance programs and benefits require that beneficiaries accept certain criteria in order to remain enrolled in the program. Forms of unemployment assistance, for instance, frequently require that individuals work with public service agencies to improve their employability and/or find a new job. Care leave subsidies in some European countries are granted on the condition that one of the caregivers—usually the mother—remain at home to care for the children (Morgan and Zippel 2003). Some forms of housing benefits are also conditional goods, since the beneficiaries must accept to live in the accommodations offered to them by the state.

This paternalism on behalf of the state is understandable to the extent that it ensures accountability and efficiency, but it can also undermine individual economic choice. In the case of care leave payments, the opportunity costs of participation can be quite high. In order to receive the subsidy, one caregiver must stay at home and assume responsibility for the care of the children, but this can have very adverse effects on that individual's career ambitions and lifetime earning potential by remaining out of the labor market for a number of years. Similarly, in-kind benefits allow administrators to use the nature of the goods and services to be provided to those who qualify as a means of forcing potential cheaters to self-select out of the claiming process (Currie and Gahvari 2008). This is made possible when administrators offer goods and services that would only appeal to intended recipients by offering lower quality goods and services, the direct consumption of which and/or the indirect stigma of being seen consuming such goods and services would not appeal to potential cheaters. Public housing, for instance, may be deliberately small, qualitatively inferior, and/or located in undesirable neighborhoods in order to dissuade potential cheaters from claiming a right to public housing. Unemployment benefits, in turn, may only be granted on the condition that recipients engage in retraining programs that require huge time commitments. In all of these scenarios, greater emancipation from the market could undermine well-being by forcing individuals to surrender some of their economic freedoms.

All of this matters because an individual's autonomy as an economic agent is argued to be an important source of well-being (Freyer 1986). The conditionalities associated with market emancipation place happiness-reducing restrictions on private economic choice (Stroup 2007) and—to the extent that future public support is characterized by uncertainty—prevent individuals from confidently predicting their future financial situation. Greater economic autonomy is also

associated with perceived freedom, in general (Gehring 2013), and a recent study by Inglehart et al. concludes that "a growing feeling that one has free choice was by far the most important influence on whether SWB [subjective well-being] rose or fell" (2008, 270). The direct relationship between economic freedom and well-being has also received some attention in the empirical literature. Recent studies report a positive relationship between measures of economic freedom and subjective well-being, both when engaging in comparisons across countries (Gehring 2013; Stroup 2007) and across US states (Belasen and Hafer 2012). However, all of these studies proxy economic freedom using the controversial Index of Economic Freedom developed by the Fraser Institute[4] and report well-being in terms of national-level (state-level, in the case of the US) averages. Thus, these analyses present with the same methodological problem symptomatic of the wider literature on the relationship between intervention and well-being: there is no information about the extent to which individuals are actually dependent on the market vs. the state. Nonetheless, this is another potential pathway through which greater *ex post* emancipation from the market could actually undermine well-being.

Finally, the use of means-testing in the provision of benefits and services also can place benefit recipients under a great deal of stress. Although more prevalent in 'Liberal' welfare regimes (Esping-Andersen 1990), the process of claiming and receiving benefits is frequently a 'stigmatizing' experience. First, claiming means-tested benefits represents an admission of being unable to provide for one's own economic well-being. This behavior, however, conflicts with dominant social

[4]The index is frequently accused of being ideologically-biased towards the interests of business and capital and of thus representing a measure of government burden on private business and investors more than anything else. See Radcliff (2013, 52) for a discussion. If true, this definition does not directly relate to our present interest in measuring individual dependency on the market vs. the state.

norms about social- and individual-responsibility highly valued across most advanced, capitalist democracies. Engaging in social behavior that contradicts predominant social norms is an important source of mental stress and unhappiness (Diener and Lucas 2000; Diener et al. 2003).

Means-tested benefits also require an institutionalized process of claim verification. In such systems, the claims of benefit-seekers are subject to scrutiny so that administrators can separate qualifying claimants from non-qualifying ones. Unfortunately, several features of the administrator-claimant relationship can undermine the well-being of claimants. One aspect concerns the actual administration of benefits. Means-testing schemes allow for greater discretion and control of fraud on behalf of benefit administrators. This creates a hierarchical relationship between administrator and claimant in which the latter is severely disadvantaged (Currie and Gahvari 2008). The subjective evaluation of the claimant occurs at the mercy of an administrator who is believed to hold the moral and cognitive high ground. Relationships defined by perceived hierarchies of merit, ability, and moral authority abound, and empirical evidence suggests that those of subordinate status suffer a lot with respect to the quality of their physical and mental health. For instance, Marmot and his various co-authors' famous studies of the British civil service (Marmot et al. 1978, 1991; Marmot 2004) reveal that lower-level civil servants are more likely to suffer from a host of physical and mental issues—including anxiety, depression, smoking and alcohol abuse, obesity, poor cardiovascular function, mortality, and chronic mental stress.

Such effects are also likely to manifest themselves in the asymmetries that define the relationship between benefit claimants and benefit administrators. In an ethnographic study of the inner workings of a local social security office in Northern Ireland, Howe (1985) documents how participation in means-tested programs can be a very corrosive experience for many individuals. In reflecting upon the

entire experience, one claimant remarked: "I don't like asking for anything down there; it makes me feel inferior, it makes me feel like a beggar." According to another claimant, "They treat you like an animal. Their attitude is 'you're bloody rubbish—you're dirt' " (Howe 1985, 66).

A related aspect concerns what the process of benefit application can do to a claimant's sense of social citizenship and belonging. In T.H. Marshall's classic discussion of social citizenship (1950), the welfare state binds individuals to one another by granting each—as a right of citizenship—legitimate claims to their society's social surpluses. These bonds are weakened, however, when welfare state policies discriminate between the claims made by different classes of individuals on the basis of economic need. Administrative oversight and scrutiny of benefit claims undermines the extent to which benefits are viewed as a guaranteed, social right. In means-tested schemes, claimants are placed in the awkward position of having to 'prove' their social citizenship. This process can partially disembed the citizen from society. This is very problematic, though, as a sense of communal belonging and social interconnectedness is frequently associated with higher levels of social trust and subjective well-being (e.g, Gundelach and Kreiner 2004; Helliwell 2006b; Leung et al. 2011). Additionally, the receipt of benefits is more likely to be seen as a form of charity, which may more easily promote a sense of shame and inferiority on the part of the claimant (Currie and Gahvari 2008). The more an individual relies on means-tested support from the state, the more he or she will be subject to the negative effects of social stigma.

For all of these reasons, the *ex post* effects of state intervention might also prove injurious for well-being. The empirical analysis in the following two sections helps us establish which set of arguments is better supported by the data.

4.4 Research Design

The analysis draws on panel data taken from four different national surveys spanning various years between 1992 and 2007. Separate analyses are conducted using the German Socio-Economic Panel (GSOEP), the British Household Panel Survey (BHPS), the Household, Income and Labour Dyanmics in Australia (HILDA) survey, and the Swiss Household Panel (SHP). Data for each survey comes from the Cross-National Equivalent Files (Lillard et al. 2013). The dependent variable is taken from a survey item that asks respondents to each of the respective surveys to evaluate their overall level of satisfaction with life in general at the time of the interview. Individuals register their responses using an ordinal scale, whereby higher values correspond with higher levels of perceived life satisfaction. In the GSOEP, HILDA, and SHP, the original response scales range from 0-10. A value of one was added to each response so that life satisfaction ranges between 1 and 11. By contrast, satisfaction values in the BHPS range between 1 and 7.

Four main independent variables seek to measure the extent to which individuals rely on income granted as a right of social citizenship vs. income generated from their participation in the market. The first two variables focus on market emancipation. *State income* refers to the logged sum of all income the respondent's household receives from public sources, measured in current year currency units. State income covers the combined public transfers and social security pensions for the head, partner, and other family members within each household. This generally refers to social security pensions covering disability, old-age, and widowhood, as well as a host of public transfer programs for unemployment, family care, social assistance within each household plus household-level benefits for housing allowances and care assistance for children and the elderly.[5] The second

[5]Details on the specific inclusion criteria for the income variables used in each of

independent variable, *State income share* reports household income from state sources as share of income from all sources. The variable theoretically ranges from 0 to 1, where values closer to 1 indicate greater independence from the market. Non-state sources cover household income from labor earnings, private transfers, asset income, and private pensions.[6] To the extent that the intervention hypothesis is true, state income and state share of income should both exert positive effects on life satisfaction.

The other two independent variables model market dependency. Individuals and families can earn money from several non-state sources apart from wages. This includes income from private transfers from outside the household, as well as asset income from interest, dividends, and rent. Since the intervention hypothesis explicitly concerns the degree to which individuals must sell their labor as commodities on the market, we operationalize market dependency strictly as a function of labor earnings. *Labor income* refers to the logged sum of all income the respondent's household receives from labor earnings, again measured in current year currency units. *Labor share of income* measures household income from labor earnings as a share of income form all sources. As with the other share measure, theoretical values range between 0 and 1, but this time values closer to 1 suggest greater dependency on the market. If H1a is correct, both of these dependency variables should exert *negative* effects on life satisfaction.

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the national surveys can be conveniently accessed from each survey's respective codebook, accessible from Cornell University's website for the Cross-National Equivalent File: http://www.human.cornell.edu/pam/research/centers-programs/german-panel/cnef.cfm. For instance, Australia funds social security pensions out of general revenues, not on the basis of individual contributions to private social security funds.

[6]Labor earnings include wages and salary from all forms of employment (including primary jobs, secondary jobs, and self-employment) and income from bonuses, overtime, and profit-sharing. Private transfers cover all payments from individuals not living in the household. Asset income covers interest, dividends, and rent.

The analyses also control for a host of variables likely to influence life satisfaction. The analyses control for the log of the respondent's household income after taxes and transfers, employment status, hours worked, disability status, status as head of the household, age and age squared to account for the curvilinear relationship between age and satisfaction, years of formal education, martial status, household size, self-rated health status, and the number of children living at home.[7] Each analysis also includes dummy variables for every year in the survey (excepting one reference category year) to control for important macroeconomic, macrosocial, and macropolitical changes in each country over time, as well as a series of regional dummies (again, excepting one reference region) to control for regional-level effects. Descriptive Statistics for all variables used in each of the surveys are presented in Tables 4.7 through 4.10 of the Appendix.

Each of the panel surveys used in this analysis contain repeated observations of the same individuals over time. Failure to account for the nested nature of the data violates the assumption of independent errors, because different observations drawn from the same individual will likely be correlated (Steenbergen

[7]Household income is reported in current year currency units (Euro in the case of the GSOEP). Employment status refers to a dummy variable that assumes the value of 1 if the respondent is currently unemployed and 0 otherwise. Hours worked corresponds to the annual hours worked by each respondent, divided by 52 to give us the average or usual number of hours worked per week for each respondent. Disability status refers to a dummy variable that assumes the value of 1 if the respondent is currently disabled and 0 otherwise. Head of household status assumes a value of 1 if the respondent is the head of the household and 0 otherwise. Marital status is proxied by a series of dummy variables indicating whether or not the respondent is married (or living as married), divorced, separated, or widowed. A single individual is the baseline category. Household size captures the number of individuals currently living in the household. Health status is proxied using two dummy variables drawn from a 5-step response item that asks respondents to self-rate their own health status. The variable 'Healthy' is coded 1 if the respondent answered either 'Excellent' or 'Very good' and 0 otherwise. The variable 'Unhealthy' is coded 1 if the respondent answered 'Fair' or 'Poor' and 0 otherwise. Individuals who report being in 'Good' health represent the baseline category. Three dummy variables indicate whether one, two, or more than two children live in the respondent's household at the time of the interview. Households without any children present are the baseline category. Data on disability status are unavailable for the SHP, and data on education are unavailable for the BHPS. These variables are thus omitted from the respective analyses of the SHP and BHPS data.

and Jones 2002; Wooldridge 2002). To correct for this, the analysis employs a fixed-effects design to control for individual-level heterogeneity with respondent-clustered standard errors to correct for heteroskedastic and autocorrelated disturbances. The model also includes dummies for time and the respondent's region to control for unobserved heterogeneities over time and between different regions. This gives the following empirical model:

$$LifeSatisfaction_{it} = \beta_1 X_{it1} + \ldots + \beta_k X_{itk} + \alpha_i + \delta_t + \lambda_j + \mu_{it},$$

where the satisfaction of individual i at time t is modeled as a function individual-level variables $X_{it1} - X_{itk}$ with coefficients $\beta_1 - \beta_k$, the fixed effect estimator α_i, dummy variables δ_t for the year of observation and λ_j for the effects of region j, and μ_{it} for the stochastic error term for individual i at time t.

This modeling approach follows common conventions in the study of subjective well-being using panel data (e.g., Clark et al. 2008; Clark and Georgellis 2013). Moreover, this modeling choice is also reinforced by an analysis of a random-effects alternative, where a significant Hausman test statistic confirms that one of the key assumptions of the random-effects approach—that the individual effects are uncorrelated with the explanatory variables—is violated.[8]

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[8]While recent work by Clark and Linzer (2013) suggests that correlation between unit effects and covariates is less serious than previously thought, when the number of units and average number of observations per unit are relatively high (units greater than 10 and observations per unit greater than 5) in the presence of an independent variable that varies more between units than within them, the fixed-effects estimator tends to outperform the random-effects estimator. As the summary statistics in Tables 4.7 through 4.10 in the Appendix illustrate, this condition generally applies to the GSOEP and BHPS. In the case of the HILDA and SHP, the number of units is very large but the average number of observations per unit is smaller. In these indeterminate situations, the decision between fixed-effects and random-effects should hinge on the amount of correlation between the unit effects and the regressors. Clark and Linzer only recommend a random-effects approach when the correlation is less than $\rho = 0.3$. The level of correlation ranges between 0.37 and 0.40 in the HILDA and between 0.47 and 0.70 in the SHP. As such, the empirical strategy uses a fixed-effects approach across all four surveys.

4.5 Results

Table 4.1 presents the results of a baseline analysis using the log of the respondent's annual household income from all state (or public) sources as the main independent variable. Across all four surveys, the results clearly reject H1. Controlling for the respondent's overall level of income and other key individual-level and contextual factors, life satisfaction actually decreases as an individual receives more income from state sources. The observed effects are statistically significant in all but one of the four survey datasets (i.e., SHP in Model 4) used in the analysis. Contrary to the logic behind H1, these results suggest that greater decommodification from the market either exerts no effect (in the case of the SHP) or actually undermines the extent to which individuals feel satisfied about the lives that they lead.

Table 4.2 considers an alternative functional specification of the main independent variable. Instead of using the log of household income gained from public sources, a state share indicator measures the extent to which the respondent's total household income comes from state vs. private sources. Higher share measures imply greater independence from the market. Again, the results fail to confirm the logic behind H1. In the GSOEP and the SHP, the share of income received from state sources has no significant effect on life satisfaction, while the relationship is significantly *negative* in the case of the BHPS and HILDA data.

The sample used in the analyses from Tables 4.1 and 4.2 only considers individuals who received at least some amount of state support greater than 0. Restricting the sample in this manner helps us gain leverage over the relationship between decommodification and life satisfaction because we only concern ourselves with individuals who actually receive some form of income assistance from the state. The other advantage of this restricted sample is that it allows us to

Table 4.1: Fixed-Effects Models of Life Satisfaction (State income)

	GSOEP	BHPS	HILDA	SHP
State income (log)	-0.013**	-0.020**	-0.025**	-0.022
	(0.006)	(0.008)	(0.010)	(0.014)
Income (log)	0.268***	0.081***	0.090***	0.049
	(0.016)	(0.019)	(0.024)	(0.030)
Unemployed	-0.272***	-0.081***	-0.036	-0.081**
	(0.014)	(0.018)	(0.027)	(0.040)
Disabled	-0.148***	-0.155***	-0.169***	
	(0.026)	(0.022)	(0.026)	
Hours worked	-0.002***	-0.001	-0.002***	0.003**
	0.000	(0.001)	(0.001)	(0.001)
Head of HH	0.123***	0.047**	0.087	-0.059**
	(0.032)	(0.021)	(0.058)	(0.026)
Age	-0.041***	-0.052**	-0.065	-0.061***
	(0.005)	(0.022)	(0.075)	(0.018)
Age sq.	0.000*	0.001***	0.000**	0.000
	0.000	0.000	0.000	0.000
Education	-0.008		-0.019	-0.045**
	(0.006)		(0.019)	(0.020)
Married	0.114***	0.148***	0.290***	0.178
	(0.035)	(0.048)	(0.071)	(0.119)
Widowed	-0.228***	-0.216	-0.231*	-0.280
	(0.062)	(0.134)	(0.130)	(0.192)
Divorced	-0.049	-0.037	-0.135	0.044
	(0.049)	(0.077)	(0.115)	(0.197)
Separated	-0.273***	-0.152*	-0.447***	-0.072
	(0.056)	(0.082)	(0.117)	(0.209)
Size of HH	-0.062***	-0.050***	0.007	0.033
	(0.009)	(0.015)	(0.021)	(0.031)
1 child	0.085***	0.025	0.042	0.069
	(0.016)	(0.027)	(0.043)	(0.061)
2 children	0.127***	0.078**	-0.013	-0.055
	(0.023)	(0.035)	(0.055)	(0.079)
3+ children	0.211***	0.122**	0.019	0.000
	(0.035)	(0.052)	(0.073)	(0.112)
Healthy	0.411***	0.252***	0.239***	0.264***
	(0.010)	(0.017)	(0.018)	(0.031)
Unhealthy	-0.684***	-0.243***	-0.357***	-0.684***
	(0.014)	(0.036)	(0.027)	(0.105)
Constant	7.314***	5.381***	10.480***	11.683***
	(0.230)	(0.723)	(3.147)	(0.633)
N	199954	41299	45821	23638
R-Squared	0.075	0.033	0.031	0.034
Endogeneity Test: χ^2 (d.f.)	3498.205(47)	422.180(44)	591.173(37)	725.418(47)
Prob. $> \chi^2$	0.000	0.000	0.000	0.000

Respondent-clustered robust standard errors in parentheses. Year and Regional dummies omitted.
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 4.2: Fixed-Effects Models of Life Satisfaction (State share of income)

	GSOEP	BHPS	HILDA	SHP
State share of income	0.016	-0.133**	-0.140**	0.049
	(0.028)	(0.056)	(0.060)	(0.068)
Income (log)	0.268***	0.062***	0.051*	0.040
	(0.017)	(0.020)	(0.029)	(0.030)
Unemployed	-0.275***	-0.080***	-0.030	-0.090**
	(0.014)	(0.018)	(0.027)	(0.040)
Disabled	-0.149***	-0.155***	-0.169***	
	(0.026)	(0.022)	(0.026)	
Hours worked	-0.001***	-0.001*	-0.002***	0.004***
	0.000	(0.001)	(0.001)	(0.001)
Head of HH	0.127***	0.047**	0.090	-0.059**
	(0.032)	(0.021)	(0.058)	(0.026)
Age	-0.043***	-0.053**	-0.066	-0.063***
	(0.005)	(0.022)	(0.075)	(0.018)
Age sq.	0.000*	0.001***	0.000**	0.000
	0.000	0.000	0.000	0.000
Education	-0.008		-0.019	-0.045**
	(0.006)		(0.019)	(0.020)
Married	0.118***	0.144***	0.282***	0.185
	(0.035)	(0.048)	(0.071)	(0.119)
Widowed	-0.223***	-0.219	-0.242*	-0.266
	(0.062)	(0.134)	(0.130)	(0.191)
Divorced	-0.047	-0.038	-0.145	0.049
	(0.049)	(0.077)	(0.115)	(0.196)
Separated	-0.271***	-0.153*	-0.454***	-0.065
	(0.056)	(0.082)	(0.116)	(0.209)
Size of HH	-0.063***	-0.051***	0.009	0.036
	(0.009)	(0.015)	(0.021)	(0.031)
1 child	0.086***	0.023	0.040	0.070
	(0.016)	(0.027)	(0.043)	(0.061)
2 children	0.125***	0.072**	-0.019	-0.057
	(0.023)	(0.035)	(0.054)	(0.079)
3+ children	0.207***	0.115**	0.012	-0.001
	(0.035)	(0.051)	(0.072)	(0.112)
Healthy	0.411***	0.252***	0.239***	0.264***
	(0.010)	(0.017)	(0.018)	(0.031)
Unhealthy	-0.684***	-0.243***	-0.357***	-0.685***
	(0.014)	(0.036)	(0.027)	(0.105)
Constant	7.273***	5.466***	10.760***	11.622***
	(0.234)	(0.725)	(3.153)	(0.645)
N	199954	41299	45821	23638
R-Squared	0.075	0.033	0.031	0.034
Endogeneity Test: χ^2 (d.f.)	3498.793(47)	423.741(44)	591.806(37)	743.507(47)
Prob. $> \chi^2$	0.000	0.000	0.000	0.000

Respondent-clustered robust standard errors in parentheses. Year and Regional dummies omitted.
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

consider the effect of different functional specifications of the main independent variable of interest.[9] However, reducing the sample size this way runs the risk of introducing selection biases into the analysis. For instance, individuals who receive support from the state may be systematically less (or more) satisfied than individuals who receive no public assistance, and this could bias the results of the analysis. Accordingly, Table 4.3 reruns the analyses from Table 4.2 against an expanded sample of all respondents, whether or not any of their household income comes from public sources. The results remain largely unchanged between Tables 4.2 and 4.3. For the data drawn from the BHPS and HILDA, the effect is still significantly negative. The coefficient of the share variables are now negatively signed in the case of the GSOEP and SHP anlaysis, but the effects are still insignificant.

The remaining tables evaluate H1a, where the substantive emphasis shifts from measures of market emancipation to measures of market dependency. If the intervention hypothesis is correct, satisfaction should fall as an individual becomes more beholden to the sale of his or her labor as a commodity on the market. The models in 4.4 explore the relationship between the log of all household income earned from market labor and satisfaction. Against H1a, the relationship between labor income and satisfaction is positive and is statistically significant in all of the datasets except the HILDA.

Table 4.5 presents results from an alternative functional specification of the independent variable. Market dependency is represented by the share of a respondent's total household income taken from labor income. Again, the logic of H1a is not substantiated by the results. The coefficients on the labor share variables

[9]Individuals who do not receive any income support from the state are excluded from any analysis that uses the log of income from state sources, since the log of 0 tends to negative infinity. Entering income linearly is not advisable, however, given that income is subject diminishing marginal utility.

Table 4.3: Fixed-Effects Models of Life Satisfaction (Expanded sample, state share)

	GSOEP	BHPS	HILDA	SHP
State share of income	-0.005	-0.153***	-0.193***	-0.035
	(0.023)	(0.047)	(0.043)	(0.048)
Income (log)	0.244***	0.043***	0.066***	0.047***
	(0.013)	(0.012)	(0.015)	(0.018)
Unemployed	-0.262***	-0.063***	-0.032	-0.040
	(0.013)	(0.014)	(0.020)	(0.026)
Disabled	-0.159***	-0.142***	-0.155***	
	(0.023)	(0.017)	(0.021)	
Hours worked	-0.001***	-0.001**	-0.004***	0.002**
	0.000	0.000	(0.001)	(0.001)
Head of HH	0.120***	0.032**	0.019	-0.039**
	(0.026)	(0.015)	(0.038)	(0.017)
Age	-0.044***	-0.043***	-0.071	0.057***
	(0.004)	(0.015)	(0.071)	(0.012)
Age sq.	0.000***	0.001***	0.000***	0.000***
	0.000	0.000	0.000	0.000
Education	-0.008		-0.010	0.001
	(0.005)		(0.013)	(0.009)
Married	0.111***	0.123***	0.229***	0.162***
	(0.025)	(0.027)	(0.038)	(0.048)
Widowed	-0.243***	-0.235**	-0.316***	-0.413***
	(0.054)	(0.103)	(0.102)	(0.138)
Divorced	-0.010	-0.036	-0.187**	0.078
	(0.039)	(0.053)	(0.074)	(0.093)
Separated	-0.271***	-0.250***	-0.466***	-0.175
	(0.044)	(0.055)	(0.075)	(0.121)
Size of HH	-0.066***	-0.044***	-0.016	-0.011
	(0.008)	(0.010)	(0.014)	(0.014)
1 child	0.090***	0.034*	0.032	0.054**
	(0.015)	(0.018)	(0.025)	(0.027)
2 children	0.128***	0.068***	0.014	0.061*
	(0.021)	(0.025)	(0.036)	(0.037)
3+ children	0.220***	0.108***	0.061	0.135**
	(0.034)	(0.040)	(0.051)	(0.056)
Healthy	0.416***	0.246***	0.239***	0.290***
	(0.008)	(0.013)	(0.013)	(0.022)
Unhealthy	-0.687***	-0.250***	-0.353***	-0.632***
	(0.013)	(0.028)	(0.021)	(0.078)
Constant	7.413***	5.447***	10.784***	5.209***
	(0.178)	(0.505)	(2.940)	(0.475)
N	248277	68102	73237	49510
R-Squared	0.075	0.031	0.032	0.030
Endogeneity Test: χ^2 (d.f.)	4068.263(47)	656.358(44)	852.449(37)	1605.614(50)
Prob. $> \chi^2$	0.000	0.000	0.000	0.000

Respondent-clustered robust standard errors in parentheses. Year and Regional dummies omitted.
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 4.4: Fixed-Effects Models of Life Satisfaction (Labor income)

	GSOEP	BHPS	HILDA	SHP
Labor income (log)	0.033***	0.021*	0.020	0.040**
	(0.010)	(0.012)	(0.013)	(0.019)
Income (log)	0.244***	0.024	0.090***	0.012
	(0.019)	(0.019)	(0.024)	(0.027)
Unemployed	-0.292***	-0.064***	-0.041*	-0.043
	(0.013)	(0.014)	(0.023)	(0.028)
Disabled	-0.151***	-0.142***	-0.115***	
	(0.029)	(0.017)	(0.028)	
Hours worked	-0.001*	-0.001**	-0.003***	0.002**
	0.000	0.000	(0.001)	(0.001)
Head of HH	0.214***	0.033**	0.039	-0.038**
	(0.027)	(0.015)	(0.040)	(0.018)
Age	-0.085***	-0.042***	0.049	0.035***
	(0.005)	(0.015)	(0.164)	(0.013)
Age sq.	0.001***	0.001***	0.001***	0.001***
	0.000	0.000	0.000	0.000
Education	-0.009		0.006	0.006
	(0.006)		(0.012)	(0.009)
Married	0.127***	0.127***	0.217***	0.164***
	(0.025)	(0.027)	(0.038)	(0.049)
Widowed	-0.232***	-0.233**	-0.004	-0.607***
	(0.081)	(0.103)	(0.181)	(0.228)
Divorced	0.043	-0.034	-0.169**	0.098
	(0.040)	(0.054)	(0.081)	(0.095)
Separated	-0.244***	-0.251***	-0.461***	-0.221*
	(0.046)	(0.055)	(0.081)	(0.125)
Size of HH	-0.060***	-0.044***	-0.020	-0.011
	(0.008)	(0.010)	(0.014)	(0.014)
1 child	0.109***	0.029	0.013	0.063**
	(0.015)	(0.018)	(0.025)	(0.027)
2 children	0.164***	0.060**	0.001	0.077**
	(0.021)	(0.025)	(0.036)	(0.037)
3+ children	0.269***	0.096**	0.022	0.152***
	(0.034)	(0.040)	(0.052)	(0.055)
Healthy	0.432***	0.246***	0.239***	0.301***
	(0.009)	(0.013)	(0.014)	(0.024)
Unhealthy	-0.645***	-0.251***	-0.360***	-0.509***
	(0.015)	(0.028)	(0.026)	(0.088)
Constant	7.426***	5.418***	4.713	5.627***
	(0.188)	(0.506)	(5.931)	(0.494)
N	199596	68009	55303	42153
R-Squared	0.073	0.030	0.033	0.029
Endogeneity Test: χ^2 (d.f.)	3054.880(47)	672.983(45)	653.812(37)	1434.963(50)
Prob. $> \chi^2$	0.000	0.000	0.000	0.000

Respondent-clustered robust standard errors in parentheses. Year and Regional dummies omitted.
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

are either insignificant (BHPS; HILDA) or positive (GSOEP; SHP).

Finally, Table 4.6 reruns the models reported in Table 4.5 using an expanded sample that includes all individuals, even those whose households did not earn any labor income. As before, the predictions of the intervention hypothesis are not substantiated by the data. The effect of the labor share of income is insignificant across all four models.

4.6 Discussion

This chapter explores the *ex post* effects of state intervention by using panel data from four different national surveys to explore how changes in the extent to which individuals rely on income derived from public vs. market sources corresponds to changes in their level of self-rated satisfaction with life over time. Until now, prior assessments of this relationship have relied on aggregate measures of welfare state generosity that, while potentially useful measures of state intervention *ex ante*, obscure important variation in the extent to which individuals actually must depend on the market in their daily lives. Individuals living in extremely generous welfare states can still rely predominately on the market to maintain a livelihood, just as individuals in extremely meager welfare states can still find themselves relatively insulated from market forces. Moreover, any positive relationship between robust state intervention and well-being could root in other sources—such as lower rates of poverty and material deprivation, increased social capital, increased public goods provision, and better democratic quality—that may have little to do with how much (or how little) individuals find themselves beholden to market forces.

The study also develops a series of theoretical conjectures under which greater *ex post* emancipation from the market could actually prove inimical to well-being.

Table 4.5: Fixed-Effects Models of Life Satisfaction (Labor share of income)

	GSOEP	BHPS	HILDA	SHP
Labor share of income	0.107***	0.063	0.056	0.113**
	(0.028)	(0.041)	(0.036)	(0.051)
Income (log)	0.279***	0.047***	0.112***	0.057***
	(0.015)	(0.012)	(0.019)	(0.022)
Unemployed	-0.291***	-0.063***	-0.041*	-0.043
	(0.013)	(0.014)	(0.024)	(0.028)
Disabled	-0.150***	-0.142***	-0.115***	
	(0.029)	(0.017)	(0.028)	
Hours worked	-0.001*	-0.001**	-0.003***	0.002**
	0.000	0.000	(0.001)	(0.001)
Head of HH	0.213***	0.033**	0.039	-0.039**
	(0.027)	(0.015)	(0.040)	(0.018)
Age	-0.084***	-0.042***	0.050	0.035***
	(0.005)	(0.015)	(0.164)	(0.013)
Age sq.	0.001***	0.001***	0.001***	0.001***
	0.000	0.000	0.000	0.000
Education	-0.009		0.007	0.006
	(0.006)		(0.012)	(0.009)
Married	0.126***	0.126***	0.216***	0.162***
	(0.025)	(0.027)	(0.038)	(0.049)
Widowed	-0.232***	-0.232**	-0.004	-0.605***
	(0.081)	(0.103)	(0.181)	(0.228)
Divorced	0.044	-0.033	-0.169**	0.098
	(0.040)	(0.054)	(0.081)	(0.095)
Separated	-0.243***	-0.251***	-0.460***	-0.221*
	(0.046)	(0.055)	(0.081)	(0.125)
Size of HH	-0.061***	-0.045***	-0.020	-0.012
	(0.008)	(0.010)	(0.014)	(0.014)
1 child	0.110***	0.030*	0.014	0.063**
	(0.015)	(0.018)	(0.025)	(0.027)
2 children	0.165***	0.062**	0.003	0.078**
	(0.021)	(0.025)	(0.036)	(0.037)
3+ children	0.271***	0.099**	0.024	0.153***
	(0.034)	(0.040)	(0.052)	(0.055)
Healthy	0.432***	0.246***	0.238***	0.301***
	(0.009)	(0.013)	(0.014)	(0.024)
Unhealthy	-0.645***	-0.250***	-0.360***	-0.509***
	(0.015)	(0.028)	(0.026)	(0.088)
Constant	7.311***	5.337***	4.612	5.508***
	(0.186)	(0.505)	(5.933)	(0.497)
N	199596	68009	55303	42153
R-Squared	0.073	0.030	0.033	0.029
Endogeneity Test: χ^2 (d.f.)	3044.315(47)	671.069(45)	654.320(37)	1381.115(50)
Prob. $> \chi^2$	0.000	0.000	0.000	0.000

Respondent-clustered robust standard errors in parentheses. Year and Regional dummies omitted.
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 4.6: Fixed-Effects Models of Life Satisfaction (Expanded sample, labor share)

	GSOEP	BHPS	HILDA	SHP
Labor share of income	-0.021	0.059	0.050	0.066
	(0.022)	(0.040)	(0.031)	(0.043)
Income (log)	0.248***	0.047***	0.083***	0.050***
	(0.013)	(0.012)	(0.014)	(0.018)
Unemployed	-0.264***	-0.064***	-0.034	-0.037
	(0.013)	(0.014)	(0.022)	(0.026)
Disabled	-0.160***	-0.142***	-0.156***	
	(0.023)	(0.017)	(0.021)	
Hours worked	-0.001***	-0.001**	-0.003***	0.002**
	0.000	0.000	(0.001)	(0.001)
Head of HH	0.122***	0.033**	0.011	-0.039**
	(0.026)	(0.015)	(0.038)	(0.017)
Age	-0.045***	-0.042***	-0.070	0.055***
	(0.004)	(0.015)	(0.071)	(0.012)
Age sq.	0.000***	0.001***	0.000***	0.000***
	0.000	0.000	0.000	0.000
Education	-0.008		-0.010	0.001
	(0.005)		(0.013)	(0.009)
Married	0.112***	0.125***	0.230***	0.161***
	(0.025)	(0.027)	(0.038)	(0.048)
Widowed	-0.242***	-0.234**	-0.309***	-0.412***
	(0.054)	(0.103)	(0.102)	(0.137)
Divorced	-0.010	-0.039	-0.191**	0.082
	(0.039)	(0.054)	(0.074)	(0.093)
Separated	-0.271***	-0.253***	-0.472***	-0.169
	(0.044)	(0.055)	(0.075)	(0.121)
Size of HH	-0.067***	-0.045***	-0.021	-0.012
	(0.008)	(0.010)	(0.014)	(0.014)
1 child	0.089***	0.030*	0.029	0.055**
	(0.015)	(0.017)	(0.025)	(0.027)
2 children	0.127***	0.062**	0.009	0.064*
	(0.021)	(0.025)	(0.036)	(0.037)
3+ children	0.219***	0.100**	0.056	0.138**
	(0.034)	(0.040)	(0.051)	(0.055)
Healthy	0.416***	0.246***	0.239***	0.290***
	(0.008)	(0.013)	(0.013)	(0.022)
Unhealthy	-0.687***	-0.251***	-0.353***	-0.632***
	(0.013)	(0.028)	(0.021)	(0.078)
Constant	7.402***	5.340***	10.517***	5.165***
	(0.176)	(0.504)	(2.938)	(0.474)
N	248277	68102	73237	49510
R-Squared	0.075	0.030	0.031	0.030
Endogeneity Test: χ^2 (d.f.)	4080.831	670.365(45)	876.620(37)	1555.002(50)
Prob. $> \chi^2$	0.000	0.000	0.000	0.000

Respondent-clustered robust standard errors in parentheses. Year and Regional dummies omitted.
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

In many ways, *ex post* emancipation from the market implies the substitution of a dependency on the market for a dependency on the state. The transfer of dependencies from the market to the state can generate various social pathologies, subject individuals to a different—yet equally injurious—set of risks and uncertainties, and undermine the autonomy of individuals as economic agents in ways that market-earned income seldom does. Looking at the intervention hypothesis from a variety of empirical angles, we find no evidence that *ex post* market emancipation promotes well-being. In fact, several of the analyses suggest preciously the opposite. Greater emancipation from the market correlates with *lower* levels of perceived life satisfaction.

Resolving the paradox between the *ex ante* and *ex post* effects of state intervention and well-being may require us to more carefully consider the substantive qualities of the different markets from which individuals supposedly need emancipating. As a whole, the empirical analysis reveals some limited, yet potentially important, systematic differences in the effect of market dependency and market emancipation between 'Liberal' and 'Conservative' welfare state regimes (Esping-Andersen 1990). When looking at the relationship between market dependency and satisfaction (Tables 4.4 through 4.6), labor-related income and earnings generally appear to exert a stronger and more significantly positive effect on satisfaction in Germany and Switzerland than in the UK or Australia. Germany and Switzerland, as coordinated market economies, tend to exhibit higher levels of labor organization and mobilization. The 'power resources' approach (Korpi 1989), in turn, suggests that the relative strength of labor can influence labor market outcomes in a manner more amenable to the underling political and economic preferences of labor. The end result may be a more 'compassionate' form of capitalism, whereby most individuals find market participation to be a very rewarding and enjoyable experience. Relatedly, the analysis also finds heterogeneous effects

in the relationship between measures of individual emancipation from the market and subjective well-being. The effects of greater emancipation on satisfaction are generally much harsher in the Liberal regimes of Australia and the UK than in the Conservative regimes of Germany and Switzerland. As mentioned previously, this could be due to a disproportionately large reliance on means-tested benefits in Liberal welfare regimes.

This leads to the final observation that there is an important under-specification problem regarding the relationship between social rights and well-being that deserves greater attention in the literature. Future studies would do well to explore, in greater theoretical and empirical detail, how individuals actually evaluate the *ex ante* vs. *ex post* utility of their social entitlement rights as citizens of different national welfare state regimes. Sorting through these issues may help bring us one step closer to building broader academic consensus on the relationship between state intervention and subjective well-being.

4.7 Appendix

Table 4.7: Summary Statistics for GSOEP Data

Variable	Category	Mean	SD	Min	Max	Observations
Life Satisfaction	Overall	7.944	1.791	1	11	248277
	Between		1.485	1	11	36878
	Within		1.182	-1.056	15.411	6.732
State income (log)	Overall	8.637	1.132	2.833	12.373	199954
	Between		1.019	2.996	11.478	33402
	Within		0.629	2.979	12.156	5.986
State share of income	Overall	0.284	0.358	0	1	248277
	Between		0.330	0	1	36878
	Within		0.166	-0.649	1.207	6.732
Labor income (log)	Overall	10.423	0.918	1.609	14.032	199596
	Between		0.919	1.609	13.629	32050
	Within		0.509	4.308	14.151	6.228
Labor share of income	Overall	0.665	0.383	0	1	248277
	Between		0.354	0	1	36878
	Within		0.175	-0.259	1.598	6.732
Income (log)	Overall	10.252	0.610	0.000	15.270	248277
	Between		0.586	4.745	13.928	36878
	Within		0.305	1.703	13.002	6.732
Unemployed	Overall	0.410	0.492	0	1	248277
	Between		0.431	0	1	36878
	Within		0.274	-0.523	1.343	6.732
Hours worked	Overall	23.029	21.307	0.000	143.173	248277
	Between		19.489	0.000	133.058	36878
	Within		10.537	-44.917	111.367	6.732
Disabled	Overall	0.106	0.308	0	1	248277
	Between		0.271	0	1	36878
	Within		0.147	-0.828	1.039	6.732
Head of HH	Overall	0.542	0.498	0	1	248277
	Between		0.477	0	1	36878
	Within		0.173	-0.391	1.475	6.732
Age	Overall	46.617	16.895	16	99	248277
	Between		17.710	17	98.500	36878
	Within		3.254	36.717	55.742	6.732
Age sq.	Overall	2458.567	1686.617	256	9801	248277
	Between		1745.913	289	9702.500	36878
	Within		323.577	1106.634	3959.692	6.732
Education	Overall	11.751	2.610	7	18	248277
	Between		2.588	7	18	36878
	Within		0.654	2.817	18.834	6.732
Married	Overall	0.634	0.482	0	1	248277
	Between		0.467	0	1	36878
	Within		0.188	-0.299	1.568	6.732
Widowed	Overall	0.064	0.245	0	1	248277
	Between		0.237	0	1	36878
	Within		0.087	-0.869	0.998	6.732
Divorced	Overall	0.065	0.246	0	1	248277
	Between		0.219	0	1	36878
	Within		0.117	-0.868	0.998	6.732
Separated	Overall	0.017	0.129	0	1	248277
	Between		0.100	0	1	36878
	Within		0.099	-0.883	0.950	6.732
Size of HH	Overall	2.811	1.304	1	13	248277
	Between		1.231	1	12.75	36878
	Within		0.577	-6.439	10.544	6.732
1 child	Overall	0.178	0.382	0	1	248277
	Between		0.313	0	1	36878
	Within		0.263	-0.756	1.111	6.732
2 children	Overall	0.129	0.336	0	1	248277
	Between		0.279	0	1	36878
	Within		0.211	-0.804	1.063	6.732
3+ children	Overall	0.045	0.207	0	1	248277
	Between		0.179	0	1	36878
	Within		0.119	-0.889	0.978	6.732
Healthy	Overall	0.507	0.500	0	1	248277
	Between		0.403	0	1	36878
	Within		0.334	-0.426	1.441	6.732
Unhealthy	Overall	0.167	0.373	0	1	248277
	Between		0.293	0	1	36878
	Within		0.260	-0.766	1.100	6.732

Table 4.8: Summary Statistics for BHPS Data

Variable	Category	Mean	SD	Min	Max	Observations
Life satisfaction	Overall	5.228	1.148	1	7	68102
	Between		1.019	1	7	15091
	Within		0.720	0.353	9.894	4.513
State income (log)	Overall	7.579	1.109	-0.416	12.843	41299
	Between		1.093	-0.019	12.843	11592
	Within		0.597	0.991	12.003	3.563
State share of income	Overall	0.095	0.181	0	1	68102
	Between		0.193	0	1	15091
	Within		0.090	-0.625	0.994	4.513
Labor income (log)	Overall	10.044	0.938	-0.511	14.002	68009
	Between		0.948	-0.511	12.900	15075
	Within		0.521	0.427	16.191	4.511
Labor share of income	Overall	0.862	0.205	0	1	68102
	Between		0.210	0	1	15091
	Within		0.107	-0.010	1.582	4.513
Unemployed	Overall	0.143	0.350	0	1	68102
	Between		0.322	0	1	15091
	Within		0.264	-0.715	1.043	4.513
Hours worked	Overall	35.296	14.123	0.016	161.442	68102
	Between		13.412	0.016	120.323	15091
	Within		8.122	-27.878	102.227	4.513
Disabled	Overall	0.097	0.296	0	1	68102
	Between		0.244	0	1	15091
	Within		0.213	-0.803	0.997	4.513
Head of HH	Overall	0.515	0.500	0	1	68102
	Between		0.454	0	1	15091
	Within		0.240	-0.385	1.415	4.513
Age	Overall	38.696	12.629	15	84	68102
	Between		13.494	15	84	15091
	Within		2.539	31.196	45.863	4.513
Age sq.	Overall	1656.877	1027.773	225	7056	68102
	Between		1079.776	225	7056	15091
	Within		211.031	890.877	2581.126	4.513
Married	Overall	0.702	0.457	0	1	68102
	Between		0.458	0	1	15091
	Within		0.181	-0.198	1.602	4.513
Widowed	Overall	0.013	0.114	0	1	68102
	Between		0.114	0	1	15091
	Within		0.045	-0.887	0.913	4.513
Divorced	Overall	0.053	0.223	0	1	68102
	Between		0.205	0	1	15091
	Within		0.101	-0.847	0.953	4.513
Separated	Overall	0.020	0.139	0	1	68102
	Between		0.117	0	1	15091
	Within		0.095	-0.869	0.920	4.513
Size of HH	Overall	3.002	1.274	1	11	68102
	Between		1.241	1	10	15091
	Within		0.547	-1.098	8.669	4.513
1 child	Overall	0.196	0.397	0	1	68102
	Between		0.323	0	1	15091
	Within		0.265	-0.704	1.096	4.513
2 children	Overall	0.192	0.394	0	1	68102
	Between		0.326	0	1	15091
	Within		0.228	-0.708	1.092	4.513
3+ children	Overall	0.075	0.264	0	1	68102
	Between		0.249	0	1	15091
	Within		0.130	-0.825	0.975	4.513
Healthy	Overall	0.788	0.409	0	1	68102
	Between		0.329	0	1	15091
	Within		0.291	-0.112	1.688	4.513
Unhealthy	Overall	0.047	0.212	0	1	68102
	Between		0.175	0	1	15091
	Within		0.160	-0.853	0.947	4.513

Table 4.9: Summary Statistics for HILDA Data

Variable	Category	Mean	SD	Min	Max	Observations
Life Satisfaction	Overall	8.955	1.518	1	11	73237
	Between		1.325	1	11	17124
	Within		0.914	0.955	15.384	4.277
State income (log)	Overall	8.969	1.133	0.000	11.571	45821
	Between		1.192	1.386	11.571	13263
	Within		0.568	3.080	14.924	3.455
State share of income	Overall	0.242	0.348	0	1	73237
	Between		0.323	0	1	17124
	Within		0.123	-0.589	1.087	4.277
Labor income (log)	Overall	10.784	1.048	3.401	13.031	55303
	Between		1.083	3.829	12.980	14624
	Within		0.540	3.902	14.395	3.782
Labor share of income	Overall	0.591	0.406	0	1	73237
	Between		0.369	0	1	17124
	Within		0.159	-0.265	1.448	4.277
Income (log)	Overall	10.747	0.731	3.401	13.304	73237
	Between		0.663	5.704	13.238	17124
	Within		0.362	4.425	13.998	4.277
Unemployed	Overall	0.399	0.490	0	1	73237
	Between		0.439	0	1	17124
	Within		0.231	-0.458	1.256	4.277
Hours worked	Overall	23.140	21.388	0	96	73237
	Between		19.917	0	90	17124
	Within		8.408	-38.288	100.283	4.277
Disabled	Overall	0.183	0.387	0	1	73237
	Between		0.324	0	1	17124
	Within		0.220	-0.674	1.041	4.277
Head of HH	Overall	0.534	0.499	0	1	73237
	Between		0.477	0	1	17124
	Within		0.163	-0.323	1.391	4.277
Age	Overall	44.810	17.913	14	93	73237
	Between		18.593	15	93	17124
	Within		1.797	40.810	50.644	4.277
Age sq.	Overall	2328.832	1732.947	196	8649	73237
	Between		1742.469	225	8649	17124
	Within		178.430	1615.498	3371.332	4.277
Education	Overall	11.857	2.515	0	18.5	73237
	Between		2.463	0	18.5	17124
	Within		0.363	6.982	21.285	4.277
Married	Overall	0.652	0.476	0	1	73237
	Between		0.463	0	1	17124
	Within		0.170	-0.205	1.509	4.277
Widowed	Overall	0.053	0.224	0	1	73237
	Between		0.205	0	1	17124
	Within		0.068	-0.804	0.910	4.277
Divorced	Overall	0.061	0.239	0	1	73237
	Between		0.208	0	1	17124
	Within		0.092	-0.796	0.918	4.277
Separated	Overall	0.031	0.172	0	1	73237
	Between		0.138	0	1	17124
	Within		0.100	-0.826	0.888	4.277
Size of HH	Overall	2.888	1.475	1	14	73237
	Between		1.449	1	14	17124
	Within		0.538	-3.778	10.722	4.277
1 child	Overall	0.148	0.355	0	1	73237
	Between		0.310	0	1	17124
	Within		0.225	-0.709	1.005	4.277
2 children	Overall	0.167	0.373	0	1	73237
	Between		0.328	0	1	17124
	Within		0.202	-0.690	1.024	4.277
3+ children	Overall	0.102	0.302	0	1	73237
	Between		0.290	0	1	17124
	Within		0.132	-0.756	0.959	4.277
Healthy	Overall	0.470	0.499	0	1	73237
	Between		0.423	0	1	17124
	Within		0.295	-0.388	1.327	4.277
Unhealthy	Overall	0.176	0.381	0	1	73237
	Between		0.320	0	1	17124
	Within		0.221	-0.681	1.033	4.277

Table 4.10: Summary Statistics for SHP Data

Variable	Category	Mean	SD	Min	Max	Observations
Life satisfaction	Overall	9.036	1.484	1	11	49510
	Between		1.346	1	11	12360
	Within		0.869	0.661	15.703	4.006
State income (log)	Overall	9.697	1.360	2.996	13.042	23638
	Between		1.317	2.996	12.957	8172
	Within		0.536	4.754	12.854	2.893
State share of income (log)	Overall	0.204	0.353	0	1	49510
	Between		0.334	0	1	12360
	Within		0.120	-0.671	1.073	4.006
Labor income (log)	Overall	11.488	0.817	4.094	14.914	42153
	Between		0.811	4.094	14.564	10952
	Within		0.389	6.812	15.121	3.849
Labor share of income	Overall	0.753	0.371	0	1	49510
	Between		0.348	0	1	12360
	Within		0.131	-0.119	1.628	4.006
Income (log)	Overall	11.244	0.590	3.591	14.994	49510
	Between		0.534	7.083	14.003	12360
	Within		0.300	5.146	14.168	4.006
Unemployed	Overall	0.298	0.457	0	1	49510
	Between		0.415	0	1	12360
	Within		0.218	-0.577	1.173	4.006
Hours worked	Overall	25.612	20.083	0	97	49510
	Between		18.936	0	90	12360
	Within		7.705	-32.209	97.790	4.006
Head of HH	Overall	0.636	0.481	0	1	49510
	Between		0.434	0	1	12360
	Within		0.268	-0.239	1.511	4.006
Age	Overall	46.062	16.590	16	95	49510
	Between		17.317	16	94	12360
	Within		1.870	35.062	57.062	4.006
Age sq.	Overall	2396.972	1616.752	256	9025	49510
	Between		1649.671	256	8836	12360
	Within		187.356	1721.401	3191.972	4.006
Education	Overall	12.792	2.831	9	21	49510
	Between		2.799	9	21	12360
	Within		0.541	4.917	20.292	4.006
Married	Overall	0.679	0.467	0	1	49510
	Between		0.462	0	1	12360
	Within		0.142	-0.196	1.554	4.006
Widowed	Overall	0.046	0.210	0	1	49510
	Between		0.201	0	1	12360
	Within		0.052	-0.829	0.921	4.006
Divorced	Overall	0.058	0.233	0	1	49510
	Between		0.214	0	1	12360
	Within		0.077	-0.817	0.933	4.006
Separated	Overall	0.013	0.115	0	1	49510
	Between		0.098	0	1	12360
	Within		0.067	-0.862	0.888	4.006
Size of HH	Overall	2.871	1.405	1	12	49510
	Between		1.352	1	10	12360
	Within		0.420	-3.329	8.371	4.006
1 child	Overall	0.142	0.349	0	1	49510
	Between		0.303	0	1	12360
	Within		0.218	-0.733	1.017	4.006
2 children	Overall	0.163	0.369	0	1	49510
	Between		0.327	0	1	12360
	Within		0.185	-0.712	1.038	4.006
3 children	Overall	0.077	0.267	0	1	49510
	Between		0.235	0	1	12360
	Within		0.114	-0.798	0.952	4.006
Healthy	Overall	0.854	0.353	0	1	49510
	Between		0.279	0	1	12360
	Within		0.250	-0.021	1.729	4.006
Unhealthy	Overall	0.017	0.130	0	1	49510
	Between		0.101	0	1	12360
	Within		0.098	-0.783	0.892	4.006

Table 4.11: Year and Region Fixed-Effects for GSOEP Models

	State income	State share	S. share, expanded	Labor income	Labor share	L. share, expanded
1994	-0.029	-0.031*	-0.022	-0.018	-0.017	-0.023
	(0.018)	(0.018)	(0.016)	(0.017)	(0.017)	(0.016)
1995	0.034*	0.033*	0.025	0.039**	0.040**	0.025
	(0.018)	(0.018)	(0.016)	(0.017)	(0.017)	(0.016)
1996	0.059***	0.059***	0.044***	0.051***	0.052***	0.044***
	(0.018)	(0.018)	(0.015)	(0.017)	(0.017)	(0.015)
1997	-0.047***	-0.052***	-0.074***	-0.070***	-0.068***	-0.075***
	(0.018)	(0.017)	(0.015)	(0.016)	(0.016)	(0.015)
1998	0.074***	0.069***	0.058***	0.067***	0.069***	0.057***
	(0.017)	(0.017)	(0.015)	(0.016)	(0.016)	(0.015)
1999	0.142***	0.138***	0.128***	0.135***	0.137***	0.127***
	(0.017)	(0.017)	(0.015)	(0.016)	(0.016)	(0.015)
2000	0.153***	0.149***	0.133***	0.132***	0.134***	0.132***
	(0.015)	(0.015)	(0.013)	(0.014)	(0.014)	(0.013)
2001	0.186***	0.182***	0.170***	0.170***	0.172***	0.170***
	(0.014)	(0.014)	(0.012)	(0.014)	(0.014)	(0.012)
2002	0.041***	0.038***	0.020*	0.024*	0.025*	0.020*
	(0.014)	(0.014)	(0.012)	(0.013)	(0.013)	(0.012)
2003	-0.018	-0.021	-0.024**	-0.031**	-0.030**	-0.025**
	(0.014)	(0.014)	(0.012)	(0.013)	(0.013)	(0.012)
2004	-0.157***	-0.160***	-0.163***	-0.174***	-0.172***	-0.163***
	(0.014)	(0.014)	(0.012)	(0.013)	(0.013)	(0.012)
2005	0.011	0.009	0.005	-0.012	-0.012	0.004
	(0.014)	(0.014)	(0.012)	(0.013)	(0.013)	(0.012)
2006	-0.035***	-0.036***	-0.048***	-0.062***	-0.062***	-0.048***
	(0.013)	(0.013)	(0.011)	(0.013)	(0.013)	(0.011)
2007	.	.	.	.	.	.
	.	.	.	.	.	.
Hamburg	0.054	0.052	0.056	0.126	0.126	0.056
	(0.219)	(0.219)	(0.129)	(0.120)	(0.120)	(0.129)
Lower Saxony	-0.001	-0.001	0.090	0.197*	0.197*	0.090
	(0.183)	(0.184)	(0.130)	(0.108)	(0.108)	(0.130)
Bremen	-0.174	-0.173	0.050	0.214	0.215	0.050
	(0.299)	(0.299)	(0.226)	(0.230)	(0.230)	(0.226)
North-Rhine-West.	-0.268	-0.268	-0.190	-0.145	-0.145	-0.190
	(0.169)	(0.170)	(0.119)	(0.107)	(0.107)	(0.119)
Hessen	0.147	0.149	0.106	0.089	0.090	0.106
	(0.192)	(0.193)	(0.132)	(0.120)	(0.120)	(0.132)
Rheinland-Phalz, Saarland	0.046	0.046	0.002	0.009	0.009	0.002
	(0.213)	(0.213)	(0.149)	(0.140)	(0.140)	(0.149)
Baden-Wuertemberg	0.091	0.093	0.029	0.040	0.040	0.030
	(0.188)	(0.189)	(0.131)	(0.117)	(0.117)	(0.131)
Bavaria	-0.093	-0.094	0.009	0.038	0.039	0.009
	(0.181)	(0.181)	(0.132)	(0.123)	(0.123)	(0.132)
Saarland	0.159	0.159	0.087	0.182	0.183	0.087
	(0.238)	(0.238)	(0.174)	(0.171)	(0.171)	(0.174)
Berlin	-0.324	-0.326*	-0.243*	-0.133	-0.133	-0.244*
	(0.197)	(0.198)	(0.143)	(0.134)	(0.134)	(0.143)
Brandenburg	-0.173	-0.179	-0.165	-0.204	-0.202	-0.167
	(0.188)	(0.188)	(0.141)	(0.135)	(0.135)	(0.141)
Mecklenburg-Vorp.	-0.262	-0.267	-0.187	-0.150	-0.150	-0.188
	(0.213)	(0.214)	(0.155)	(0.158)	(0.158)	(0.155)
Saxony	-0.207	-0.211	-0.258*	-0.259**	-0.257**	-0.259*
	(0.184)	(0.184)	(0.135)	(0.129)	(0.129)	(0.135)
Saxony-Anhalt	-0.508**	-0.511***	-0.429***	-0.328**	-0.327**	-0.431***
	(0.198)	(0.198)	(0.150)	(0.150)	(0.149)	(0.150)
Thueringen	-0.220	-0.225	-0.235	-0.239	-0.238	-0.237
	(0.212)	(0.212)	(0.163)	(0.169)	(0.169)	(0.163)

Reference year: 1992; Reference region: Schleswig-Holstein.

Respondent-clustered robust standard errors in parentheses.

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 4.12: Year and Region Fixed-Effects for BHPS Models

	State income	State share	S. share, expanded	Labor income	Labor share	L. share, expanded
1997	-0.003	-0.002	0.012	0.013	0.013	0.013
	(0.030)	(0.030)	(0.022)	(0.022)	(0.022)	(0.022)
1998	0.062	0.064	0.071**	0.072**	0.072**	0.072**
	(0.046)	(0.046)	(0.033)	(0.033)	(0.033)	(0.033)
1999	-0.047	-0.046	-0.032	-0.031	-0.032	-0.032
	(0.064)	(0.064)	(0.045)	(0.045)	(0.045)	(0.045)
2000	-0.077	-0.076	-0.074	-0.073	-0.074	-0.074
	(0.083)	(0.083)	(0.058)	(0.058)	(0.058)	(0.058)
2002	-0.053	-0.052	-0.050	-0.048	-0.050	-0.050
	(0.123)	(0.123)	(0.087)	(0.087)	(0.087)	(0.087)
2003	-0.007	-0.007	-0.011	-0.009	-0.011	-0.011
	(0.144)	(0.144)	(0.102)	(0.102)	(0.102)	(0.102)
2004	-0.015	-0.016	-0.031	-0.030	-0.032	-0.033
	(0.164)	(0.164)	(0.116)	(0.116)	(0.116)	(0.116)
2005	-0.128	-0.128	-0.131	-0.129	-0.131	-0.132
	(0.185)	(0.184)	(0.130)	(0.130)	(0.130)	(0.130)
2006	-0.092	-0.093	-0.093	-0.090	-0.092	-0.093
	(0.204)	(0.204)	(0.144)	(0.144)	(0.144)	(0.144)
Outer London	0.052	0.057	-0.095	-0.099	-0.098	-0.095
	(0.204)	(0.205)	(0.091)	(0.091)	(0.091)	(0.091)
South East	-0.012	-0.011	-0.048	-0.050	-0.050	-0.047
	(0.198)	(0.199)	(0.095)	(0.096)	(0.096)	(0.096)
South West	0.111	0.116	0.037	0.035	0.036	0.038
	(0.225)	(0.225)	(0.123)	(0.123)	(0.123)	(0.123)
E. Anglia	0.166	0.161	0.096	0.090	0.090	0.097
	(0.269)	(0.270)	(0.142)	(0.142)	(0.142)	(0.142)
E. Midlands	0.159	0.159	0.152	0.150	0.150	0.153
	(0.240)	(0.241)	(0.127)	(0.127)	(0.127)	(0.127)
W. Midlands Conurb.	-0.066	-0.071	0.029	0.021	0.022	0.035
	(0.268)	(0.268)	(0.152)	(0.153)	(0.153)	(0.152)
W. Midlands	-0.065	-0.070	0.007	-0.001	-0.001	0.007
	(0.241)	(0.242)	(0.123)	(0.124)	(0.124)	(0.124)
Greater Manchester	-0.270	-0.267	-0.196	-0.188	-0.186	-0.197
	(0.308)	(0.307)	(0.147)	(0.149)	(0.149)	(0.148)
Merseyside	0.158	0.166	0.044	0.048	0.049	0.049
	(0.313)	(0.314)	(0.169)	(0.170)	(0.170)	(0.170)
North West	0.171	0.179	0.039	0.039	0.040	0.038
	(0.268)	(0.268)	(0.147)	(0.149)	(0.149)	(0.148)
S. Yorkshire	0.219	0.217	0.294*	0.291*	0.292*	0.294*
	(0.280)	(0.281)	(0.175)	(0.175)	(0.175)	(0.175)
W. Yorkshire	0.187	0.184	0.069	0.077	0.078	0.074
	(0.287)	(0.288)	(0.164)	(0.165)	(0.165)	(0.164)
Yorkshire and Humber	0.177	0.175	0.174	0.168	0.169	0.175
	(0.247)	(0.248)	(0.145)	(0.146)	(0.146)	(0.145)
Tyne and Wear	-0.157	-0.150	0.033	0.026	0.028	0.031
	(0.291)	(0.292)	(0.171)	(0.173)	(0.173)	(0.173)
North	-0.129	-0.125	0.006	0.000	0.000	0.002
	(0.255)	(0.256)	(0.151)	(0.152)	(0.152)	(0.151)
Wales	0.198	0.200	0.121	0.120	0.120	0.124
	(0.267)	(0.268)	(0.150)	(0.151)	(0.151)	(0.150)
Scotland	0.371	0.373	0.208	0.207	0.208	0.209
	(0.264)	(0.264)	(0.138)	(0.138)	(0.138)	(0.138)
N. Ireland	.	.	-0.207	-0.236	-0.230	-0.228
	.	.	(0.161)	(0.167)	(0.165)	(0.167)

Reference year: 1996; Reference region: Inner London.

Respondent-clustered robust standard errors in parentheses.

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 4.13: Year and Region Fixed-Effects for HILDA Models

	State income	State share	S. share, expanded	Labor income	Labor share	L. share, expanded
2002	-0.015	-0.012	-0.029	-0.183	-0.184	-0.031
	(0.075)	(0.076)	(0.071)	(0.163)	(0.163)	(0.071)
2003	0.106	0.111	0.099	-0.225	-0.226	0.096
	(0.146)	(0.146)	(0.140)	(0.325)	(0.325)	(0.140)
2004	0.112	0.118	0.121	-0.345	-0.347	0.117
	(0.218)	(0.218)	(0.209)	(0.488)	(0.488)	(0.209)
2005	0.083	0.090	0.099	-0.538	-0.541	0.093
	(0.290)	(0.290)	(0.279)	(0.650)	(0.650)	(0.279)
2006	0.074	0.083	0.124	-0.668	-0.672	0.118
	(0.362)	(0.363)	(0.349)	(0.813)	(0.813)	(0.349)
2007	0.098	0.109	0.166	-0.776	-0.781	0.159
	(0.435)	(0.435)	(0.418)	(0.975)	(0.975)	(0.418)
New South Wales	0.150	0.151	0.114	0.105	0.106	0.113
	(0.114)	(0.114)	(0.074)	(0.086)	(0.086)	(0.074)
Melbourne	0.021	0.030	0.121	0.087	0.087	0.117
	(0.218)	(0.219)	(0.106)	(0.110)	(0.110)	(0.107)
Victoria	-0.184	-0.179	0.067	0.109	0.110	0.065
	(0.230)	(0.231)	(0.130)	(0.136)	(0.136)	(0.130)
Brisbane	0.151	0.149	0.166*	0.170*	0.170*	0.167*
	(0.154)	(0.154)	(0.093)	(0.098)	(0.098)	(0.093)
Queensland	0.286**	0.286**	0.231**	0.253**	0.253**	0.230**
	(0.142)	(0.142)	(0.093)	(0.105)	(0.105)	(0.094)
Adelaide	0.087	0.090	0.208	0.197	0.198	0.206
	(0.255)	(0.255)	(0.141)	(0.148)	(0.148)	(0.141)
S. Australia	0.237	0.245	0.385**	0.321	0.322*	0.377**
	(0.266)	(0.266)	(0.171)	(0.195)	(0.195)	(0.171)
Perth	-0.378*	-0.378*	-0.068	-0.013	-0.013	-0.069
	(0.194)	(0.194)	(0.123)	(0.134)	(0.134)	(0.123)
W. Australia	-0.316	-0.321	-0.106	-0.087	-0.087	-0.105
	(0.216)	(0.216)	(0.146)	(0.173)	(0.173)	(0.146)
Tasmania	0.298	0.303	0.399**	0.326*	0.327*	0.391**
	(0.259)	(0.259)	(0.165)	(0.170)	(0.170)	(0.165)
N. Territory	-0.475	-0.462	-0.395**	-0.393**	-0.393**	-0.400**
	(0.353)	(0.353)	(0.174)	(0.177)	(0.176)	(0.175)
Capital Territory	0.030	0.026	0.119	0.072	0.072	0.116
	(0.233)	(0.233)	(0.146)	(0.137)	(0.137)	(0.146)

Reference year: 2001; Reference region: Sydney

Respondent-clustered robust standard errors in parentheses.

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 4.14: Year and Region Fixed-Effects for SHP Models

	State income	State share	S. share, expanded	Labor income	Labor share	L. share, expanded
2001	-0.051	-0.051	-0.194***	-0.194***	-0.194***	-0.193***
	(0.037)	(0.037)	(0.021)	(0.022)	(0.022)	(0.021)
2002	-0.121***	-0.122***	-0.364***	-0.355***	-0.353***	-0.363***
	(0.036)	(0.036)	(0.029)	(0.030)	(0.030)	(0.029)
2003	-0.051	-0.052	-0.460***	-0.453***	-0.450***	-0.457***
	(0.033)	(0.033)	(0.037)	(0.039)	(0.039)	(0.037)
2004	-0.001	-0.002	-0.552***	-0.547***	-0.542***	-0.548***
	(0.027)	(0.027)	(0.046)	(0.049)	(0.049)	(0.046)
2005	-0.028	-0.028	-0.707***	-0.710***	-0.704***	-0.701***
	(0.025)	(0.025)	(0.056)	(0.060)	(0.060)	(0.056)
2006	-0.075***	-0.075***	-0.865***	-0.860***	-0.853***	-0.858***
	(0.023)	(0.023)	(0.067)	(0.072)	(0.072)	(0.067)
2007	.	.	-0.924***	-0.921***	-0.912***	-0.916***
	.	.	(0.076)	(0.082)	(0.082)	(0.077)
Appenzell I.R.	1.437*	1.371*	0.710	0.755	0.749	0.704
	(0.841)	(0.831)	(0.737)	(0.772)	(0.774)	(0.742)
Appenzell O.R.	0.278	0.253	-0.129	-0.081	-0.076	-0.124
	(0.733)	(0.730)	(0.471)	(0.475)	(0.476)	(0.471)
Berne	-0.363	-0.394	-0.218	-0.086	-0.085	-0.216
	(0.306)	(0.304)	(0.198)	(0.218)	(0.218)	(0.199)
Basle-Town	0.376	0.373	0.084	0.181	0.182	0.084
	(0.426)	(0.427)	(0.220)	(0.232)	(0.232)	(0.221)
Basle-Country	0.652	0.653	0.147	0.212	0.213	0.146
	(0.417)	(0.418)	(0.215)	(0.225)	(0.225)	(0.215)
Fribourg	1.187	1.182	-0.015	0.104	0.104	-0.016
	(0.788)	(0.800)	(0.289)	(0.314)	(0.314)	(0.289)
Geneva	-0.156	-0.172	0.411	0.594*	0.596*	0.414
	(0.531)	(0.532)	(0.323)	(0.361)	(0.361)	(0.323)
Glarus	-0.024	-0.038	-0.211	-0.363	-0.366	-0.217
	(0.308)	(0.308)	(0.356)	(0.437)	(0.437)	(0.356)
Grisons	-0.036	-0.022	0.276	0.092	0.092	0.276
	(0.968)	(0.977)	(0.514)	(0.467)	(0.467)	(0.515)
Jura	.	.	0.267	0.373	0.375	0.267
	.	.	(0.232)	(0.254)	(0.254)	(0.232)
Lucerne	0.350	0.332	0.103	0.091	0.089	0.102
	(0.316)	(0.317)	(0.221)	(0.268)	(0.268)	(0.221)
Neuchatel	0.956	0.976	-0.096	0.003	0.005	-0.093
	(0.714)	(0.727)	(0.339)	(0.365)	(0.364)	(0.339)
Nidwalden	1.540***	1.557***	1.488***	1.702***	1.695***	1.499***
	(0.361)	(0.360)	(0.271)	(0.269)	(0.269)	(0.270)
Obwalden	0.235	0.207	-0.067	-0.094	-0.096	-0.067
	(0.354)	(0.354)	(0.244)	(0.295)	(0.295)	(0.244)
St. Gallen	-0.955**	-0.957**	-0.133	-0.037	-0.038	-0.134
	(0.413)	(0.414)	(0.243)	(0.270)	(0.271)	(0.243)
Schaffhausen	-1.109**	-1.117**	-0.062	0.047	0.047	-0.060
	(0.446)	(0.447)	(0.295)	(0.315)	(0.315)	(0.295)
Solothurn	-1.519***	-1.533***	-0.350	-0.153	-0.150	-0.348
	(0.265)	(0.257)	(0.227)	(0.247)	(0.247)	(0.227)
Schwyz	-1.080**	-1.097***	-0.229	-0.245	-0.249	-0.233
	(0.428)	(0.420)	(0.296)	(0.337)	(0.337)	(0.296)
Thurgovia	-0.784**	-0.805**	-0.233	-0.092	-0.096	-0.236
	(0.383)	(0.383)	(0.288)	(0.338)	(0.338)	(0.288)
Ticino	-0.420	-0.433	0.298	0.606*	0.602*	0.295
	(0.477)	(0.478)	(0.311)	(0.349)	(0.348)	(0.311)
Uri	.	.	0.113	0.079	0.085	0.112
	.	.	(0.242)	(0.287)	(0.287)	(0.243)
Vaud	0.125	0.120	0.181	0.304	0.304	0.182
	(0.365)	(0.366)	(0.244)	(0.279)	(0.279)	(0.244)
Valais	-0.265	-0.280	0.102	0.245	0.243	0.101
	(0.480)	(0.485)	(0.332)	(0.380)	(0.379)	(0.332)
Zug	0.558	0.606*	0.458	0.559*	0.554*	0.457
	(0.348)	(0.349)	(0.299)	(0.313)	(0.312)	(0.298)
Zurich	-0.503	-0.515*	0.086	0.262	0.260	0.086
	(0.306)	(0.306)	(0.188)	(0.208)	(0.209)	(0.189)

Reference year: 2000; Reference region: Argovia

Respondent-clustered robust standard errors in parentheses.

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Chapter 5
Conclusion

5.1 Summary

This dissertation began with the puzzle of why we observe such divergent findings in the literature on the relationship between state intervention into the market and subjective well-being. To answer this puzzle, this project considers three causal conditionalities to illustrate—not *whether*—but *under what conditions* subordinating the market to greater political control is likely to influence the extent to which individuals find the lives that they lead to be enjoyable, satisfying, and rewarding. In Chapter 1, I introduce these conditionalities, argue that the politics of human happiness is of fundamental import to the discipline of political science, and explain why the study of subjective well-being meets the rigorous empirical and methodological standards of social scientific inquiry.

Chapter 2 considers the complex relationship between the size of the welfare state, the quality of administrative institutions, the extent to which interventions privilege post-industrial forms of market risk, and life satisfaction. I replicate and extend the findings of Flavin et al. (2011) and find that, against their original conclusions, a larger welfare state does not unconditionally lead to greater improvements in life satisfaction. The strongest, most robust relationship between increased expenditures and life satisfaction obtains when levels of administrative quality are high and when intervention privileges post-industrial forms of market risk. By contrast, greater expenditures exert either a negligible or even negative

effect on life satisfaction when 1) administrative quality is high but intervention privileges 'old' social risks; or 2) intervention privileges post-industrial risks but administrative quality is low. The empirical approach draws on an analysis of select OECD countries from Wave 5 (2005-2008) of the World Values Survey.

Chapter 3 explores potential differences in the effects of 'intervention-as-emancipation' and 'intervention-as-empowerment' by considering the differential influence of passive- and active-labor market policies on life satisfaction. Increased expenditure on, labor market policy expenditure share of, and participation in active labor market policies corresponds with higher levels of life satisfaction. By contrast, equivalent investments in passive labor market policies fail to exert any significant effect on life satisfaction. Supplementary analyses also reveal that the observed effects are largely invariant across labor market status. This means that labor market 'insiders' and 'outsiders' similarly benefit from increased investment in active labor market policies. The empirical approach in this chapter analyzes individual survey respondents from the EU-25 across Waves 1 through 3 (2002-2007) of the European Social Survey.

Finally, Chapter 4 examines how the relationship between greater intervention and subjective well-being may differ *ex ante* vs. *ex post*. I find strong evidence that the receipt of support from the state (i.e., *ex post* intervention) either exerts no significant effect or actually undermines life satisfaction. By contrast, dependency on the market—proxied by the extent to which a respondent's household income comes from market-generated earnings and wages—actually exerts a positive effect on life satisfaction in some of the analyses. The empirical approach draws on an analysis of individual-level data obtained from four different panel surveys—the German Socio-Economic Panel, the British Household Panel Study, the Household Labor Income Dynamics of Australia survey, and the Swiss Household Panel for all available years between 1992 and 2007.

5.2 Implications

The findings of this dissertation have several implications for the political economy of well-being. First, this project interprets the concept of risk with greater analytical rigor than in previous empirical and theoretical treatments. One of the conventional arguments linking greater intervention and happiness relates to the ability of the state to insulate individuals from market-generated risks and uncertainties. Less exposure, in turn, is argued to promote well-being by reducing overall levels of stress. However, the literature fails to consider how and why the relevant 'risks' from which individuals require insulation may change over time and—most importantly—that not all governments may succeed equally in accommodating these shifting risk patterns. Drawing on insights from the literature on 'new' social risks, Chapter 2 finds that a well-calibrated welfare state is an important contextual factor linking intervention and well-being.

Relatedly, the arguments and analysis from Chapter 4 reveal that current approaches overlook how the relationship between state intervention and well-being may differ considerably as we transition from perceptions of market risks to instances where those risks are actually internalized by individuals who find themselves unemployed, disabled, divorced, etc. To the extent that the market and the state are the only two viable mechanisms through which individuals obtain what they need and want in life, one's independence from the market necessarily implies a dependency on the state. While proponents of intervention claim that the latter is preferable to the former, they fail to specify whether this applies to the *promise* of state support or the actual *receipt* of such support. For a variety of theoretical reasons—social pathologies associated with the receipt of public assistance, uncertainties regarding the status of current and future benefits, the psychological effects associated with claiming and receiving benefits, and the

extent to which the receipt of social assistance undermines economic choice—a dependency on the state may prove just as injurious for well-being as a similar dependency on the market.

Second, this dissertation identifies a previously unexplored pathway linking intervention and well-being. Conventional approaches emphasize how greater state intervention can contribute to well-being by emancipating individuals from their dependency on the market as the primary mechanism through which they provide for themselves and their dependents. Yet, whatever their (de)merits, markets are still an inescapable reality of modern economic life in advanced, capitalist democracies. Since complete emancipation is impossible, what other recourse do societies have? The answer broadly rests with the ability of governments to improve the terms under which individuals engage with the market. Governments can achieve this through *negative* intervention by regulating working conditions, labor contracts, and the terms of dismissal from employment. Indeed, recent scholarship finds a positive relationship between 'worker-friendly' regulatory systems and subjective well-being (Radcliff 2013). However, governments can also engage in *positive* intervention by investing in the human capital individuals need to improve their competitiveness and resiliency in the labor market. Chapter 3 considers this alternative pathway.

Finally, this project uses new empirical strategies to help answer important questions relevant to our understanding of the political economy of well-being. Previous scholarship in political science analyzes the relationship between intervention and well-being by relying on cross-sectional (static and in time series) analyses of measures of well-being derived from various social surveys and important macro-economic factors. While useful, this approach does raise valid inferential concerns about the causal chain linking macro-level factors to micro-level outcomes. How, for instance, do we measure the extent to which state

intervention is directly experienced, and thus 'gets under the skin' of individuals with varying labor market profiles? This is where insights from panel data can prove particularly useful. Indeed, the use of panel data in Chapter 4 helps us empirically consider potential differences in the *ex ante* vs. *ex post* effects of market intervention on subjective well-being.

5.3 Limitations

As with any study, this project faces limitations. First, there are a variety of issues relating to the availability of data. All of the analyses rely crucially on high quality survey data that explicitly ask individuals to assess the subjective quality of their lives, as well as a wide array of important macro-economic variables. Given these requirements, the analysis focuses exclusively on the politics of well-being across the various advanced, capitalist democracies of the OECD. Where possible, the empirical strategy uses a variety of functional forms, multiple datasets, different modeling techniques, and other robustness checks to ensure that the observed relationships are not merely artifacts of the countries included in the analysis. While these techniques increase our confidence in the results, this is certainly no substitute for leveraging more data as it becomes available.

Second, this study focuses primarily on expenditure-, or effort-based, conceptualizations of state intervention into the market. Chapter 2 proxies intervention using social expenditures measured as a percentage of GDP. Chapter 3 does use available data on participation rates in labor market programs, but the primary analysis again rests with direct comparisons of labor market expenditures as a percentage of GDP or share calculations derived from those expenditures. Chapter 4 also measures intervention exclusively in terms of how much individuals rely on income earned from the state vs. the market. All measures of intervention,

including social expenditures and income, have shortcomings, so approaches that model intervention in multiple ways are generally preferable. Given data limitations and the nature of the conditionalities stressed in this dissertation, however, this was not always possible.

5.4 Future Research

In light of these limitations, future research could improve upon the methods and findings of this dissertation in several ways. First, future research would do well to expand into new empirical domains. This is not a problem, as the field is continually producing more and better quality data. This will either help to improve the robustness of my arguments or identify important scope conditions for their applicability. For instance, one could explore the relationship between market intervention and well-being across Latin America to see whether and how the conclusions of my own research would transfer to a region with an entirely different history of democratic and capitalist development. Advances in the availability of cross-nationally comparable panel survey data—such as the Cross National Equivalent File or the European Community Household Panel Survey[1]—would also allow us to revisit findings from OECD countries using the added insight and control that panel data can provide.

Second, this study only touches upon three of the many potential other conditionalities that could also help explain the divergent findings in the literature. Chapter 2 stresses the heterogeneity of market-generated risks over time, but risks also differ fundamentally between individuals as a function of their relationship to the labor market. An individual's skill set, social class, life cycle-stage, immigrant

[1]See http://www.human.cornell.edu/pam/research/centers-programs/german-panel/cnef.cfm for the Cross National Equivalent File and http://epp.eurostat.ec.europa.eu/portal/page/portal/microdata/echp for the European Community Household Panel Survey

status, and employment outlook determine just how vulnerable he or she is to being left behind by the market as well as the type of welfare benefits most likely to help insulate him or her from risk. The literature likes to compare how and whether the effects of market intervention vary between different levels of wealth (e.g., Radcliff 2001, 2013), and Chapter 3 of the current study briefly entertains the possibility that the effects of labor market policy could differ between insiders and outsiders. However, several other combinations still exist. The literature would benefit from a more rigorous exploration of the effects particular policies have on the well-being of specific constituencies of the welfare state. This could generate interesting insights about the nature of distributive conflict frequently at the heart of reforms to social and labor market policies.

Finally, I have deliberately limited the empirical scope of the study to avoid the onset of the financial crisis in 2008. This was done largely to avoid introducing further inferential complexities and to follow convention in the literature. However, the onset of the financial crisis may impose important scope limitations on the conclusions of this project. This raises a series of questions about whether and how the relationship between political intervention into the market and well-being is conditioned by the overall macroeconomic environment.

These proposed research extensions demonstrate the potential for growth in the literature on the political economy of happiness. This dissertation contributes to this burgeoning area of scholarship by considering three different conditionalities that could help explain the divergent findings in the literature. As a result, we have a better understanding of the conditions under which state intervention into the market can (and cannot) assist individuals in the pursuit of happiness.

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