

Life satisfaction in the European Union: also a regional matter?

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A blooming economic literature on happiness, started with Easterlin (1974), has developed ways of measuring happiness of individuals induced by life events, economic performances and other "external" factors related to the area where people live. Several papers have focused on socio-demographics, like marital status, age and education (see Frey and Stutzer, 2002, for a survey). A number of other papers have focused on micro-economic aspects including the individual level of income and the role of being unemployed (Diener et al., 1993; Clark and Oswald, 1994; Oswald, 1997; Winkelmann and Winkelmann, 1998). A somewhat different perspective is the evaluation of the effects of macro-variables that reflect the socio-economic environment where the individuals live. Di Tella et al. (2002) provide evidence that, after controlling for a large set of individual characteristics, the subjective well-being of Europeans is largely affected by levels and changes of country-level macroeconomic variables, like inflation, per capita GDP, unemployment rate and social welfare state indicators. Alesina et al. (2004) and Graham and Felton (2005) address the question of how income inequality affects individual well-being, finding different results between developed and developing countries and also between United States and Europe. Political arrangements also matter. The degree of trust and freedom of democratic institutions (Layard, 2005), as well as the degree of participating in direct democracy (Frey and Stutzer, 2002) positively influence individual well-being.

Most of the analyses in the European Union have focused on the effects on individual well-being of national indicators. On the other hand, it has been argued that measuring macro-variables at a territorial sub-national level may influence the individual well-being to a larger extent. The European Union has devoted particular attention to regional disparities among European regions, that are still wide both economically and socially. Their reduction is a target that has been made explicit in the Treaty on European Union and an increasing volume of the EU budget has been devolved towards this objective. Starting from this background, aim of our paper is to evaluate if regional factors play a significant role in explaining the subjective well-being of individuals.