

The Politics of Happiness:  
On the Political Determinants of Quality of Life in the American States

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## **Abstract**

Recent decades have witnessed the development of an extensive social scientific research program on the determinants of life satisfaction. We examine the role of political factors in affecting quality of life in the context of the American states. In particular, we ask whether the choices made by voters, as manifested by the governments they elect, and the subsequent public policy regimes those governments establish, determine the degree to which individuals find their lives satisfying. We find that different the ideological orientation of state governments, as well as a state's pattern of public policies, have strong effects satisfaction with life, net of economic, social, and cultural factors. In simple terms, the more a state attempts to insulate citizens against market forces, the greater is satisfaction. The implications for American politics and our theoretical understanding of the mechanisms that determine quality of life are discussed.

## Introduction

How do political outcomes in democratic societies affect the quality of life that citizens experience? In particular, do the choices made by voters, as manifested by the governments they elect, and the subsequent public policy regimes those governments establish, determine the degree to which individuals find their lives rewarding?

It is, of course, precisely these questions which, however implicitly or indirectly, motivate much of the research in contemporary political science. Thus, students of American politics, in a tradition dating back to at least V.O. Key (1949), have devoted enormous energy into determining whether different political conditions, such as levels of party competition, have differential impacts on public policy. Others have asked similar questions about the policy impact of the interest group and party systems (e.g. Schattschneider, 1960; Gray and Lowery, 1996), electoral participation (e.g. Hill and Leighley, 1992), public opinion and political culture (e.g. Erikson, Wright, and McIver, 1993), among a myriad of other political factors. Collectively, this work is predicated upon the presumption that policy outcomes have consequences for people's lives. Surely we would not study, say, welfare policy if we did not believe that different policies did affect society differently. Simply stated, there is nothing *intrinsically* interesting about welfare or, indeed, any public policy. We seek to understand policy outcomes because, in the end, we assume that such outcomes have tangible real world consequences for people's lives.

There are in turn many ways in which public policies can affect our lives. For instance, welfare, the most studied of all policies, has recently sparked debates over its consequences for a vast array of domains. There are thus literatures devoted to assessing

arguments that more generous welfare policies may be responsible for any number of social pathologies ranging from encouraging divorce (e.g. Buckingham 2000) to promoting inflation (for a review, see Atkinson, 1999). Of course, in the end we care about divorce or inflation because of their presumed negative impacts on the quality of human life. That is, we presume that divorce and inflation, through both direct and indirect causal mechanisms, ultimately make people less satisfied with their lives, so that as a consequence, the public policies responsible are thus themselves worthy of study.

In this paper, we follow an alternative strategy: rather than considering how politics affects intermediary variables that may affect quality of life, we examine whether politics affects the final variable of interest, viz. quality of life itself. In particular, we ask whether different patterns of electoral and policy outcomes affect life satisfaction in the United States.

This is now possible, given the emergence of an extensive social scientific literature devoted to studying life satisfaction (e.g. Inglehart and Klingemann, 2000; Lane, 2002). With the refinement of the tools necessary to measure with reasonable reliability and validity how people subjectively evaluate the quality of their lives, it has become possible to test theoretically derived hypotheses about the observable factors that tend to make people more satisfied. In sum, we are capable of measuring subjective quality of life in a rigorous fashion, theorizing about the real world conditions that determine such differences, and testing the resulting empirical predictions (for reviews, see Diener and Suh, 2000; Frey and Stutzer, 2002; Layard, 2005).<sup>1</sup> We do so in the

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<sup>1</sup> The intellectual infrastructure for studying subjective well-being is sufficiently developed and familiar as not to require extensive elaboration. A voluminous literature has documented that conventional survey items utilized to measure subjective well-being are reliable and valid (for a discussion, see Myers and Diener (1995). After an exhaustive review, Veenhoven concludes that any misgivings about measurement

context of the American federal system by examining how life satisfaction across the American states differs in response to changing political circumstances.

We thus hope to understand how political conditions affect the overall quality of human life, using the extent to which people enjoy their lives as the appropriate evaluative metric. To anticipate our findings, we argue that the ideological orientation of governments, and hence the ideological quality of their policy regimes, has a strong effect satisfaction with life, net of economic, social, and cultural factors.

### Taking Stock

The literature on the determinants of subjective well-being falls into two broad categories. One examines individual level characteristics which are thought to affect well-being. While there are a variety of unsettled debates within this literature (in particular, on the extent to which happiness is defined relative to others in society rather than absolutely, and the degree to which one's general level of happiness is determined by genetics or similar factors, such that one's satisfaction with life is a relatively fixed personality trait), there is universal agreement that individual-level characteristics (such as age and income) consistently predict well-being in large samples (for a review, see Diener et al. 1999).

Another literature has been devoted to understanding the structural conditions that affect satisfaction with life. The most consistent and universally agreed upon finding is

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"can be discarded" (1996:4). Similarly, the collective evidence strongly endorses the proposition that linguistic or cultural barriers (including social pressures for over- or under-reporting self reported satisfaction) do not meaningfully detract from our ability to make cross-national comparison (see, for example, Veenhoven (1996, 1997a, 1997b) and Inglehart (1990)). Another literature, again conveniently summarized by Veenhoven (2002), convincingly argues for the theoretical appropriateness of *subjective* measures of quality of life, such as satisfaction, as opposed to purely objective indicators (such as income or other measures of consumption).

that higher levels of economic development are generally associated with greater levels of well-being. Veenhoven (1996) has argued convincingly that most of the international variation in satisfaction is in fact determined by development, with the correlations between satisfaction and most other national characteristics evaporating when controlling for affluence. The major exception to this generalization is culture. Veenhoven (e.g. 1996), Diener and Deiner (1995), and Radcliff (2001), among others, have consistently found a relationship between national levels of satisfaction and how “individualistic” as opposed to “collectivist” cultures tend to be. Inglehart, in both his early ground breaking treatment of this subject (1990) and his more recent work (e.g. Klingeman and Inglehart, 2000) has offered an even stronger interpretation of satisfaction with life as being largely determined by cultural characteristics. In this view, subjective well-being is the extension of the idea that happiness is a personality trait, in this instance one that is collective rather than individual, such that Germans tend to have different levels of well-being than Americans because of cultural norms that individuals are acclimated to in pre-adult socialization.

There is very little work specifically devoted to understanding how political conditions per se affect well-being. The work most relevant to present concerns is the cross-national literature on the effect of social democracy.<sup>2</sup> Radcliff (2001) has argued that within the industrial democracies, at least, life satisfaction is strongly affected by the level of welfare state development, such that countries with more expansive, social democratic welfare programs having higher levels of satisfaction, controlling for

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<sup>2</sup> Another principal other focus of work on politics and happiness has focused on the impact of the existence of democracy and along with the general level of civil liberties and freedoms (e.g. Veenhoven, 2000, Inglehart and Klingeman) or, similarly, on the extent of participatory opportunities (Frey and Stutzer, 2002).

economic and cultural conditions. His analysis also suggests that well-being varies directly with the partisan composition of governments, such that the more national governments have been dominated by social democratic and labour parties the greater is well-being. In a slightly earlier analysis, however, Veenhoven (2000) finds no relationship between the size or generosity of the welfare state and happiness: “Contrary to expectations, there appears to be no link between the size of the welfare state and the level of well-being within it. In countries with generous social security schemes, people are not happier than in equally affluent countries where the state is less open-handed.” Given that the arguably most comprehensive and sophisticated works yet done on the nexus between the welfare state and subjective well-being thus come to contrary conclusions, we must conclude that the professional jury remains out on the nature or existence of the relationship in question.<sup>3</sup> The present paper hopes to offer a verdict, in so far as the United States is concerned.

Within the literature on American politics, virtually no attention has been attention has been devoted to the political determinants of life satisfaction. There was, it is true, a brief surge of interest in the subject in the 1970s, where no less icons of the field than Angus Campbell and Philip Converse devoted (1976) an exploratory book to the subject. Their analysis focuses almost entirely, though, on a descriptive appraisal of quality of life in the United States, along with an examination of group differences; they do not address explicitly how the political system per se affects well-being. More

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<sup>3</sup> Two more recent studies, focusing on unemployment insurance schemes rather than the welfare state more broadly, also come to equally conflicting results: DiTella, MacCulloch, and Oswald (2003) find that higher unemployment benefits are “associated with higher national well-being” whereas Ouweneel (2002) maintains that the level of benefits does not buffer the negative effects of unemployment on subjective well-being.

recently, Putnam (2000) has come closer to that mark by focusing our attention on how social capital (which we can conceive of as a collective property of society partially determined by political institutions) can have important consequences for psychological well-being. Further, more rigorous and systematic evidence for a relationship between social capital and subjective well-being has recently been provided by Helliwell and Putnam (2004), who demonstrate that such a linkage appears to obtain in both the United States and Canada.

To our knowledge, no study has been devoted to understanding how politics more generally affects life satisfaction in the United States. We attempt to do so by examining how the vast differences in public policy regimes and partisan politics across the American states affect subjective well-being. While we consider economic development, culture, and social capital, as political scientists we return to the central issue implicitly debated by Veenhoven (2000) and Radcliff (2001): do the results of democratic competition, as manifest in the ideological characteristics of elected governments and the policies they pursue, have important, consistent, and predictable implications for quality of life?<sup>4</sup>

### Politics and Subjective Well-Being

It is widely agreed that the most basic and persistent axis of political conflict in the industrial democracies is that of the nature and extent of public intervention into the market. Within political economy, this conflict is typically described as one of markets versus politics (e.g. Linblom, 1977). As these approaches to public policy are also the

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<sup>4</sup> We are aware of no systematic effort to model US national levels of happiness in response to changes over time in national-level political conditions. We adopt the states as the units of analysis for the obvious reason that it allows us to both take advantage of the large intra-national variation in political conditions and to apply the well developed intellectual infrastructure of the state politics literature.

two fundamental mechanisms through which well-being can be both produced and distributed (Esping-Anderson, 1990) they are naturally the principal locus of attention for those seeking to understand how different political outcomes affect quality of life (Radcliff, 2001).

At the most basic level, the issue at hand is whether to leave the generation and allocation of well-being to the “invisible hand” of the capitalist economy, or to make it at least in part subject to the political decisions of voters. Those favoring the latter ultimately do so because, as Lane (1978) puts it, markets are “indifferent to the fate of individuals.” Esping-Andersen summarizes the argument perfectly when he notes that while capitalism certainly has many positive aspects that doubtless do contribute to quality of life, in the end “the market becomes to the worker a prison within which it is imperative to behave as a commodity in order to survive” (1990: 36). As it is not controversial to suggest that human beings do not enjoy being reduced to a commodity, it seems equally unremarkable to suggest—if we accept the metaphor—that people’s lives are likely to be less rewarding the more they are subject to market forces. If so, “anti-market” policies should contribute to greater well-being to the extent that the critics of markets are correct in their socio-analysis of capitalism (for a review, see Radcliff, 2001).

Conversely, if the defenders of markets are right, we should observe precisely the opposite relationship: the political program of the left becomes a recipe for inefficiency and wastefulness, which will impose itself as costs on the population, so as to lower the general level of happiness. In this view, the state’s efforts at redistribution and provision fail because they actually reduce both the “quantity” and “quality” of well-being, relative to markets (for a discussion, see Veenhoven, 2000). This is because the welfare state not only displaces the church and family as sources of well-being, but also because it encourages “collectivization” with deleterious consequences for individual privacy,

freedom, and autonomy. In this interpretation, the greater the level of political intrusion into the market system, the less satisfying life becomes.

Put in the terms of American politics, these abstract arguments reduce to a tangible question: do liberal governments, and thus, presumably, liberal public policies, tend to produce greater or lesser amounts of well-being than their conservative equivalents? The “liberalism” of state governments has served as the dependent variable in some of the most familiar work in American politics (e.g. Key, 1949; Erikson, Wright, and McIver, 1993). We attempt to understand whether inter-state variation in policy liberalism is an appropriate independent variable for predicting quality of life.

### **Data and Method**

To address the questions posed above requires survey data that meets three substantive criteria: it has enough cases to examine the effects of state-level political factors, it includes an appropriate measure of satisfaction with life, and it contains a longitudinal dimension so as to examine change over time. The DDB Life Style Survey, the use of which in social science was popularized by Putnam (2000), meets those criteria. It contains a total of more than forty thousand respondents distributed over the 48 continental states, polled in yearly intervals from 1983 to 1998. It also contains a life satisfaction question which matches closely that used in the World Values Study, the Eurobarometer, and other datasets conventionally used in the literature: “I am very satisfied with the way things are going in my life these days” with the respondent offered six response categories representing increasing levels of agreement with the statement. This item forms our dependent variable.

### *Control Variables*

Before discussing the political variables that our principal interest, we first describe the control variables we utilize so as to be able to isolate political determinants. We begin with the standard battery of demographic items identified by prior research (e.g. Blanchflower, Oswald, and Warr, 1993): respondents income, education, employment status, gender, dummies for African-Americans and those of other races (leaving non-Hispanic whites as the reference category), age and age-squared (to account for the curvilinear relationship between age and satisfaction), dummies for those widowed, divorced, or married (leaving the single as the reference category), and church attendance. We also add a measure of the respondent's self-reported health given the strong correlation between such and subjective well-being (e.g. Frey and Stutzer, 2002).<sup>5</sup>

The above variables account for the individual-level factors. We also include a set of controls for aggregate level conditions. To account for the state of the economy, we include state per capita personal income and the state unemployment rate. We also include three sociological variables that might reasonably be thought not only to affect perceived quality of life, but also be collinear with the political variables we discuss presently: the size of the state population (measured in thousands of persons), its level of urbanization (in 1990, as a percentage of population), and its racial diversity (using the ratio of minority to white population as suggested by Hero and Tolbert, 1996).

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<sup>5</sup> Income is measured in fifteen categories in ascending order; education is highest level of education completed in six categories with higher values representing higher attainment; employment status is a dummy coded one if respondent is unemployed and zero otherwise; gender is coded one for females, two for males; church attendance is the frequency with which respondent attends "a church or other place of worship" in seven ascending categories; personal health is the survey item "I am in very good physical condition" with six response categories with higher values indicating greater agreement.

Two other contextual factors identified earlier remain to be considered. One of these, social capital, lends itself to an easy and obviously operationalization: Putnam's (2000) state level "Comprehensive Social Capital Index."<sup>6</sup> It is a composite of 14 items including topics of trust, sociability, volunteerism, engagement in public affairs, and community life; higher values indicate more social capital. The other, culture, is not so easily dispatched. While students of American politics are familiar with the idea of *political* culture (e.g. Elazar, 1984), the cross-national literature on life satisfaction has focused on a much wider, sociological interpretation of culture. This strand of the literature is perhaps best exemplified by Inglehart (1991), who conceives of variation across nations in levels of satisfaction with life as reflecting accumulated national experiences, absorbed in pre-adult socialization, that form a "national character." In this view, culture becomes the national equivalent of a relatively fixed personality, affecting the overall level of satisfaction in a country in precisely the same way that human individuals have personalities (or "set-points") that predispose them toward a given level of happiness. Thus, culture is typically controlled for in the obvious fashion: by fitting dummy variables for sets of nations thought to share similar cultures (e.g. Latin America, Scandinavia).<sup>7</sup> We adopt this approach by including dummies for each of the nine conventionally used regions of the US, excepting a reference category.<sup>8</sup>

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<sup>6</sup> The components making up this index are described in Putnam (2000, chp. 16) and taken from the "Bowling Alone" website <http://www.bowlingalone.com/data.php3> accessed on 15 January 2006).

<sup>7</sup> Others have sought to connect international differences in satisfaction with variation not in ideographic national cultures, but with particular cultural characteristics. By far the most successful of the latter is the effort to show that the fundamental dimension of importance is that between "individualistic" as opposed to "collectivist" a country is in its value orientations (e.g. Diener et al. 1995; Schyns, 1998; Veenhoven, 1996, 1997b; Radcliff, 2001). The basic distinction is between the prelevance of cultural norms that encourage citizens to define themselves as either essentially autonomous individuals or as members of nested superiorindate groups (e.g. family, religion, ethnicity, region, nation, etc.). In collectivist cultures, individual freedom is subordinated to the customs, practices, and perhaps needs of the reference group, with consequently greater emphasis on conformity and obedience to authority, and thus less freedom for

It should be noted that this approach is almost the most econometrically powerful method for isolating the variables of interest from un-modeled regional effects, whether attributable to culture or other factors. By fitting separate intercepts for each relatively homogenous region,<sup>9</sup> we account for all long-term, structural conditions that may cause the level of satisfaction to vary geographically.<sup>10</sup>

Finally, we include the year to account for possible secular trends in satisfaction over time. This precaution is especially recommended in light of evidence that levels of subjective well-being have been declining in the industrial world and in the United States in particular (Lane, 2000).

### *Political Variables*

Our basic hypothesis is that different constellations of political factors, as represented by specific public policies as well as the more general ideological orientations of governments, affects the quality of life that citizens experience. Our task is thus to provide variables that measure where a state's policy regimes falls in the conflict between "politics" and "markets." We attempt to do so by using a series of different plausible operationalizations, enumerated thus:

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individuals to lead lives that maximize their own personal satisfaction. The amount of "collectivism" of culture is surely not likely to show great variation across the American states. In any event, we are aware of no subnational measure of this concept, and presume it would, in any event, be adequately captured by the region dummies.

<sup>8</sup> The regions (using the standard Census Bureau classification) are New England, the Mid Atlantic, the East-North Central, the West North-Central, the South Atlantic, the East South-Central, the West South-Central, Mountain, and Pacific. In the analysis that follows, the Pacific (California, Oregon, and Washington) is the excluded reference category.

<sup>9</sup> Note that results are substantively identical if instead fitting dummies for nine categories of cultural zones identified by Elazar (1984) as opposed to the more conventional geographical zones discussed in note 8.

<sup>10</sup> Note also that, as Hero and Tolbert (1996) discuss, their diversity measure may itself also be considered as a measure of political culture, to the extent that concept is of interest in this context. We also attempted to consider the possible influence of political culture per se by including in the models reported below Sharkansky's (1969) interval level operationalization of Elazar's original (1966) categorization of political culture; the inclusion of this variable never affected the reported results and itself never approached statistical significance. See also note 8 for results using dummy variables for the nine types of political culture identified by Elazar (1984).

*Welfare spending:* We utilize two measures. The first, available in time serial form, is total per capita transfer payments from governments (local, state, federal) in real thousands of dollars.<sup>11</sup> The second, available only cross-sectionally, is an index of the stringency of state eligibility (and level of funding) for TANF, the nation's most important, and thus most commonly studied, welfare program (from Gray et al. 2002); higher values indicating more liberal (i.e. less stringent) policies.

*Pro-Market Policy Index:* Byars, McCormick, and Yandle (1999) have created several indices of "economic freedom" based upon an analysis of state policies. We utilize their recommended, overall summary measure. This combines (through factor analysis) 48 individual indicators assessing the how conservative are state policies in five broad categories: taxation (which "represents a government confiscation of private resources and is therefore a violation of economic freedom"), regulation (especially that which "set standards for employment and worker safety"), litigation procedures (as they relate to how "the structure of a state's judiciary system...encourages frivolous law suits and presents abnormally large awards that overcompensate harmed parties"), the size of government (given that "the portion of a state's consumption and production that is publicly—democratically—allocated" is inversely proportional to "economic freedom"), and, of course, welfare spending (as this represents the extent to which "government is directly engaged in the direct redistribution of income"). It is essential to note that this measures, like similar indices regularly offered by the Fraser Institute or the Heritage Foundation for nation-states are, as one labor economist observes, transparently measures of how much "private businesses and investors are relatively unfettered by government

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<sup>11</sup> Data are from the Bureau of Economic Analysis accessed on 15 April 2006 at <http://www.bea.gov/beat/regional/spi/>.

policies, rules, or practices” (Stanford, 1999). Put differently, they are measures of economic “freedom” as seen from the ideological vantage point of view of business, i.e. from the market. As such these kinds of variables make ideal summary measurements of the main theoretical variable interest: the extent to which “politics” have displaced “markets.” Higher values indicate less a greater level of political intrusion into markets (i.e. less “economic freedom” in the form of more liberal public policies).

*Government Ideology:* we use the cumulative average (up to the year of the observation) of the index of the ideology of state governments using updated data developed Berry et al. (1998.). Higher values indicate more liberal governments.<sup>12</sup> We use the cumulative value, as this best represents the general, long-term pattern of governmental ideology. In this we follow Radcliff (2001), who argues that a similar measure (the cumulative share of cabinet seats held by left parties) shows a strong relationship with satisfaction across countries.

*Party Control of Government:* we utilize the cumulative percentage of the state legislature controlled by the Democratic Party (Klaner, n.d.).<sup>13</sup> As the Democratic Party is at least nominally more disposed toward liberal policies than the Republican alternative, the greater their share of time in government the less conservative may we expect the state’s policy regime to be. We use again using the cumulative value to the year of the observation, as with state government ideology.

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<sup>12</sup> Berry, William D., Evan J. Ringquist, Richard C. Fording, and Russell L. Hanson. *Measuring Citizen and Government Ideology in the United States* (ICPSR Study #1208).

<sup>13</sup> Klarner, Carl. “State Partisan Balance 1959-2000.” Accessed on 15 April 2006 at [http://www.unl.edu/SPPQ/journal\\_datasets/klarner\\_data/1959\\_2000Short.xls](http://www.unl.edu/SPPQ/journal_datasets/klarner_data/1959_2000Short.xls).

### *Estimation Technique*

Estimation is with Huber-White robust standard errors, correcting for the pooled structure of the data (i.e. state-clustered). This procedure yields estimates that are robust to both between-state heteroscedasticity and within-state correlation (i.e. robust to error terms being neither identically distributed nor independent).<sup>14</sup> The dummy variables, as noted previously, further control for the pooled structure of the data.

### **Analysis**

Having discussed operationalizations and models at some length, the empirical results may be presented more briefly. Table I presents the estimates for the two welfare spending variables. As is apparent from column (a), per capita transfer payments is significant and positive, suggesting that higher levels of spending are associated with greater levels of life satisfaction.<sup>15</sup> The same conclusion applies (column b) to spending on the TANF, the nation's most important and costly welfare program. In sum, the greater the state's effort at income maintenance through transfers, the better quality of life is.

Turning to the summary indices of how pro-market are the state governments' policies tells a similar story. As documented in Table II, state policy on "economic freedom" shows the expected result. The coefficients are positive and significant, suggesting that the less friendly policies are to the free market ideal, the more satisfied

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<sup>14</sup> By using OLS we implicitly assume a constant distance between response categories, and thus treat the dependent variable as interval rather than ordinal. This approach is typical in the social psychology literature on satisfaction (e.g. Headey, 1993). However, the models reported below produce substantively identical results when using ordered probit; the principle effect of using this method is to further improve the statistical significance of the variables of interest. Results are again substantively identical when utilizing HLM. We report the results of the simpler estimation technique as they are more readily interpretable.

<sup>15</sup> Results are substantively identical when considering a common alternative formulation (welfare "effort"), which accounts for the relative purchasing power of such payments by dividing per capita payments by state per capita income.

citizens are with the quality of their lives. The more “economic freedom,” which is to say, the less the state intervenes in the economy through regulation, taxation, spending, and law, the less people evaluate their lives positively. Stated differently, the more political intervention in market relationships, the happier people tend to be.

Table III presents the results for the ideological and partisan composition of state governments. As evident in column (a), the coefficient for the liberalism of state governments shows the same positive and significant relationship as with prior results, implying that the more liberal are state governments, the higher are levels of satisfaction with life. The same applies to party control of government, as seen in column (b): the greater the long-term level of Democratic control of the state legislature, the greater the level of subjective well-being.

Perhaps the most instructive way to interpret the substantive, rather than statistical, significance of these results is to compute the predicted change in satisfaction when moving across the observed range of the independent variables of interest (i.e. between the largest and smallest observed values), and then comparing this value to the estimated effect of the individual level factors commonly agreed to be the strongest predictors of well-being: whether the respondent is unemployed, and whether they are married (or living as married). The strongest effect is found when applying this approach to the effect of total transfer payments, which suggests that moving from the lowest to the highest level of spending increases predicted satisfaction by about the same value as unemployment, and about twice that of marriage. For the other models, the predicted change is smaller: for each model, about half the effect of personal unemployment and

about the same effect of being married. Even these more modest values still suggest that the political variables have substantial effects on quality of life.

One might naturally expect that policy liberalism benefits primarily those at lower levels of income. To assess this possibility, we add an interaction between individual income and the policy measures, as provided in Table IV. In each case, the interaction term is negative, suggesting that indeed the positive benefits on satisfaction from less market friendly policies decline with income. However, in two of the five models (for TANF and partisan control of government) the interactions do not approach statistical significance. Moreover, for the three cases in which they are significant, an interpretation of the magnitude of the coefficients shows that the fall-off across income categories is relatively modest. This is most easily seen by computing the point in the income range at which the effect of the policy variable becomes zero (for the three variables in which the interaction term is distinguishable from zero): for transfer payments is the at the 14<sup>th</sup> highest income group (that is, for the top 4.8% of income earners), for “economic freedom” the 11<sup>th</sup> category (11% of the sample), for government ideology, the 12<sup>th</sup> (7% of respondents). Thus, while the effect of liberal policies does seem to decline with income, only those at the very top of the income distribution fail to benefit from such policies. In sum, for the vast majority of citizens, quality of life is improved by an activist state that attempts to minimize the inequalities of the market.<sup>16</sup>

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<sup>16</sup> We ideally would like to replicate these results using an alternative measure of subjective well-being. The most conventional of these is happiness, but the DDB data do not contain such a variable in enough years to be useful. As an alternative, we applied factor analysis to satisfaction and four other variables that are might be thought to reflect well-being (“I wish I could leave my present life and do something entirely different,” “If I had my life to live over, I would sure do things differently,” “I dread the future,” and “Our family income is high enough to satisfy nearly all our important desires”). These fit nicely on a single dimension, and similar results obtain when substituting the factor scores for satisfaction (with the exception of those in Table II, which are not strictly significant).

## Discussion

The principal empirical conclusions emerging from the analysis are clear: life satisfaction varies directly with the ideological complexion of state policies and governments. This conclusion obtains when controlling for individual level characteristics, economic conditions, racial diversity, social capital, and culture.

In elaborating on the implications of these results it may be helpful to begin by noting what they do *not* imply. First, they do not provide any overall judgment on whether generous welfare policies are good or bad; whether liberal or conservative, Democratic or Republican, governments are superior; or whether, in sum, human life is best served by the state taking an expansive or minimal role in economic management. These questions are inherently both normative and ideological. As such, they do not have empirical “answers.” We make no pretense of offering any.

That said, our results, taken on their face, certainly do have implications for our empirical understanding of subjective well-being. However, we would again begin by noting what they cannot be construed as suggesting, viz. that a market economy is inimical to well-being. On the contrary, it seems certain that capitalist economies are superior producers of well-being than prevailing non-market alternatives (e.g. Veenhoven, 2000). Our findings within the American states, moreover, are constrained by the context of the basic, pro-market contours of the US national economy. The least market-friendly of the American states remain, by international standards, paragons of free market practices. Thus, the essential point of the analysis is not that the market inhibits well-being, but rather that, within the context of a capitalistic economy, political interventions that attempt to redress market deficiencies tend to produce greater levels of

human happiness. Our results thus do not indict the market as it affects satisfaction with life, but suggest instead that the quality of human life is best when the inequalities and uncertainties of the market are mitigated by state intervention acting in the interests of workers and citizens. Our results might thus be most easily summarized by suggesting that it is “compassionate capitalism” that seems most consistent with well-being.

The importance of the present findings is, however, also best seen when considered within the highly limited context of variation in the extent of regulation and public spending across the states. Radcliff (2001, 2005) has argued that the huge differences in policy regimes across the industrial democracies affect subjective appreciation of life in much the same way as we have found for the American states: the greater the role of the political vs. the market in the production and distribution of well-being, the greater satisfaction with life is. Such a contention is easily understood when considering countries as desperate as the social democracies of Scandinavia, at one extreme, and the liberal democracies such as the United States and Japan at the other. To find, as we have, that similar differences emerge when considering the comparatively modest variation in the political intervention in the economy that exist across the American states is more startling, suggesting as it does that even very small differences in the ideological orientations of governments can have profound impacts on the degree to which citizens evaluate their lives positively. Thus our fundamental conclusion is that politics emphatically does matter for what is arguably the most fundamental issue in social science: identifying the conditions that make human life rewarding.

Such a contention must be considered good news for proponents of democracy, whatever their ideological preferences. The choices made by voters in choosing

governments, and the subsequent policy decisions those governments undertake, do have important consequences. Democracy, then, matters.

Our findings may also be welcome in the professional sense by vindicating, in at least some small way, mainstream “behavioral” research in political science from the familiar, if tiresome, complaint that what we study is without significant relevance to the world and its problems. Thus, to return to the issue with which the paper began, our results suggest that the usual suspects in the empirical study of democratic theory and practice—public policies and electoral outcomes, and thus all the myriad factors (mass participation, party politics, public opinion, interest groups, legislative behavior, etc.) which in turn determine such—do indeed matter, in the most basic sense of affecting meaningfully the lives of ordinary people.

Our findings also have implications for the academic study of subjective well-being. Most obviously, we offer further evidence in support of the disputed contention that welfare policies and the general ideological complexion of governments affect quality of life. More importantly, perhaps, this fact in turn has implications for our theoretical understanding of what determines well-being. We would argue that the evidence presented here suggests more than we add another variable to list of those thought to affect quality of life. By demonstrating that public (i.e. democratic) “intrusion” into the market improves life satisfaction, we hope to focus scholarly attention on the basic question of theoretical approaches to modeling the determinants of well-being. The conventional approach in psychology and economics is to implicitly, and perhaps unconsciously, assume that society is composed only of individual persons, who happen to vary in their many individual-level characteristics but who remain largely

undifferentiated by macro-level conditions aside from (a) the level of affluence and (b) culture. Thus, in the much cited (868 times as of this writing), nearly encyclopediac review of the “Three Decades of Progress” in the study of subjective well-being by Diener et al. (1999) these are the only two societal factors discussed. To be sure, more recent work, reviewed previously, has touched upon macro-conditions in general (e.g. social capital), and political conditions in particular (e.g. democratic institutions). But the fact remains that far too little attention has been devoted to theorizing about how socio-political conditions determine quality of life. In demonstrating the importance of political outcomes, we highlight the need for richer theories that incorporate such factors.

The present study may also point toward the direction such theorizing might take. By illustrating that welfare spending, labor market regulation, and other political interventions into the economy affect well-being, we also suggest the centrality of the market economy itself. As Lindblom (1976) has persuasively argued, we tend as social theorists to take the market for granted, in the sense of considering it to be a fixed characteristic--almost a natural force of nature, akin to gravity. Instead, we need to be cognizant of the fact that the market is a variable, in the sense that it varies both in its existence but also in its character. There are, as is commonly accepted, different “flavors” of capitalist democracy (e.g. Esping-Anderson, 1990; Huber, Reueschemeyer, and Stephens, 1997). Variations in the nature of the market system across time and space would appear to be essential elements in any understanding of life satisfaction.

Similarly, it maybe the market system itself, in its defining characteristics, may also warrant attention as *the* central institution of contemporary society. Whatever their ultimate judgment on capitalism, from advocates (such as Adam Smith or Milton

Friedman) to opponents (e.g. Marx or Bourdieau?) to those who are both (say, J.S. Mill or even Rawls), social theorists widely agree that once introduced, the market ultimately comes to permeate the entire social order (for extensive and insightful reviews, see Lane, 1991, 2002). Thus, as Heilbroner (1985: 79) succinctly expresses this point, the market has become society's "central organizing principle" so that it profoundly "influences all aspects of the social formation, whether these are concerned with material life, justice and the social order, or custom and belief." It consequently takes no great insight to suggest that any theory of human well-being should include the nature and logic of the market as explanatory factors. We thus close with the contention that our understanding of quality of life, and the mechanisms that enhance or diminish it, must be based upon an understanding of how the market system, as the principal institution structuring the modern world, affects the happiness of the people who lives it largely defines.

Table I:  
**Life Satisfaction and Welfare Policy**

	(a)	(b)
<b>Political Variables</b>		
Transfer payments	1891.97*** (450.02)	n/a
TANF policy	n/a	.016* (.012)
<b>Individual Level Factors</b>		
Income	.078*** (.002)	.078*** (.002)
Education	.011* (.006)	.012** (.006)
Respondent unemployed	-.431*** (.042)	-.431*** (0.421)
Sex	.076*** (.014)	.076*** (0.144)
Age	-.056*** (.033)	-.0556*** (.003)
Age squared	.001*** (.000)	.001*** (0.00)
Health of respondent	.210*** (.005)	.211*** (.005)
Widowed	.0438 (.042)	.0432 (.041)
Divorced	-.136*** (.041)	-.137*** (.044)
Married	.198*** (031)	.198*** (.031)
Church attendance	.043*** (.003)	.043*** (.003)
<b>State level variables</b>		
State unemployment rate	.022*** (.005)	-.0137** (.006)
African-American	-.373*** (.034)	-.372*** (.033)
Other-non white	-.033* (.019)	-.034* (.018)
State income	.000 (.000)	-.000 (.000)
State population	.000** (.000)	-.000** (.000)

Year	-.027*** (.002)	-.019*** (.002)
New England	-.172** (.066)	-.135** (.060)
Mid-Atlantic	-.186** (.031)	-.132*** (.033)
East North Central	-.049* (.022)	.031 (.020)
West North Central	-.118*** (.033)	-.112*** (.033)
South Atlantic	-.055** (.025)	-.025* (.039)
East South Central	-.062* (.046)	-.031 (.056)
West South Central	-.035 (.034)	-.057* (.032)
Mountain	-.029 (.040)	-.048 (.047)
Racial diversity	.147 (.132)	.033 (.030)
Social capital	.043* (.027)	.026 (1.24)
Urbanization	-.000 (.001)	-.000 (.001)
Constant	56.866** (4.993)	42.169** (3.951)
Observations	48440	48440
R-squared	0.1311	0.1309
<p>Entries are unstandardized regression coefficients (Robust standard errors in parentheses)  * significant at .10; **significant at .05 level; *** significant at .01 level</p>		

Table II:  
Life Satisfaction and Economic Freedom

<b>Political Variables</b>		
Pro-market policies	.0261* (.018)	
	n/a	
<b>Individual Level Factors</b>		
Income	.0783*** (.002)	
Education	.0116* (.006)	
Respondent unemployed	-.431*** (.042)	
Sex	.076*** (.014)	
Age	-.056*** .003	
Age squared	.001*** (.000)	
Health of respondent	.210*** (.005)	
Widowed	.044 (.042)	
Divorced	-.136*** (.041)	
Married	.198*** (.031)	
Church attendance	.043*** (.003)	
<b>State level variables</b>		
State unemployment rate	-.013** (.006)	
African-American	-.373*** (.034)	
Other-non white	-.036* (.019)	
State income	-.000 (.000)	
State population	-.000* (.000)	

Year	-.019*** (.002)	
New England	-.120** (.062)	
Mid-Atlantic	-.133*** (.026)	
East North Central	-.023 (.027)	
West North Central	-.074* (.039)	
South Atlantic	-.019 (.042)	
East South Central	-.0296 (.050)	
West South Central	-.029 (.036)	
Mountain	-.013 (.052)	
Racial diversity	.056 (.144)	
Social capital	.022 (.033)	
Urbanization	-.000 (.001)	
Constant	41.160*** (4.145)	
Observations	48440	
R-squared	0.1309	
<p>Entries are unstandardized regression coefficients (Robust standard errors in parentheses) significant at .10; **significant at .05 level; *** significant at .01 level</p>		

Table III:  
**Life Satisfaction, Ideology and Party in Government**

	(a)	(b)
<b>Political Variables</b>		
Government Ideology	.002*** (.001)	n/a
Democratic Party Control	n/a	.002** (.000)
<b>Individual Level Factors</b>		
Income	.078*** (.002)	.078*** (.002)
Education	.012* (.006)	.012* (.006)
Respondent unemployed	-.431*** (.042)	-.431*** (.042)
Sex	.075*** (.0145)	.077*** (.014)
Age	-.056*** (.003)	-.056*** (.003)
Age squared	.001*** (.000)	.001*** (.000)
Health of respondent	.211*** (.005)	.210*** (.005)
Widowed	.044 (.042)	.043 (.042)
Divorced	-.137*** (.041)	-.136*** (.042)
Married	.198*** (.031)	.199*** (.031)
Church attendance	.043*** (.003)	.043*** (.003)
<b>State level variables</b>		
State unemployment rate	-.015** (.006)	-.014** (.006)
African-American	-.373*** (.033)	-.376*** (.033)
Other-non white	-.037* (.019)	-.036* (.019)
State income	-.000 (.000)	-.000 (.000)
State population	-.000 (.000)	-.000* (.000)

Year	-.01*** (.002)	-.020*** (.002)
New England	-.126** (.062)	-.145** (.066)
Mid-Atlantic	-.121*** (.022)	-.110*** (.022)
East North Central	-.011 (.023)	-.032* (.023)
West North Central	-.082*** (.030)	-.094*** (.0289)
South Atlantic	-.050 (.035)	-.046 (.037)
East South Central	-.054 (.050)	-.058 (.048)
West South Central	-.053* (.027)	-.062** (.030)
Mountain	-.005 (.044)	-.017 (.047)
Racial diversity	.108 (.141)	.035 (.157)
Social capital	.032 (.023)	.046* (.030)
Urbanization	-.000 (.001)	-.000 (.001)
Constant	40.941*** (4.110)	42.446*** (3.924)
Observations	48440	48023
R-squared	0.3699	0.1312
<p>Entries are unstandardized regression coefficients  (Robust standard errors in parentheses)  significant at .10; **significant at .05 level; *** significant at .01 level</p>		

Table IV:  
**Life Satisfaction and Interaction between Income and Political Variables**

	(a)	(b)	(c)	(d)	(e)
<b>Interaction Terms with Income</b>					
Transfer payments	-.015*** (.004)	n/a	n/a	n/a	n/a
TANF policy	n/a	-.001 (.002)	n/a	n/a	n/a
Economic freedom	n/a	n/a	-.006*** (.002)	n/a	n/a
Government Ideology	n/a	n/a	n/a	-.000** (.000)	n/a
Democratic Party Control	n/a	n/a	n/a	n/a	-.000 (.000)
<b>Individual Level Factors</b>					
Income	.106** (.008)	.078*** (.002)	.110*** (.011)	.097*** (.008)	.092*** (.012)
Education	.011* (.006)	.011* (.006)	.011* (.006)	.012* (.006)	.012* (.006)
Respondent unemployed	-.431*** (.042)	-.432*** (.042)	-.432*** (.042)	-.430*** (.042)	-.430*** (.042)
Sex	.076*** (.014)	.076*** (.014)	.076*** (.014)	.076*** (.014)	.077*** (.014)
Age	-.056*** (.003)	-.056*** (.003)	-.056*** (.003)	-.056*** (.003)	-.056*** (.003)
Age squared	.001*** (.000)	.001*** (.000)	.001*** (.000)	.001*** (.000)	.001*** (.000)
Health of respondent	.210*** (.005)	.210*** (.005)	.210*** (.005)	.211*** (.005)	.210*** (.005)
Widowed	.044 (.042)	.043 (.042)	.044 (.042)	.044 (.042)	.043 (.042)
Divorced	-.135*** (.041)	-.137*** (.041)	-.136*** (.041)	-.136*** (.041)	-.136*** (.042)
Married	.200*** (.031)	.198*** (.031)	.200*** (.031)	.199*** (.031)	.199*** (.031)
Church attendance	.043*** (.003)	.043*** (.003)	.043*** (.003)	.043*** (.003)	.043*** (.003)
<b>State level variables</b>					
Transfer payments	.211*** (.035)	n/a	n/a	n/a	n/a
TANF policy	n/a	.025* (.015)	n/a	n/a	n/a

Pro-market policies	n/a	n/a	.063*** (.022)	n/a	n/a
Government Ideology	n/a	n/a	n/a	.004*** (.001)	n/a
Democratic Party Control	n/a	n/a	n/a	n/a	.003** (.001)
State unemployment rate	-.019*** (.006)	-.013** (.006)	-.012* (.006)	-.014** (.006)	
African-American	-.373*** (.034)	-.372*** (.034)	-.371*** (.033)	-.372*** (.034)	-.377*** (.033)
Other-non white	-.035* (.019)	-.035* (.019)	-.036* (.019)	-.037* (.019)	-.036* (.019)
State income	-.000 (.000)	-.000 (.000)	-.000 (.000)	-.000* (.000)	-.014** (.006)
State population	-.000** (.000)	-.000** (.000)	-.000* (.000)	-.000* (.000)	-.000* (.000)
Year	-.026*** (.000)	-.019*** (.002)	-.020*** (.002)	-.019*** (.002)	-.020*** (.002)
New England	-.169*** (.066)	-.134** (.060)	-.118* (.061)	-.121** (.059)	-.143** (.065)
Mid-Atlantic	-.184*** (.033)	-.132*** (.027)	-.132*** (.026)	-.117*** (.023)	-.109*** (.022)
East North Central	-.054** (.022)	-.031 (.020)	-.023 (.027)	-.009 (.022)	-.030* (.023)
West North Central	-.120*** (.033)	-.111*** (.033)	-.071* (.038)	-.077*** (.029)	-.093*** (.029)
South Atlantic	-.059** (.026)	-.026 (.040)	-.016 (.042)	-.045* (.034)	-.042 (.036)
East South Central	-.060 (.047)	-.030 (.057)	-.024 (.050)	-.048 (.049)	-.056 (.047)
West South Central	-.039 (.032)	-.057* (.032)	-.028 (.036)	-.049* (.027)	-.062** (.030)
Mountain	-.035 (.041)	-.047 (.047)	-.011 (.052)	-.000 (.044)	-.014 (.046)
Racial diversity	.139 (.138)	.033 (.154)	.061 (.142)	.117 (.135)	.034 (.155)
Social capital	.039* (.028)	.0261 (.030)	.022 (.032)	.035 (.029)	.049* (.030)
Urbanization	.000 (.001)	.000 (.001)	.000 (.001)	-.000 (.001)	-.000 (.001)
Constant	55.947*** (5.035)	42.156*** (3.951)	40.946*** (4.127)	40.912*** (4.111)	42.440*** (3.900)
Observations	48440	48440	48440	48440	48023
R-squared	0.1312	0.1310	0.1311	0.1312	0.1312
Entries are unstandardized regression coefficients(Robust standard errors in parentheses) * significant at .10; **significant at .05 level; *** significant at .01 level					

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