Warsaw Forum of Economic Sociology 6:2(12) Autumn 2015
Warsaw School of Economics; Collegium of Socio-Economics; Institute of Philosophy, Sociology and Economic Sociology

Inequality Hurts Happiness

Okulicz-Kozaryn Władysław*

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.

The U.S. Declaration of Independence

Abstract
Income inequality and its potential effect on human wellbeing is one of the key research areas in social science. Likewise, there is a lively debate about the optimal degree of government intervention to ensure wellbeing of citizens. The paper investigates impact of inequality and welfare on happiness in a panel of West European countries from 1970 to 2002, taking into account both individual and country-level variables. The results suggest that inequality hurts our wellbeing. Welfare states are happier than countries with limited welfare. Public policy implications are discussed.

Keywords: Life Satisfaction, Happiness, Inequality, Welfare

Introduction

The idea that government should promote happiness dates back to Adam Smith, Jeremy Bentham, and even ancient philosophers (Rasmussen 2006; Kahneman et al., 1997; Nussbaum 2005). Most agree that democracy and market economy are better for people than autocracy and centrally planned economy. The question remains,

* Rutgers University, adam.okulicz.kozaryn@gmail.com

however, how much inequality there should be? How much governments should intervene to ensure equality and wellbeing of its citizens? Answers to these questions fall along political lines. The extent of welfare state or income redistribution is a hotly debated topic. People (especially politicians) disagree about what is a just world: 'Welfare reform should not punish people because they happen to be poor' (Bill Clinton)[1]; 'We should measure welfare's success by how many people leave welfare, not by how many are added' (Ronald Reagan)[2]. In fact, all shades of political ideology from far Left through moderates to far Right claim to have the prescription for increasing people wellbeing. This study shows in a panel of West European market democracies that inequality is associated with low wellbeing.

There is a problem with aggregation of individual preferences to collective policies. Importantly, people tend to think of money in absolute, rather than relative terms. That is, a person understands that her income affects her wellbeing; but she often misses the point that income distribution affects her wellbeing as well[3]. The question is how we chose public policies if voters tend to mispredict what will make them happy. Should policy makers be responsive to voters even if they are not right? Bok (2010) argues that policy makers should be responsive to their constituencies, and it is the task for scholars to educate the public on what is good for wellbeing. This study attempts to do that.

Equality, Welfare and Wellbeing

The relationship between equality, welfare and wellbeing has important policy implications. For instance, current health reform in the U.S. is assumed to increase people's wellbeing (Blanchflower 2009) – that is why we spend tax money. Derek Bok (2010) advocates public policies for happiness that promote less inequality and more welfare: better public health care, education, and pension systems. Welfare lessens inequality because it redistributes income, provides extended government services and protects people from the externalities of market economy such as unemployment.

1 http://www.heritage.org/research/reports/2002/07/welfare-quotes-they-said-it

2 http://rsc.scalise.house.gov/news/documentsingle.aspx?DocumentID=234113

3 This is curious, because we compare income and consumption quite consciously all the time– for instance see Okulicz-Kozaryn (2014b), Okulicz-Kozaryn and Tursi (2015). But at the same time we somehow miss the effect of income distribution on our wellbeing.

Joseph Stiglitz and Amartya Sen in a recent Report by the Commission on the Measurement of Economic Performance and Social Progress argue along the same lines (2009: 26).

And while one can argue about the contribution of collective services to citizens' living standards, individual services, particularly education, medical services and public sports facilities, are almost certainly valued positively by citizens.

Welfare's contribution to wellbeing is due to 'livability'–degree to which collective provisions and demands fit with individual needs and capacities. Livability theory, as the name indicates, proposes that 'livable' conditions result in happiness–if human needs are satisfied, happiness follows. Livability theory predicts that the objective quality of life is associated with happiness (Diener et al. 1993, Veenhoven 1991, Veenhoven and Ehrhardt 1995). Yet welfare does not necessarily increase happiness (Veenhoven 2000, Bjornskov et al. 2007). Monopolism of the state can drive out other welfare services–monopoly can become a toy of politicians, not necessarily economically reasonable and efficient (Veenhoven and Ehrhardt 1995). For instance, according to Thomson Reuters, U.S. health care system wastes 600 to 850 billion every year due to inefficient administration[4]. Welfare may decrease people's motivation–income redistribution may reduce economic growth and people are happier in wealthier nations than in welfare nations (Veenhoven and Ehrhardt 1995). Bjornskov et al. (2007) show that happiness decreases with size of government analyzing World Values Survey data in a cross-section of 74. Government officials aim to be reelected not to run things as they should. According to public choice theory, politicians are sensitive to special interest groups and to lobbyists, and hence, their actions have little to do with efficiency (Becker 1983). Brooks (2008) argues that income inequality predicts greater overall happiness, and that it is not inequality but lack of mobility that makes people unhappy. Wilkinson and Pickett (2006, 2010) argue the opposite: the inequality predicts misery, not happiness[5]. And there is some evidence that income inequality is harmful for health – for a recent review see Kondo et al. (2009).

Measurement of welfare is critical – different researchers operationalize welfare state differently. Bjornskov et al. (2007), for instance, use government consumption. But government consumption measure is simply consumption expenditure at all government levels, and as authors acknowledge, it does not measure welfare precisely. Esping-Andersen (1990) thinks of labor as of a commodity, and hence a notion of 'decommodification'–'labor is decommodified to the degree to which individuals or

[4] http://www.reuters.com/article/idUSTRE59P0L320091026

[5] Note, however, that Wilkinson's work has been criticized for cherry-picking (Economist 2012).

families can uphold a socially acceptable standard of living independent of market production'(Esping-Andersen 1990: 37)[6]. Esping-Andersen (1990: 36) goes on to argue that 'the market becomes to the worker a prison within which it is imperative to behave as a commodity in order to survive'. Lane (2000) contends that markets are indifferent to the fate of individuals and that markets make people unhappy. Radcliff (2001) follows the thought: 'I argue that the principal political determinant of subjective wellbeing is the extent to which a program of "emancipation" from the market is "institutionalized" within a state'.

But this 'individual misery' created by hard work may make societies happy through economic progress (Rasmussen 2006). For instance, Americans are happy to work long hours and they think that hard work will ultimately result in success (Okulicz-Kozaryn 2011b). It is mindful challenge, not mindless hedonism that results in happiness (Csikszentmihalyi 1991). Economists have traditionally argued that increasing wealth of nations, rather than welfare should be the goal of public policy making, even though it may have short-run externalities on citizens. Finally, to have welfare, we need money that come from economic growth. The evidence as to whether welfare produces wellbeing is so far mixed as discussed above, but there is clear evidence that national income in cross-section of countries is associated with greater wellbeing–there is at least a quadratic relationship, and if income is measured in log scale there is a linear relationship (for a recent literature review see Clark et al. 2008)[7]. Then the goal of policymakers, economists argue, should be to increase national income not the welfare. There is some evidence that welfare hampers economic growth, creates dependency culture, decrease productivity and innovation (for overview see Alesina and Glaeser (2004). For a study about the effect

[6] Decommodification index encompasses three primary dimensions of the underlying concept: the ease of access to welfare benefits, their income-replacement values, and the expansiveness of coverage across different statuses and circumstances. A complex scoring system is used to assess (the amount of decommodification provided by) the three most important social welfare programs: pensions, sickness benefits, and unemployment compensation. The scoring system reflects the 'prohibitiveness' of conditions for eligibility (e.g., means testing), the distinctiveness for and duration of entitlements (e.g., maximum duration of benefits), and the degree to which benefits replace normal levels of earnings. The indices for these three types of...programs are then aggregated into a combined [additive] index. It should be noted that the individual indices are weighted by the percent of the relevant population covered by the given programs. Each dimensional index is built from multiple indicators (e.g., five for old age pensions, four each for sickness and unemployment) reflecting the concerns noted above' (Pacek and Radcliff 2008: 183).

[7] There is no relationship between national income and wellbeing in time series data due to Easterlin paradox, but that is a different story–there are adaptation and social comparison effects.

of inequality on wellbeing in Europe and the US see Alesina et al. (2004) – inequality upsets European happiness more than it does American happiness.

While increasing income increases happiness more for the poor than for the rich (Diener et al. 1993), taking money from one group and giving to another may create more distress than happiness, because people are averse to losses (Kahneman and Tversky 1979). Government should rather prevent misery than create happiness. One way to do it is to enable income mobility (Brooks 2008). Adam Smith (quoted in Rasmussen, 2006: 314) said 'Pain ... almost always, depresses us much more below the ordinary, or what might be called the natural state of our happiness, than [pleasure] ever raises us above it'. Increasing income (but also welfare) stimulates needs. Durkheim puts it this way: 'The more one has the more one wants, since satisfactions received only stimulate instead of filling needs'(Durkheim [1895] 1950: 110). In 1987 the income that Americans felt would satisfy their needs was $50,000, but in 1996 it was $90,000 in constant dollars (Bok 2010: 13). The bottom 10% on the income ladder now enjoy better standard of living than all but the top 10% in 1900 (Bok 2010: 68). Still, the happiness level in the U.S. remains flat as famously shown by Easterlin (1974).[8] For a recent overview of the relationship between equality, welfare and wellbeing see Okulicz-Kozaryn (2015b), Okulicz-Kozaryn et al. (2014).

Happiness

Social scientists have recently recognized (e.g., Stiglitz et al. 2009, Diener 2012, Easterlin 2013) that there is a need to study happiness simply because it is happiness and not income or consumption that is the ultimate goal of broadly understood development.

Happiness is an interdisciplinary subject. It is studied most in psychology, and recently in economics. This interest in happiness, however, has not been substantial in sociology. Arguably, the reason is professional or ideological bias, for discussion see Veenhoven (2008). Sociologists are interested in social problems such as anomie, alienation, and discrimination. Sociologists are interested in the opposite of happiness, for instance, deprivation, suffering, and suicide. A similar preoccupation with negative exists in psychology, but was recently countered by positive psychology movement. Led by Martin Seligman, psychologists are slowly realizing that in

[8] Most recent data show, if anything, a slight dip in the average happiness for the U.S. over time.

addition to preventing misery, it is worthwhile to increase happiness (Seligman et al., 2005; Diener and Seligman 2004; Seligman 2004).

The key advantage of happiness yardstick is that it overcomes difficulty of measuring utility in social welfare. It is an overall measure in a sense that it captures (imperfectly, of course) everything that affects our lives. It takes into account each person's own weighting. For more discussion see Diener (2009), Okulicz-Kozaryn (2011a).

Happiness is typically measured with a survey item such as 'On the whole, are you very satisfied, fairly satisfied, not very satisfied, or not at all satisfied with the life you lead?' and it ranges from say '1=not at all satisfied' to '4=very satisfied'. Diener and Lucas (quoted in Steel et al. 2008: 142) defined happiness as people's evaluations of their lives, which include 'both cognitive judgments of one's life satisfaction in addition to affective evaluations of mood and emotions', which is virtually the same as Veenhoven's (2008: 2) definition: 'overall judgment of life that draws on two sources of information: cognitive comparison with standards of the good life (contentment) and affective information from how one feels most of the time (hedonic level of affect)'. Some scholars make a distinction between happiness and life satisfaction–life satisfaction refers to cognition and happiness refers to affect. For instance, life satisfaction can be conceptualized as a cognitive aspect of happiness (Dorahy et al. 1998). In practice, however, it is usually difficult if not impossible to separate the two concepts. Hence, the overall happiness definition by Veenhoven (2008), as quoted above, seems most appropriate and I will use terms 'happiness' and 'life satisfaction' interchangeably.

The happiness measure, even though self-reported and subjective, is reliable (precision varies) and valid (Myers 2000; Di Tella and MacCulloch 2006). The survey-based life satisfaction measure is closely correlated with similar objective measures such as brain waves (Layard 2005). Unhappiness strongly correlates with suicide incidence and mental health problems (Bray and Gunnell 2006). Happiness not only correlates highly with other non-self reported measures, but also does not correlate with measures that are not theoretically related to it: happiness has discriminant validity (Sandvik et al. 1993).

The concept of happiness is intuitively understood by almost everyone (Clark et al. 2008). For a more recent and very through statement of happiness measure validity and reliability see Diener (2009: especially ch. 5). Likewise, Diener (2009) provides a good discussion of why potential problems with happiness are not serious enough to make it unusable for public policy – see especially ch. 6. These potential problems include genetic determination of happiness (Lykken and Tellegen 1996), adaptation (Brickman et al. 1978), various comparisons (Michalos 1985).

Data

Following political comparative research practice this study uses fairly homogeneous set of West European market democracies[9]. Life Satisfaction is measured with the following question: 'On the whole, are you very satisfied, fairly satisfied, not very satisfied, or not at all satisfied with the life you lead?'

At country level, however, the measurement is more difficult–equality and welfare may be conceptualized in different ways. This study uses three measures: the most popular measure of income inequality, gini index, decommodification index (Scruggs and Allan 2006), and welfare spending as reported by OECD. What do these country-level welfare measures really mean? Decommodification and gini show the state of equality in a country. Welfare spending is about what countries do about inequality and commodification of labor. Key variables are described in table 1, and their distributions are shown in appendix, table 5. Data come from[10]:

- all person level variables from ICPSR 4357 The Mannheim Eurobarometer Trend File, 1970-2002 http://www.icpsr.umich.edu/cocoon/ICPSR/STUDY/03384.xml (person-level data)
- total public social expenditure from Organization for Economic Co-operation and Development (OECD) (2001). 'Welfare Expenditure Report' OECD, http://www.oecd.org/dataoecd/56/37/31613113.xls (country-level data)
- decommodification index from (Scruggs and Allan, 2006) (country-level data)
- gdp from World Development Indicators, per capita gdp ppp in constant 2005 $ www.worldbank.org/data/wdi (country-level data)
- gini from Deininger and Squire (1996) (country-level data; only high-quality data, marked 'accept' in their dataset).

9 These are: France, Belgium, Netherlands, Germany, Italy, Luxembourg, Denmark, Ireland, United Kingdom, Greece, Spain, Portugal, Finland, Sweden, Austria and Norway.

10 United Kingdom in OECD and Scruggs and Allan (2006) datasets is matched with Great Britain in Euro Barometer data.

Table 1. Variable definitions

Name	Description
SWB	'On the whole, are you very satisfied, fairly satisfied, not very satisfied, or not at all satisfied with the life you lead? would you say you are ...? EB52.1: Please tell me whether you are very satisfied, fairly satisfied, not very satisfied, or not at all satisfied with each of the following? – your life in general EB56.1: Would you say you are very satisfied, fairly satisfied, not very satisfied, or not at all satisfied with each of the following? – with the life you lead'
Political orientation (right-left)	'In political matters people talk of "the left" and "the right'. How would you place your views on this scale?'
Welfare spending	total public social expenditure
Decommodification	'Decomodification index; for details see (Scruggs and Allan 2006)'
Gini	'gini; for details see (Deininger and Squire 1996), only high quality data used'
PCGDP	PCGDP in thousands of dollars; 'GDP per capita is gross domestic product divided by midyear population. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Data are in constant U.S. dollars'.
Unemployment	'Unemployment, total (% of total labor force). Unemployment refers to the share of the labor force that is without work but available for and seeking employment. Definitions of labor force and unemployment differ by country'.
Inflation	'Inflation as measured by the consumer price index reflects the annual percentage change in the cost to the average consumer of acquiring a basket of goods and services that may be fixed or changed at specified intervals, such as yearly. The Laspeyres formula is generally used'.

Analysis

In the first part of the analysis I show the bivariate relationships between equality and happiness in scatterplots. Figure 1 shows gini coefficient that measures income inequality, and as expected, the relationship is negative. Figure 2 shows total public social expenditure, and figure 3 shows decommodification index. Both measure the extent of the welfare, and as expected the relationship is positive – the more welfare the happier the people.

Figure 1. Happiness (SWB) and gini from Deininger and Squire (1996). Linear fit and 95% confidence intervals shown

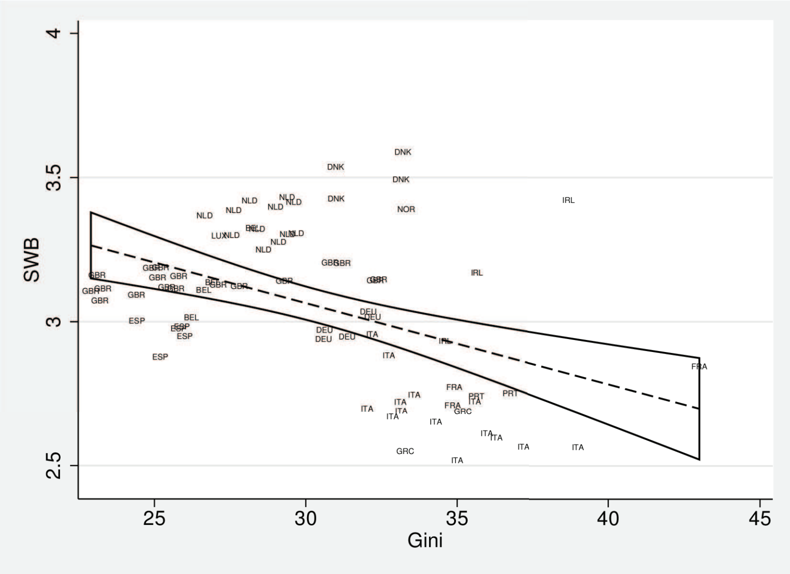


Figure 2. Happiness (SWB) and welfare spending. Linear fit and 95% confidence intervals shown

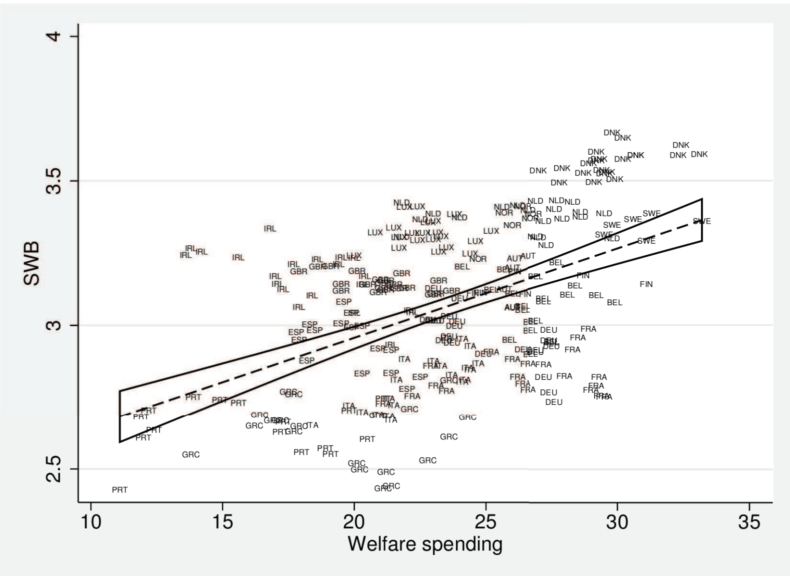


Figure 3. Happiness (SWB) and decommodification index (Scruggs and Allan 2006). Linear fit and 95% confidence intervals shown

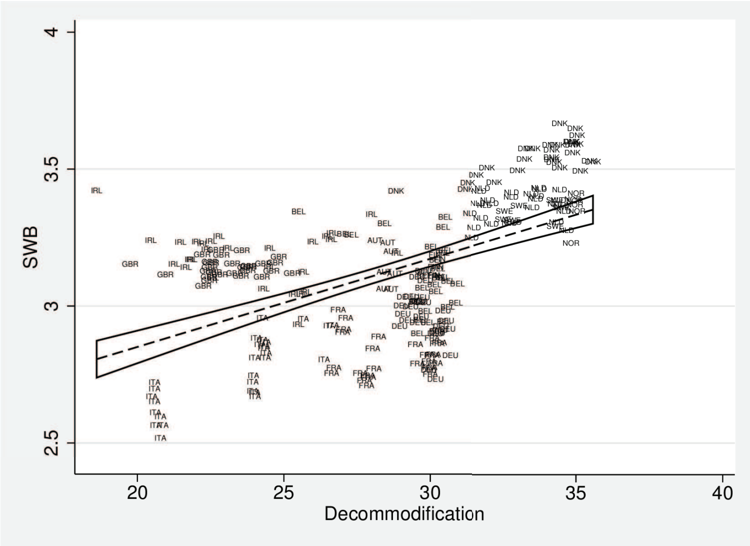
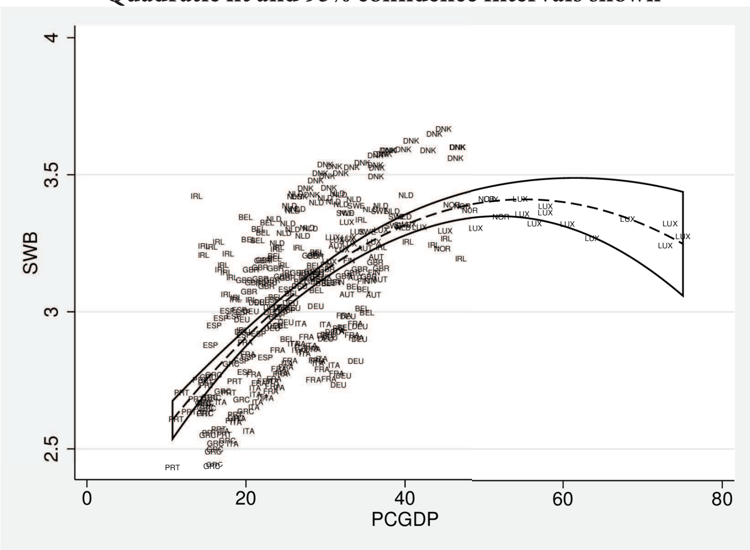


Figure 4. Happiness and per capita gdp, constant 2000$ Quadratic fit and 95% confidence intervals shown



Europeans like welfare and are unhappy about inequality. There is also expected positive (quadratic) relationship between wellbeing and GDP in figure 4 – the richer the country, the happier the people (up to a point). All of these results support livability theory (Diener et al. 1993; Veenhoven 1991; Veenhoven and Ehrhardt 1995).

People are happier when there are livable conditions such as high per capita income, low inequality and welfare provided by state.

The next step is to analyze the above relationships in a regression framework. The coefficient estimates are similar in ordinal logistic and linear models, and hence, I use linear model for ease of interpretation (Ferrer-i-Carbonell and Frijters 2004). Table 2 shows coefficient estimates.

All models use clustered standard errors to account for multilevel structure of data. Each model controls for basic person-level characteristics that are shown to predict wellbeing (Diener and Biswas-Diener 2002; Diener et al. 1993). All coefficient estimates on control variables have expected signs – happy people are rich, young or old, employed, married, and conservatives. At country level, GDP, unemployment and inflation have been shown to affect happiness (Di Tella et al. 2001). Estimates on country level variables are not necessarily as expected, too: Happy countries tend to be rich (but results are not robust across specifications) and effect of inflation is unclear. Only unemployment is robustly negative–not only unemployed people are unhappy, but also people living in countries with high unemployment rate are less happy. This is something that many may miss – your wellbeing does not only depend on your ability to find a job, but it also depends on employment of your fellow citizens.

Each model has one key variables of interest: the country-level measure of inequality or welfare (to avoid collinearity.) First column (a1) shows gini , second column (a2) shows welfare expenditure, and third column (a3) shows decommodification. Estimates are repeated in subsequent columns with added controls.

Table 2. OLS regressions of happiness with clustered standard errors

	a1	a2	a3	a4	a5	a6
Gini	-0.027+			-0.129***		
Welfare spending		0.029+			0.016**	
Decommodification			0.030+			-0.008
PCGDP				0.029***	0.001	-0.008
Unemployment				-0.038***	-0.013***	-0.015*
Inflation				0.056***	-0.013+	-0.007
Political orientation (right-left)				0.020**	0.016***	0.014***
Income				0.027***	0.037***	0.035***
Age				-0.020***	-0.022***	-0.021***
Age (squared)				0.000***	0.000***	0.000***
Married				0.105**	0.058***	0.057**
Unemployed				-0.268***	-0.339***	-0.357***
Time and year FE	no	no	no	yes	yes	yes
Constant	3.891***	2.360***	2.248***	6.449***	2.903***	3.842***
N	141685	525745	501481	11915	145996	120742

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1; robust err.

Table 3 repeats the same models but reports beta coefficients in order to compare size effects across key variables of interest. In terms of bivariate relationships in first three columns, all key variables of interest are of comparable magnitude. When controlling for relevant predictors of happiness in last three columns, however, gini has the strongest effect on happiness.

Table 3. OLS regressions of happiness with clustered standard errors. Beta (standardized) coefficients reported

	b1	b2	b3	b4	b5	b6
Gini	-0.154+			-0.509***		
Welfare spending		0.171+			0.091**	
Decommodification			0.172+			-0.044
PCGDP				0.324***	0.018	-0.060
Unemployment				-0.097***	-0.065***	-0.059*
Inflation				0.239***	-0.052+	-0.015
Political orientation (right-left)				0.059**	0.044***	0.039***
Income				0.135***	0.173***	0.170***
Age				-0.498***	-0.528***	-0.506***
Age (squared)				0.499***	0.523***	0.515***
Married				0.071**	0.044***	0.047**
Unemployed				-0.090***	-0.109***	-0.123***
Time and year FE	no	no	no	yes	yes	yes
N	141685	525745	501481	11915	145996	120742

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1; robust err

What do those coefficients mean? Gini ranges from 22 (United Kingdom 1977) to 43 (France 1975) and, accordingly, it would decrease happiness by 0.54 (43–23*–0.027). Welfare spending ranges from 11 (Portugal 1985) to 35 (Sweden 1994) and if it increased by that range, it would increase happiness by almost 0.4 (35–11*0.016)[11].

Note that these effects are of comparable magnitude. This increases my confidence in the results – no matter whether I measure inequality or welfare, results are similar: if a West European country with least welfare increased its welfare to the level of a West European country with most welfare, or decreased inequality from highest to lowest, its citizens would get happier by 2.5 on 1–4 scale.

[11] These comparisons are conservative – that is, I use the smallest coefficient either from bivariate specifications (columns a1-a3) or from multivariate ones (columns a4–a6). I do not interpret decomodification because it looses significance in multivariate model.

So where does it leave us in terms of the big picture? I interpret this as need for more humanism as for instance Freud, Marx, and Maslow meant it (Fromm 1964, 1962, [1941] 1994; Freud et al., 1930; Maslow 1976, [1954] 1987; Kapoor 2014). One key goal of humanism is to ensure freedom from and freedom to. For elaboration of the concept of freedom 'from' and 'to' see (Okulicz-Kozaryn 2015a, 2014a). I believe that there is a large role for welfare and redistribution to help people attain greater freedom. Inequality or lack of welfare limit human freedom and happiness. Also see related capabilities approach by Sen and Nussbaum (Sen 2000; Nussbaum 2006). Yet, it is important to keep in mind that welfare done right provides incentives for people not to abuse it or even not to use it and indeed as Ronald Reagan said, 'We should measure welfare's success by how many people leave welfare, not by how many are added'[12]. At the same time, extensive welfare must be there if something happens and it is actually a human right to have it as per UN universal declaration of human rights https://www.un.org/en/documents/udhr/.

In the spirit of Stiglitz et al. (2009), Helliwell et al. (2012), who advocate the study of happiness to inform policy-making, this study has public policy implications: it shows what kind of society makes us happy. It is equal society protected by welfare. Last, but not least, I hope with this study to to bring more interest in the study of inequality and happiness among Polish social scientists.

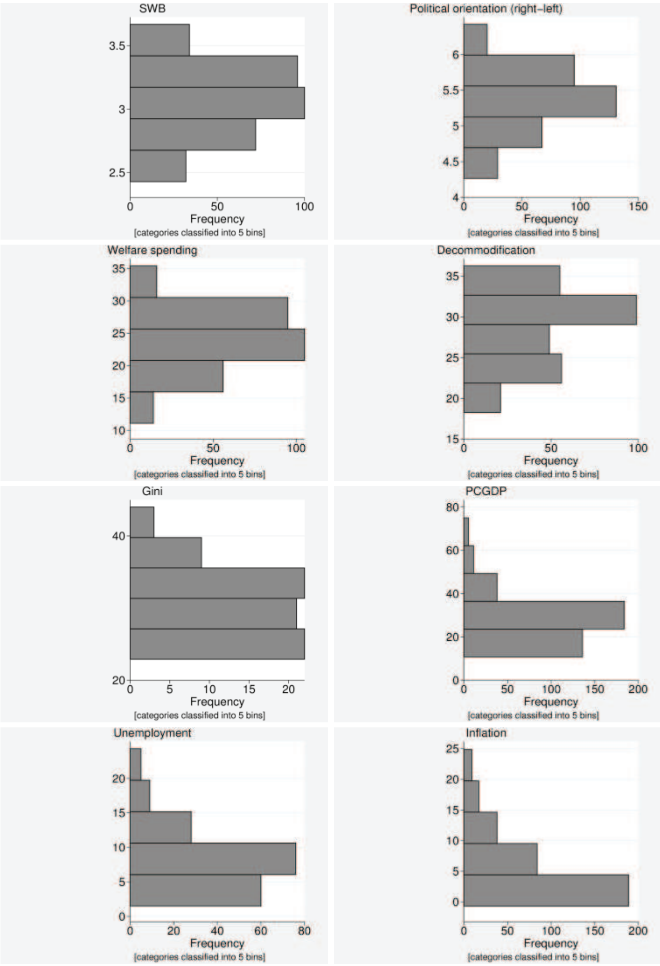
The results suggest that inequality hurts our wellbeing. Welfare states are happier than countries with limited welfare. Greater welfare spending and income redistribution may be needed in order to increase subjective wellbeing. Future research should zoom into specific countries and situations to find out where and when redistribution and welfare spending has the greatest payoff in human happiness.

---

[12] Simply giving money to the poor does not appear to result in greater happiness. A recent experiment in UK provided money and training for 2 years to a randomly selected group of people in need. After 5 years (3 years after end of intervention) the treatment group (people who received the money) ended up poorer and less happy than the control group (people who did not receive any extra government assistance) (Oswald 2014). In a similar fashion, lottery winners do not end up being happier (Brickman et al. 1978). Perhaps, especially if unearned, money corrupts. A solution then appears to redistribute money with strings attached, for instance, pay for effort as in American Earned Income Tax Credit (EITC).

Appendix: Descriptive Statistics

Figure 5. Key variables' distribution



References

Alesina, A., Di Tella, and MacCulloch, R. (2004), 'Inequality and Happiness: Are Europeans and Americans Different?', *Journal of Public Economics* 88

Alesina, A. and Glaeser, E. (2004), *Fighting poverty in the U.S. and Europe: A World of Difference*, Oxford: Oxford University Press

Becker, G. (1983), ‘A theory of competition among pressure groups for political influence’, *The Quarterly Journal of Economics* 98

Bjornskov, C., Dreher, A. and Fischer, J. (2007), ‘The bigger the better? Evidence of the effect of government size on life satisfaction around the world’, *Public Choice* 130

Blanchflower, D. (2009), ‘Happiness and Health Care Coverage, *IZA Discussion Papers*

Bok, D. (2010), *The politics of happiness: What government can learn from the new research on well-being*, Princeton NJ: Princeton University Press

Bray, I. and D. Gunnell (2006), ‘Suicide rates, life satisfaction and happiness as markers for population mental health’, *Social Psychiatry and Psychiatric Epidemiology* 41

Brickman, P., Coates, D. and Janoff-Buman, R. (1978), ‘Lottery winners and accident victims: Is happiness relative?’ *Journal of Personality and Social Psychology* 36

Brooks, A. (2008), *Gross National Happiness: Why Happiness Matters for America – And How We Can Get More Of It*, New York: Basic Books

Clark, A.E., Frijters, P., Shields, M.A. (2008), ‘Relative income, happiness, and utility: An explanation for the easterlin paradox and other puzzles’, *Journal of Economic Literature* 46

Csikszentmihalyi, M. (1991), *Flow: The Psychology of Optimal Experience*, Harper Perennial

Deininger, K. and L. Squire (1996), ‘A new data set measuring income inequality’, *The World Bank Economic Review* 10

Di Tella, R. and R. MacCulloch (2006), ‘Some Uses of Happiness Data in Economics’, *The Journal of Economic Perspectives* 20

Di Tella, R., MacCulloch, R.J. and Oswald, A.J. (2001), ‘Preferences over inflation and unemployment: Evidence from surveys of happiness’, *American Economic Review* 91

Diener, E. (2009), *Well-being for public policy*, Oxford University Press

Diener, E. (2012), ‘New findings and future directions for subjective well-being research’, *American Psychologist* 67

Diener, E. and Biswas-Diener, R. (2002), ‘Will money increase subjective well-being? A literature review and guide to needed research’, *Social Indicators Research* 57

Diener, E., Sandvik, E., Seidlitz, L. and Diener, M. (1993), ‘The relationship between income and subjective well-being: relative or absolute?’ *Social Indicators Research* 28

Diener, E. and Seligman, M.E.P. (2004), ‘Beyond Money: Toward an Economy of Well-being’, *Psychological Science* 5

Dorahy, M.J., Lewis, C.A., Schumaker, J.F., Akuamoah-Boateng, R., Duze, M. and Sibiya, T.E. (1998), ‘A cross-cultural analysis of religion and life satisfaction’, *Mental Health, Religion & Culture* 1

Durkheim, E. ([1895] 1950), *The Rules of Sociological Method*, New York: The Free Press

Easterlin, R. (2013), ‘Happiness, Growth, and Public Policy’, *Economic Inquiry* 51

Easterlin, R.A. (1974), 'Does Economic Growth Improve the Human Lot?', in: *Nations and households in economic growth: Essays in honor of Moses Abramovitz*, ed. by P.A. David and M.W. Reder, New York: Academic Press, Inc., Vol. 89

Economist, T. (2012), 'For richer, for poorer', *The Economist*

Esping-Andersen, G. (1990): *The three worlds of welfare capitalism*, Polity Pr.

Ferrer-i-Carbonell, A. and Frijters, P. (2004), 'How Important is Methodology for the Estimates of the Determinants of Happiness?' *Economic Journal* 114

Freud, S., Riviere, J., and Strachey, J. (1930), *Civilization and its discontents*, London: Hogarth Press

Fromm, E. ([1941] 1994), *Escape from freedom*, Holt Paperbacks

Fromm, E. (1962), *Beyond the chains of illusion: My encounter with Marx and Freud*, Continuum International Publishing Group

Fromm, E. (1964), *The heart of man: Its genius for good and evil*, vol. 12, Taylor & Francis

Helliwell, J., Layard, R. and Sachs, J. (2012), 'World happiness report', *The Earth Institute, Columbia University*

Kahneman, D. and Tversky, A. (1979), 'Prospect theory: An analysis of decision under risk', *Econometrica* 47

Kahneman, D., Wakker, P.P., and Sarin, R. (1997), 'Back to Bentham? Explorations of Experienced Utility', *The Quarterly Journal of Economics* 112

Kapoor, I. (2014), 'Psychoanalysis and development: contributions, examples, limits', *Third World Quarterly* 35

Kondo, N., Sembajwe, G., Kawachi, I., van Dam, R.M., Subramanian, S., and Yamagata, Z. (2009), 'Income inequality, mortality, and self rated health: Meta-analysis of multilevel studies', *BMJ: British Medical Journal* 339

Lane, R.E. (2000), *The loss of happiness in market democracies*, New Haven CT: Yale University Press

Layard, R. (2005), *Happiness. Lessons from a new science*, New York: The Penguin Press

Lykken, D., Tellegen, A. (1996), 'Happiness is a Stochastic Phenomenon', *Psychological Science* 7

Maslow, A. ([1954] 1987), *Motivation and personality*, Longman, 3 ed.

Maslow, A. (1976), *Religions, values, and peak-experiences*, New York: Penguin

Michalos, A. (1985): 'Multiple discrepancies theory (MDT)', *Social Indicators Research* 16

Myers, D.G. (2000), 'The Funds, Friends, and Faith of Happy People', *American Psychologist* 55

Nussbaum, M.C. (2005), 'Mill between Aristotle and Bentham', in: *Economics and Happiness*, ed. by L. Bruni and P.L. Porta, Oxford University Press

Nussbaum, M.C. (2006): 'Conversations with History: Martha Nussbaum', https://www.youtube.com/watch?v=Qy3YTzYjut4&list=PLDmIbYyjfK8BAq8q-ZYzakLXnGtQ8PS0I&index=147

Okulicz-Kozaryn, A. (2011a), 'City Life: Rankings (Livability) Versus Perceptions (Satisfaction)', *Social Indicators Research* 110

Okulicz-Kozaryn, A. (2011b), 'Europeans Work to Live and Americans Live to Work (Who is Happy to Work More: Americans or Europeans?)', *Journal of Happiness Studies* 12

Okulicz-Kozaryn, A. (2014a),'"Freedom from" and "freedom to' across countries"', *Forthcoming in Social Indicators Research*

Okulicz-Kozaryn, A. (2014b), 'Winners and Losers in Transition: Preferences for Redistribution and Nostalgia for Communism in Eastern Europe', *Forthcoming in Kyklos*

Okulicz-Kozaryn, A. (2015a), 'Freedom and Life Satisfaction in Transition', *Forthcoming in Society and Economy*

Okulicz-Kozaryn, A. (2015b), 'Income Inequality and Wellbeing', *Applied Research in Quality of Life*

Okulicz-Kozaryn, A., Holmes IV, O., and Avery, D.R. (2014), 'The Subjective Well-Being Political Paradox: Happy Welfare States and Unhappy Liberals', *Journal of Applied Psychology*

Okulicz-Kozaryn, A. and Tursi, N.O. (2015), 'Luxury Car Owners Are Not Happier Than Frugal Car Owners', *Forthcoming in International Review of Economics*

Oswald, A. (2014), 'Keynote II', *2014 Wellbeing and Public Policy Conference at Hamilton College*

Pacek, A. and B. Radcliff (2008), 'Welfare Policy and Subjective Well-Being Across Nations: An Individual-Level Assessment', *Social Indicators Research* 89

Radcliff, B. (2001), 'Politics, Markets, and Life Satisfaction: The Political Economy of Human Happiness', *American Political Science Review* 95

Rasmussen, D. (2006), 'Does Bettering our Condition Really make us Better off? Adam Smith on Progress and Happiness', *American Political Science Review* 100

Sandvik, E., Diener, E. and Seidlitz, L. (1993), 'Subjective Well-Being: The Convergence and Stability of Self-Report and Non-Self-Report Measures', *Journal of Personality* 61

Scruggs, L. and Allan, J. (2006), 'Welfare-state decommodification in 18 OECD countries: A replication and revision', *Journal of European Social Policy* 16

Seligman, M. (2004), 'The new era of positive psychology', Ted Talk, http://www.ted.com/talks/martin_seligman_on_the_state_of_psychology.html

Seligman, M., Steen, T., Park, N., and Peterson, C. (2005), 'Positive Psychology Progress: Empirical Validation of Interventions', *American Psychologist* 60

Sen, A. (2000), *Development as Freedom*, Anchor Books

Steel, P., J. Schmidt, and J. Shultz (2008), 'Refining the relationship between personality and subjective well-being', *Psychological Bulletin* 134

Stiglitz, J., Sen, A., and Fitoussi, J. (2009), 'Report by the Commission on the measurement of economic performance and social progress', *Available at www.stiglitz-sen-fitoussi.fr.*

Veenhoven, R. (1991), 'Is happiness relative?', *Social Indicators Research* 24

Veenhoven, R. (2000), 'Well-being in the welfare state: Level not higher, distribution not more equitable', *Journal of Comparative Policy Analysis: Research and Practice* 2

Veenhoven, R. (2008), 'Sociological theories of subjective well-being', in: *The Science of Subjective Well-being: A tribute to Ed Diener*, ed. M. Eid and R. Larsen, New York: The Guilford Press

Veenhoven, R. and Ehrhardt, J. (1995), 'The Cross-National Pattern of Happiness: Test of Predictions Implied in Three Theories of Happiness', *Social Indicators Research* 34

Wilkinson, R.G. and Pickett, K.E. (2006), 'Income inequality and population health: A review and explanation of the evidence', *Social Science* & *Medicine* 62

Wilkinson, R.G. and Pickett, K.E. (2010), *The spirit level: Why equality is better for everyone*, Penguin