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The global economic crisis and the subjective well-being in Southern and Central Eastern Europe

From 2008, we have been witnessing an economic phenomenon which has been shaking capitalism and which has serious economic, political, and social consequences. Some of the problems that occurred included a panic on financial markets, media hysteria, rising unemployment, loss of homes by millions of people, chain bankruptcies, anti-Wall Street demonstrations in the United States of America, anti-government protests and anti-EU street protests in many European countries, and a debt crisis in some of the Southern European and Central Eastern European economies. What is the effect of this major economic event on the subjective well-being of Southern and Central Eastern Europeans? The 'Easterlin paradox' suggests that there is no link between society's economic development and its average level of happiness. I re-assessed this paradox by analysing multiple rich datasets from the European Quality of Life Survey (EQLS 2007–2008 and EQLS 2011–2012). I selected several countries both from Southern and Central Eastern Europe: Greece, Spain, Italy, Portugal, Bulgaria, Romania, Slovenia, Croatia, Macedonia, Latvia, and Lithuania. Using a multiple linear regression analysis, I tested the influence of different economic indicators (GDP *per capita* in PPS, long-term unemployment rate, Corruption Perceptions Index, Gini coefficient, absolute and relative income), social indicators (religious participation and self-perceived health) and socio-demographic variables (gender, age, marital status, education, size of place of residence) on both the cognitive (satisfaction with life) and the hedonic (happiness) component of subjective well-being. My conclusion is that GDP *per capita* is not a significant predictor of neither life satisfaction nor happiness. The main predictors of satisfaction with life are the perceived standard of living, health, marital status, education level, and religious church attendance. The main predictors of happiness are the perceived standard of living, health, marital status, and education level.

Keywords: global economic crisis, Easterlin paradox, satisfaction with life, happiness, Southern and Central Eastern Europe

JEL classification: O1, Z1

Globalny kryzys gospodarczy i subiektywny dobrobyt w Europie Południowej oraz Środkowo-Wschodniej

Od 2008 r. jesteśmy świadkami nowego zjawiska gospodarczego, które wstrząsnęło kapitalizmem, prowadząc do poważnych konsekwencji ekonomicznych, politycznych i społecznych. Pierwsza panika na rynkach finansowych, histeria medialna, rosnące bezrobocie, miliony ludzi wyrzuconych na bruk, łańcuchowa reakcja bankructw, demonstracje w Stanach Zjednoczonych wymie-

rzone przeciwko Wall Street, odbywające się w wielu krajach protesty antyrządowe i przeciwko Unii Europejskiej, a następnie kryzys zadłużeniowy w niektórych państwach Europy Południowej i Środkowo-Wschodniej – jaki wpływ wywarły te wielkie wydarzenia gospodarcze na subiektywny dobrobyt południowych i środkowowschodnich Europejczyków? Paradoks Easterlina sugeruje, że nie istnieje powiązanie pomiędzy stopniem rozwoju gospodarczego społeczeństwa a jego poczuciem dobrobytu. Niniejszy artykuł dokonuje ponownej oceny wspomnianego paradoksu drogą analizy obszernych zestawów danych pozyskanych z dwóch Europejskich Badań Jakości Życia (EQLS 2007–2008 i EQLS 2011–2012). Ze wspomnianych danych wyselekcjonowano następujące kraje Europy Południowej i Środkowo-Wschodniej: Grecja, Hiszpania, Włochy, Portugalia, Bułgaria, Rumunia, Słowenia, Chorwacja, Macedonia, Łotwa i Litwa. Przy użyciu analizy regresji wielorakiej przeprowadzono badanie wpływu rozmaitych wskaźników gospodarczych (Produkt Krajowy Brutto w Standardzie Siły Nabywczej na mieszkańca, stopa bezrobocia, wskaźnik postrzegania korupcji, współczynnik Giniego, dochód bezwzględny i względny), wskaźników społecznych (udział w życiu religijnym i samoocena stanu zdrowia), zmiennych socjo-demograficznych (płeć, wiek, stan cywilny, wykształcenie, wielkość miejscowości) na komponent poznawczy (zadowolenie z życia) i hedoniczny (szczęście) dobrobytu. Z analizy wynika, że PKB na mieszkańca nie jest miarodajnym wyznacznikiem poziomu ani zadowolenia z życia, ani szczęścia. Głównym wyznacznikiem zadowolenia z życia jest postrzegany standard życia, stan zdrowia, stan cywilny, poziom wykształcenia i częstotliwość uczestnictwa w nabożeństwach kościelnych. Głównym wyznacznikiem szczęścia jest postrzegany standard życia, stan zdrowia, stan cywilny i poziom wykształcenia.

Słowa kluczowe: globalny kryzys gospodarczy, paradoks Easterlina, zadowolenie z życia, szczęście, Europa Południowa i Środkowo-Wschodnia

Klasyfikacja JEL: O1, Z1

Introduction

Economic recessions have tremendous economic and human costs; thus, the economists consider eliminating the economic cycles one of their main objectives. Others, however, such as the famous American economist Paul Samuelson, believe this goal to be too daring [Samuelson, Nordhaus, 2000]. Another great economist, Arthur Okun, stated that endeavouring to eliminate economic recession is the same as trying to eliminate hurricanes and air crashes [Olah, 2013].

Financial crises are not a new phenomenon – they have existed ever since the creation of money and financial markets. Many old crises were engined by monetary depreciation, as the sovereign of a country reduced the content of gold or silver in its currency with the purpose of filling the budget holes caused mainly by wars [Reinhart, Rogoff, 2009].

The crisis which started in 2008 in the United States of America shook capitalism and had serious economic, political, and social consequences. The problems that occurred included a panic on financial markets, media hysteria, rising unemployment, loss of homes by millions of people, chain bankruptcies, anti-Wall Street demonstrations in the US, anti-government protests and anti-EU street protests in many European countries, and a debt crisis in some Southern European and Central Eastern European economies [Olah, 2013].

According to Deaton [2012], the financial losses led to reduced consumption – these were large fluctuations, of a magnitude that makes a difference in people's lives; Deaton emphasizes that income, wealth, and joblessness are among the measures on which economists have traditionally focused. The crisis posed problems to many; it proved, however, to be a very good opportunity for researchers on subjective well-being to examine how these events affected the standards of living, emotional experiences, and life evaluations of those who lived through it [Deaton, 2012].

A very important question in economic and social sciences is whether rising incomes produce a better society. Individuals dedicate more time to work than to any other activity, and governments put emphasis on the significance of economic growth [Diener, Tay, Oishi, 2013]. The critics have expressed doubts about the existence of a link between economic progress, social relationships, and human values. The American economist Richard Easterlin caused a very famous debate with an article published in 1974 where he suggested that the economic growth of nations is not reflected by rising happiness [Diener, Tay, Oishi, 2013].

There is a long tradition of studying aggregate economic fluctuations and one can notice a disagreement among economists regarding the seriousness of their effects. For the famous British economist John Maynard Keynes, recessions are expensive disruptions of the economic organization of a society that involve considerable losses related to under-utilization of invested capacity, emotional costs for the unemployed, and distributional unfairness. From the point of view of the real business cycle theorists, however, Keynes overestimated the costs of business cycles – they consider recessions to be desirable adjustments to productivity shocks [Di Tella, MacCuloch, Oswald, 2001].

One of the most debated and famous paradoxes in economics and social sciences is known as the 'Easterlin paradox'. In a much quoted article published in 1974 entitled *Does Economic Growth Improve the Human Lot?*, Easterlin stated that the happiness–income paradox is this: at a point in time both among and within nations happiness varies directly with income, but over time, happiness does not increase when a country's income increases [Easterlin et al., 2010]. According to him, in a given time and a given society wealthier individuals are happier than poorer ones, but rising incomes do not seem to be associated with an increase of subjective well-being [Diener, Tay, Oishi, 2013].

In his famous article from 1974, Easterlin argues that happiness remained at the same level in the US between 1946 and 1974 in spite of the doubling in income *per capita* over that period [Easterlin, 1974]. In later papers, Easterlin [1995; 2004] showed that this pattern persisted in the US and that it is also visible in other countries. This applies to relationships between income and happiness over the long-term, usually over a period of 10 years or more. For Easterlin, short-term relationships are a different story [Easterlin et al., 2010].

Nevertheless, certain other scholars criticized Easterlin's point of view [Hagerty, Veenhoven, 2003; Veenhoven, Hagerty, 2006; Fischer, 2007; Inglehart et al., 2008; Stevenson, Wolfers, 2008; Sacks, Stevenson, Wolfers, 2012; Diener, Tay, Oishi, 2013]. Hagerty and Veenhoven [2003] challenged his idea in an article entitled *Wealth and Happiness Revisited: Growing National Income Does Go with Greater Happiness*. In the paper, they presented the trend data on average happiness in 21 nations for the years 1972–1994 and showed that happiness had, in fact, increased in most of them, including the US. Consequently, they found a positive correlation with economic growth. In an article from 2006, the same authors demonstrated statistically significant increases in subjecting well-being in four out of eight high income countries and in three out of four low-income countries for which a long-time series was available, but the evidence did not seem decisive. The authors concluded that the difference arises from the fact that the available data are not too clear and they allow different interpretations [Hagerty, Veenhoven, 2006].

Claude Fischer [2007] suggests that GDP *per capita* as a measure of wealth, on which the Easterlin paradox relies, poorly reflects people's well-being, because it is heavily and increasingly skewed and does not account for effort. Fischer concludes that if instead we use measures of household income, male income, and average wages, the Easterlin paradox will be eliminated.

In a paper entitled *Development, Freedom and Rising Happiness: A Global Perspective, 1981–2007*, Inglehart, Foa, Peterson, and Welzel investigated the issue of happiness using data from the World Values Survey and the European Values Study; as part of these studies, five waves of surveys were carried out between 1981 and 2007 in scores of countries containing almost 90% of the world's population. Their conclusion is that economic factors have a strong impact on subjective well-being in low-income countries, but that at higher levels of development evolutionary cultural changes occur and people place increasing emphasis on self-expression and free will; this leads them to increasingly emphasize strategies that maximize free will and happiness [Inglehart et al., 2008].

Re-assessing the Easterlin paradox, Stevenson and Wolfers [2008] analysed multiple rich datasets spanning many decades. They found a clear positive link between average levels of subjective well-being and GDP *per capita* across countries, and no evidence of a satiation point beyond which increases in wealth are no longer correlated with increases in subjective well-being.

In a paper published in 2012, Sacks, Stevenson, and Wolfers wonder if Easterlin is right. They believe that Easterlin paradox was based on empirical claims which are simply false. After exploring rich datasets, they conclude that well-being rises with income among the people in a given country, between countries in a given period, and as economic growth takes place in a given country.

Through these comparisons the researchers showed that richer people report higher well-being than poorer people and that people in richer countries report higher well-being than people in poorer countries [Sacks, Stevenson, Wolfers, 2012].

In an article from 2013, Diener, Tay, and Oishi explored whether rising income in nations is associated with increasing subjective well-being. They found that changes in household income were associated with concomitant changes in life evaluations, positive feelings, and negative feelings. The association of income and subjective well-being is more likely to occur when the average person's material welfare accompanies rising income, when people become more satisfied with their finances and more optimistic about their future [Diener, Tay, Oishi, 2013].

Regarding the debate of the Easterlin paradox, I would conclude that many scholars contradict Easterlin's ideas and theirs conclusions seem to resolve his paradox. I would be willing to agree with his critics – I also don't consider GDP *per capita* a good indicator of people's well-being, as Claude Fischer very well put it. Nevertheless, the Easterlin paradox needs to be re-assessed in many societal contexts and this is what I attempt to do in this paper.

The purpose of my paper is to re-assess the Easterlin paradox by analysing multiple rich datasets of the European Quality of Life Survey from two waves (EQLS 2007–2008 and EQLS 2011–2012). From these datasets, I selected several countries from both Southern Europe and Central Eastern Europe: Greece, Spain, Italy, Portugal, Bulgaria, Romania, Slovenia, Croatia, Macedonia, Latvia, and Lithuania.

Using multiple linear regression analysis, I tested the influence of different economic indicators (GDP *per capita* in PPS, unemployment rate, Corruption Perception Index, Gini coefficient, absolute and relative income), social indicators (religious participation and self-perceived health), and socio-demographic variables (gender, age, marital status, education, size of place of residence) on both the cognitive (satisfaction with life) and the hedonic (happiness) component of subjective well-being. The rationale for selecting these indicators is that they are present in many regression models for which the Easterlin paradox was tested.

1. Method

In this study, I hypothesized that both satisfaction with life and happiness are adequately explained by demographic variables such as marital status, education level, size of place of residence, gender, and age. I also hypothesized that both satisfaction with life and happiness would be linearly linked to satisfaction with the standard of living, perceived health, attendance of religious service, absolute in-

come, and relative income. I assumed that GDP *per capita* in PPS (for 2005 and 2011) would play a significant role in both satisfaction with life and happiness. Finally, I hypothesized that the main social and economic indicators such as satisfaction with life, happiness, GDP *per capita* in PPS, the perceived standard of living, and relative income decreased in Southern Europe and former communist countries of Central Eastern Europe during the world economic recession.

My study is based on the secondary analysis of two large datasets, the European Quality of Life Survey, wave 2 (2007–2008) and the European Quality of Life Survey, wave 3 (2011–2012). In the second wave, 35,634 interviews were conducted in 27 EU member states as well as Croatia, Macedonia, Turkey, and Norway. In the third wave, 43,636 interviews were conducted in 27 EU member states as well as Croatia, Iceland, Macedonia, Montenegro, Serbia, and Turkey. Carried out every four years, this pan-European survey examines both the objective circumstances of European citizens' lives and how they feel about those circumstances and their lives in general [Eurofound].

My data is derived from UK Data Service. Overall, I used a total of 5,960 sets of responses of participants from the wave 2 of EQLS with a mean age of 41.8 years, and a standard deviation of 1.251 (the minimum value was 18 years and the maximum – 93 years). I also used a total of 6,659 sets of responses of participants from the wave 3 of EQLS with a mean age of 51.65 years, and a standard deviation of 17.86 (the minimum value was 18 years and the maximum – 95 years). The age means and standard deviations by gender are presented in Tables 1 and 2, and detailed demographic data regarding my final sample are offered in Appendix 2.

Table1. Distribution of participants by gender (EQLS 2007–2008)

Gender	N	%	Mean age	s.d.
Male	2,540	42.6	40.04	1.272
Female	3,420	57.4	42.28	1.231

Source: Own elaboration.

Table 2. Distribution of participants by gender (EQLS 2011–2012)

Gender	N	%	Mean age	s.d.
Male	2,674	40.02	50.37	17.588
Female	3,985	59.8	52.51	18.006

Source: Own elaboration.

The variables of interest in our study were: (1) satisfaction with the standard of living, (2) religious attendance, (3) marital status, (4) income level, (5) gender, (6) age, (7) education level, (8) background, (9) perceived health, (10) long-term

unemployment rate, (11) Gini index, (12) GDP *per capita* in PPS, 2005, and (13) GDP p*er capita* in PPS, 2011. The exact manner in which the participants were asked to respond to items regarding each of these variables is presented in Appendix 1.

2. Results and discussion

Based on my hypotheses, I constructed a multiple linear regression model in which I included all our predictor variables for both satisfaction with life and happiness using EQLS data. The first model I would like to analyse is Model 1a (EQLS 2007–2008) with satisfaction with life (the cognitive component of the subjective well-being) as a dependent variable. What I could notice from Table 10 is that the model has a high explained variance value ($R^2 = 0{,}3996$) and the best predictors of satisfaction with life are: the perceived standard of living, health (dummy), marital status (dummy), middle and high level of education, and frequent attendance of religious service. What is very surprising from the point of view of the Easterlin paradox is that GDP *per capita* in PPS is not a significant predictor of satisfaction with life. What is not surprising, on the other hand, is that the perceived standard of living is significant, as in many scientific articles on this topic the same conclusion was reached.

Table 3. Regression model for satisfaction (ESQLS 2007–2008) with significant predictor variables and GDP (Model 1a)

	Estimate	Std. Error	t value	Pr(|t|)
(Intercept)	2.365	0.106	22.377	0.000
NET income per month	0.042	0.009	4.563	0.000
Standard of living	0.519	0.011	47.256	0.000
GDP *per capita*	**0.000**	**0.000**	**0.935**	**0.350**
Marital status (dummy)	0.185	0.049	3.743	0.000
Health (dummy)	0.379	0.050	7.558	0.000
Frequent church attendance	0.147	0.063	2.323	0.020
Infrequent church attendance	-0.099	0.058	-1.710	0.087
Middle level of education	0.188	0.056	3.344	0.001
High level of education	0.161	0.070	2.302	0.021
F (9, 5230)	388.4	–	–	0.000
R^2 adj.	0.3996	–	–	–

* The reference level for attendance was 'never'; the reference level for education was 'low'.

Source: Own elaboration.

Running the regression model for EQLS 2011–2012 data, it can be noticed (Table 11) that the significant predictors of satisfaction with life are the same: perceived standard of living, health (dummy), marital status (dummy), income (dummy), as well as frequent and less frequent church attendance. The social and economic indicators such as GDP *per capita* in PPS, 2011, the Gini index of social inequality, and long-term unemployment rate have null correlation with satisfaction with life. The variance of Model 2 is very high (R^2 = 0,4112).

Table 4. Regression model for satisfaction (EQLS 2011–2012) with significant predictor variables (Model 2)

	Estimate	Beta weight	Std. Error	Str. Coef.	t value	Pr(|t|)
(Intercept)	4.724	–	0.276	–	17.131	0.000
Gender	-0.084	-0.019	0.043	0.016	-1.973	0.049
Standard of living	0.547	0.581	0.010	0.970	56.603	0.000
Median income	-0.002	-0.241	0.000	0.201	-8.118	0.000
Long-term unemployment	0.030	0.033	0.011	-0.034	2.812	0.005
GDP *per capita*	0.000	0.219	0.000	0.261	7.818	0.000
Gini	-0.078	-0.113	0.008	-0.155	-9.596	0.000
Health (dummy)	0.448	0.102	0.044	0.378	10.202	0.000
Less frequent church attendance (dummy)	0.136	0.030	0.050	0.000	2.710	0.007
Frequent church attendance	0.163	0.035	0.053	0.050	3.059	0.002
Marital status (dummy)	0.175	0.040	0.042	0.150	4.158	0.000
Income (dummy)	0.107	0.025	0.043	0.317	2.476	0.013
F (11, 6647)	432.6	–	–	–	–	0.000
R^2 adj.	0.4112	–	–	–	–	–

* The reference level for attendance was 'never'.

Source: Own elaboration.

If happiness (the hedonic component of the subjective well-being) is the dependent variable, the significant predictors are: the perceived standard of living, health (dummy), marital status (dummy), as well as high and middle level of education (Table 12). GDP *per capita* in PPS is not a significant predictor of happiness. Again, the variance of Model 1b is very high (R^2 = 0.3635).

Running the multiple regression model for 2011–2012 EQLS data (Table 6), we can see that the significant predictors of happiness are: health (dummy), marital status (dummy), and perceived standard of living; it could also be noticed that there is a negative correlation between intermediate density areas and happiness. The variance of the model is very high (R^2 = 0.3797).

Table 5. Regression model for happiness (ESQLS 2007–2008) with significant predictor variables and GDP (Model 1b)

	Estimate	Std. Error	t value	Pr(|t|)
(Intercept)	3.375	0.091	37.123	0.000
NET income per month	0.022	0.009	2.564	0.010
Standard of living	0.436	0.010	41.726	0.000
GDP *per capita*	**0.000**	**0.000**	**0.594**	**0.552**
Marital status (dummy)	0.473	0.047	10.003	0.000
Health (dummy)	0.550	0.048	11.464	0.000
Middle level of education	0.188	0.054	3.513	0.000
High level of education	0.233	0.067	3.504	0.000
F (7, 5232)	428.3	–	–	0.000
R^2 adj.	0.3635	–	–	–

* The reference level for education was 'low'.

Source: Own elaboration.

Table 6. Regression model for happiness (2011–2012) with significant predictor variables (Model 2)

	Estimate	Beta weight	Std. Error	Str. Coef.	t value	Pr(|t|)
(Intercept)	5.631	–	0.264	–	21.349	0.000
Gender	-0.010	-0.091	0.001	-0.336	-8.390	0.000
Standard of living	0.423	0.495	0.009	0.891	48.658	0.000
Median income	-0.001	-0.200	0.000	0.185	-6.636	0.000
Long-term unemployment	0.062	0.074	0.010	0.039	6.231	0.000
GDP *per capita*	0.000	0.168	0.000	0.250	5.918	0.000
Gini	-0.062	-0.098	0.008	-0.124	-8.120	0.000
Health (dummy)	0.597	0.150	0.045	0.517	13.218	0.000
Marital status (dummy)	0.564	0.141	0.039	0.312	14.456	0.000
Intermediate density area	-0.127	-0.031	0.040	-0.119	-3.149	0.002
F (9, 6649)	453.8	–	–	–	–	0.000
R^2 adj.	0.3797	–	–	–	–	–

* The reference level for urbanization was 'very dense'.

Source: Own elaboration.

3. The evolution of the main social and economic indicators during the world financial recession in Southern and Central Eastern Europe

As I attempted to represent graphically the main social and economic indicators, I decomposed the geographical area on which I focused into two distinctive areas, Southern Europe (Spain, Italy, Portugal, and Greece) and former communist countries of Central Eastern Europe (Bulgaria, Romania, Slovenia, Croatia, Macedonia, Latvia, and Lithuania). From Figures 1 and 2 it can be noticed that the main social and economic indicators (expressed in mean values) increased in both Southern and Central Eastern European countries during the economic recession which started in 2008. The only exception is the relative income, which slightly decreased in both geographical areas. I was expecting all these indicators to decrease during the period of 2008–2012; my hypothesis, however, has not been confirmed by the EQLS data.

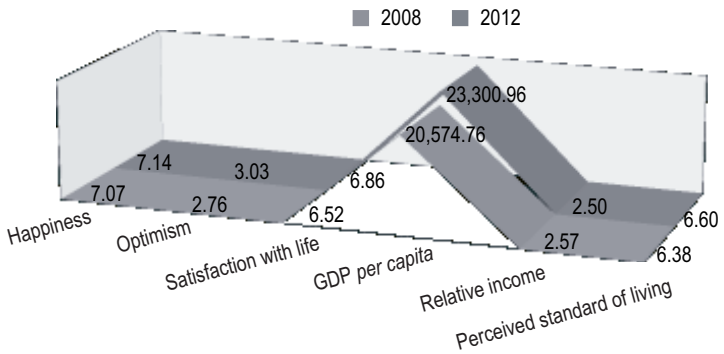

Figure 1. Evolution of the main social and economic indicators in Southern Europe (2008–2012)

Source: Own elaboration.

Regarding the world economic crisis, the Romanian economist Liviu Voinea [2009] stated that there were, in fact, two crises. The first one started in the US and then expanded into such developed countries as the United Kingdom, Germany, France, Japan, and Canada because of the toxic assets of the North-American banks. The second one was determined by the high deficit of the current account which has been characteristic of emerging economies such as Romania or former cohesion economies such as Spain, Greece, or Ireland. He also suggested that the Romanian economic crisis was of an internal nature and would have broken out even in the absence of the financial crisis initiated in the US. As a reaction to the

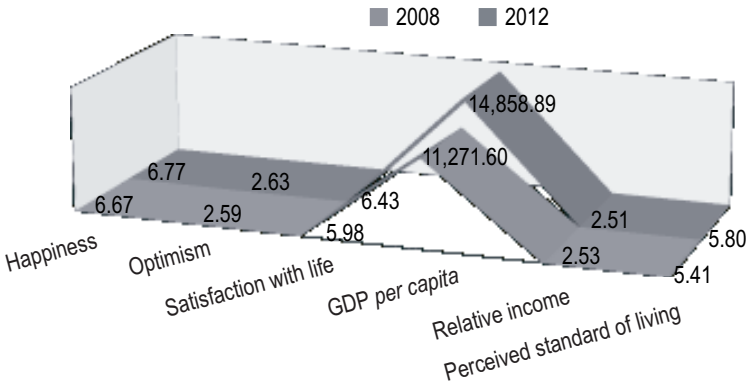

Figure 2. Evolution of the main social and economic indicators in Central Eastern Europe (2008–2012)

Source: Own elaboration.

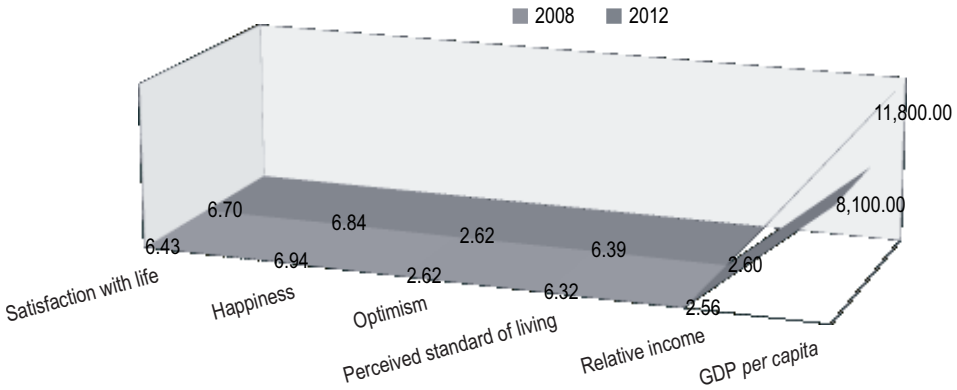

Figure 3. Evolution of the main social and economic indicators in Romania (2008–2012)

Source: Own elaboration.

Romanian economic crisis, the Romanian government officials made a radical decision to introduce an austerity program in 2010. This austerity program included 15% retirement benefits reductions and a 25% reduction of public employees' salaries [EUI]. I wanted to investigate the evolution of the main social and economic indicators, such as satisfaction with life, happiness, optimism, the perceived standard of living, relative income, and GDP *per capita*, during the Romanian economic recession. In Figure 3 it can be noticed that the satisfaction with life, the perceived standard of living, the relative income, and the GDP *per capita* increased during the period 2008–2012, while the optimism regarding the future remained at the same level (2.62) and the only indicator that shows a slight decrease (from 6.94 to 6.84) is happiness.

Conclusions

In this scientific paper, I tested whether there is a significant association between GDP *per capita* and subjective well-being based on the example of Southern and Central Eastern Europe, using EQLS 2007–2008 and EQLS 2011–2012 databases. The conclusion is that the association between GDP *per capita* and both the cognitive component (satisfaction with life) and the hedonic component (happiness) of subjective well-being is not significant. The main predictors of satisfaction with life are the perceived standard of living, health, marital status, education level, and church attendance. The main predictors of happiness are the perceived standard of living, health, marital status, and education level.

After analysing the statistical data, I cannot say that the Easterlin paradox is rejected nor confirmed. The main explanation is that the data covered a relatively short period of time (2008–2012).

That notwithstanding, my scientific inquiry was to find out if during a very difficult economic period, characterized by financial austerity, satisfaction with life and happiness decreased – and what I discovered could be termed a world economic recession paradox. Between 2008 and 2012, when governments of Southern European and Central Eastern European countries made radical financial decisions that included programs of austerity, in both regions different economic and social indicators such as satisfaction with life, happiness, optimism regarding the future, the perceived standard of living, and GDP *per capita* increased, even if the relative income slightly decreased.

The situation could be relatively different if someone focused on case studies, as I have focused on Romania. If one changed the perspective from regional to national, the situation could vary a little. In Romania, the satisfaction with life, GDP *per capita*, and the perceived standard of living slightly increased, but optimism regarding the future remained the same and relative income decreased. Even if the analysis would be focused on the period before world economic recession (1990–2003), the point of view of Bălţătescu [2007] regarding the relation between income and subjective well-being is very important to remember. Focusing on the transitional society of Romania, he found that money can indeed buy happiness, as income becomes more and more important in the economy of personal happiness and in the context of the difficulties facing large segments of the Romanian population.

The conclusions of my study are important in the sense that they show that the focus of the governments should be on subjective well-being instead on GDP *per capita*. There is no linkage in Southern Europe and Central Eastern Europe between GDP *per capita* and subjective well-being – but there is a linkage between health, education, and subjective well-being. If governments wished their citizens

to be happier, they would have to increase spending on healthcare and education. I am also convinced that GDP *per capita* is not a good economic indicator for analysing the relation between income and well-being. In this case, absolute and relative incomes prove to serve as better indicators.

The focus of future research should be the analysis of the impact of relative and absolute income on subjective well-being in a relatively long period of time (minimum 10 years).

Even if I used a longitudinal perspective, the limitation of this study is that it covers a relatively short period of time (4 years) for assessing the Easterlin paradox. Another limitation could be the use of just one database (EQLS) instead of two or three (for instance ESS or World Value Survey) for a more comparative perspective, and the inclusion of just two regions of Europe, Southern and Central Eastern Europe, instead focusing on the whole Europe.

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Appendix 1

Table 7. Response modalities for items that measure the variables in the study

Variables	Responses	
1. Satisfaction with life	ten-point numeric scale	high scores indicate high levels of satisfaction
2. Happiness	ten-point numeric scale	high scores indicate high levels of happiness
3. Satisfaction with the present standard of living	ten-point numeric scale	high scores indicate high levels of standard of living
4. State of health (subjective)	five-point Likert scale	low scores indicate high levels of health
5. Attendance of religious services	categorical variable	five categories
6. Marital status	categorical variable	four categories
7. Number of rooms in the accommodation	numerical variable	–
8. Optimism about the future	five-point Likert scale	low scores indicate high levels of optimism
9. Income quartiles based on equivalised income	ordinal variable	four-point scale
10. Gender	categorical variable	two categories
11. Age	numerical variable	–
12. Education level	ordinal variable	six categories
13. National median equivalised disposable income in PPP EUR	numerical variable	–
14. Unemployment rate, 2006	numerical variable	–
15. Long-term unemployment rate, 2011	numerical variable	–
16. Degree of urbanization	ordinal variable	three-point scale
17. GDP *per capita* in PPS, 2005	numerical variable	–
18. GDP *per capita* in PPS, 2011	numerical variable	–
19. Gini coefficient, 2011	numerical variable	–

Appendix 2

Table 8. Description of participants by marital status (EQLS 2007–2008)

Marital Status	N	%
Married or living with partner	3,562	59.8
Separated or divorced and not living with partner	525	8.8
Widowed and not living with partner	974	16.3
Never married and not living with partner	899	15.1

Source: Own elaboration.

Table 9. Description of participants by marital status (EQLS 2011–2012)

Marital Status	N	%
Married or living with partner	3,938	59.1
Separated or divorced and not living with partner	661	9.9
Widowed and not living with partner	1,017	15.3
Never married and not living with partner	1,043	15.7

Source: Own elaboration.

Table 10. Description of participants by education level (EQLS 2007–2008)

Education level	N	%
Primary	1,009	16.9
Lower secondary	1,062	17.8
Upper secondary	2,635	44.2
Post-secondary, non-tertiary	516	8.7
Tertiary	738	12.4

Source: Own elaboration.

Table 11. Description of participants by education level (EQLS 2011–2012)

Education level	N	%
Primary	1,105	16.6
Lower secondary	1,381	20.7
Upper secondary	2,506	37.6
Post-secondary, non-tertiary	463	7.0
Tertiary	1,204	18.0

Source: Own elaboration.

Table 12. Description of participants by country (EQLS 2007–2008)

Country	N	%
Bulgaria	597	10.0
Greece	566	9.5
Italy	298	5.0
Latvia	537	9.0
Lithuania	721	12.1
Romania	669	11.2
Slovenia	507	8.5
Spain	377	6.3
Portugal	316	5.3
Croatia	652	10.9
Macedonia	720	12.1

Source: Own elaboration.

Table 13. Description of participants by country (EQLS 2011–2012)

Country	N	%
Bulgaria	465	7.0
Greece	323	4.9
Spain	941	14.1
Italy	1,451	21.8
Latvia	855	12.8
Portugal	458	6.9
Romania	820	12.3
Slovenia	638	9.6
Croatia	708	10.6

Source: Own elaboration.