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Public Choice and Happiness

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PUBLIC CHOICE AND HAPPINESS

BRUNO FREY AND ALOIS STUTZER

39.1 INTRODUCTION: A MUTUAL INSPIRATION

PEOPLE'S quality of life is fundamentally affected by public choices in legislative assemblies, executives, administrative agencies, and courts. These choices set restrictions; define the kind, quality, and quantity of public services and transfers; and influence the efficiency of their provision. This has been well recognized in recent attempts to obtain a broader understanding of individual welfare. The idea, here, is to go beyond measures of economic activity, such as gross domestic product, that include government activity only in terms of its input costs.¹ Any contributions to welfare via, for example, an increased sense of security or local amenities are only captured to the extent that they contribute to goods and services exchanged on formal markets. The most prominent complementary approach makes direct use of people's self-reported assessments of their well-being in general or in domains of their life. These assessments are more evaluative in nature if they are in terms of judgments about satisfaction and more affective if they refer to various positive and negative emotions.² Since the turn of the century, an increasing body of research from all the social sciences has contributed to a better understanding of people's subjective well-being, in terms of both the measures that are used to capture it and the determinants that drive it.³