# Does Objective Well-Being Cause Subjective Well-Being?
# (1998-2012 Albanian Voter Analyze)

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*Abstract*

*This paper presents an overview of the correlation and changing dynamics of the main determinant indicators of economic welfare (GDP per capita, Inflation, Employment/Unemployment, Total Government Revenue, Total Investment, GNI per capita) and subjective welfare indicators[1] (Subjective Welfare Indicator as defined by R. Inglehart) in Albania during the years 1998-2012 influencing the profiles of the Albanian electorate's behavior. The regression analysis results and the changing dynamics among them allows to assert that economic welfare is one of the main cause, but not the only, of subjective well being of Albanian voter in these years. The results show that the economic indicators analyzed, except employment/unemployment, inflation per capita and total investment do not influence on the Albanian electorate subjective well being. This means that along with economic factor there are other influential effects to the voter in this time period, probably indicators such as cultural, psychological, sociological, etc., which are not concern of this paper. This allows also the realization of future predictions that could serve as an added value for all stakeholders involved in the political game in the micro level interest and at macro level interest it can serve to Democracy Development of Albania.*

*Keywords: Economic Well-Being Indicator; Subjective Well-Being Indicator; Voting Behavior; Regression*

## 1. Introduction

After 1990, Albania has undergone a drastic transition from the communist regime into an open-market economy and democratic parliamentary government in the last two decades. "A majority of citizens of Eastern and Central European countries were looking forward to economic and political reforms. It was expected the transformation process would lead from the socialist system to a new system reflecting the Western Model consisting of a democratic political system and a market economy. Instead of a quick economic recovery, however, the transition process brought considerable economic hardship. Declining industrial production, increasing unemployment, high inflation, and decreasing real wages and salaries, led to a deterioration of living conditions for many Eastern Europeans (for details: EBRD, 1998)." (Hayo B., Seifert, 2003, pg. 329-330)

"The old paradigm of development heavily focus on economic prosperity often neglects other life and societal aspects when trying to achieve economic growth as a prime development goal. Subjective aspects of human and societal well-beings which are crucial to the human "happiness and social quality have been ignored, as only economic growth has been used to measure the progress of the society" (Kittiprapas S., pg 1). Therefore, a new debate is on progress during these recent years focused on how development is measured, and as such subjective well-being have been integrated in the development analyses of the countries beyond objective Economies well being, and placing the subjective well being as one of the most important democratic policy goals". GDP, inflation, GNI, employment, etc., are the objective of economic policy and development policy, but the ultimate goal of public policy is welfare, not income. The intent is to measure the extent to which human needs are actually being met. Since these measures are based on the judgments of the survey respondents rather than on more easily quantifiable inputs of money and material goods, there are concerns that these "subjective" measures are not factually based and therefore less valid than "objective" measures like GDP (R. Costanza M. Hart, S. Posner, J. Talberth, 2009, pg.16). For thus it is needed first to analyze if there is a

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[1] *The empiric data is disposed from surveys studies applied in the Political Science Department, from my PhD supervisor Aleksandër Kocani. This data is provided also from these years' analyses in bachelor student's diplomas at this department, supervised/leaded from my supervisor, as also refereed in conferences and scientific publications.*

correlation between subjective and objective (economic) indicators, and if there is any, what probably would be its impact to the Albania Voter behavior.

As fragile democracy and economy (Index Mundi, 2013; Bank of Albania, 2003), Albania had its problems with the voter perceptions and its economy during these past 23 years. What I am particularly interested is the Albanian Voter Subjective Well-Being (SWB) and its relationship with Albanian Economic Well-Being (EWB). It is important to know if there is a relationship between these two electorate Well-Being measurements, since if there is one, a way of using it, would be that one of the interested stakeholders such as political parties' usage of this linkage in that way of increasing their electorate support, and maybe be an election winner. Inglehart, in particular for the former socialist countries, which enters also Albanian Republic, gives a value to their profile model that "lack of values": society tends toward those things that has retail and feels lacking (Inglehart, R., 2000). To know how to make this tool work in any party's interest, first is necessary to see if there is a relation, and if yes which are and how do these indicator effect on voter behavior in Subjective Well-Being perspective.

## 2. Methodology

This paper analyzes subjective well being relationship to the economic well being indicator (objective indicator) in Albanian electorate from 1998-2012. The base assumption of this paper is the one that "economic well being causes subjective well being in Albanian electorate in 1998-2012". Logically this correlation between these two variables would be a positive one, meaning that, the increasing of the first will cause the increase of the dependent variable. Studies shows that in most cases, if a country economy increases, it positively affects other aspects of the society, including people's Well-Being, which eventually reflects as part of the electorate behavior. Veenhoven (1991) found that the within-nation correlations between income and well-being are stronger in poorer than in wealthier societies, and this effect has been replicated by other researchers (Diener & Diener, 1995; Diener & Oishi, 2000; Schyns, 2003). However, the answer if there is positive correlation between them and if EWB statistically significant causes the SWB change, will be given only after analyzing the variables data in the regression function analyze.

As the supposed *dependent variable*, Subjective Well-Being Indicator measured in the Inglehartian way (Inglehart, R., 2000): ask respondents about their life Satisfaction and Happiness. So, subjective well-being is multifaceted; it includes both how happy individuals are at a point in time and how satisfied they are with their lives as a whole (Diener 2006) (Daniel W. Sacks, Betsey Stevenson, Justin Wolfers, 2010, pg.2) This data set of the SWB results is taken from empirical data surveys studying Albanian electorate, applied from my PhD supervisor Aleksandër Kocani. [2] Almost all empirical data analyzed in this paper is from Tirana's city surveys, except 2004 (country survey). Tirana city has almost one third of the total Albanian Population, representing all the cultural environmental behavior present in Albania in this last 20 years. Thus, methodologically, Tirana's electorate SWB can be considered as Albanian electorate SWB (*with an error margin not statistically important in this case analysis*).

"The subjective well-being index reflects the average of the percentage of people in each country which describe themselves as "very happy" or "happy" minus the percentage of which describe themselves as "not very happy" or "unhappy"; and the percentage placing themselves in the 7-10 range, minus the percentage placing themselves in the 1-4 range, on a 10-point scale on which 1 indicates that one is strongly dissatisfied with one's life as a whole, and 10 indicates that one is highly satisfied with one's life as a whole" (Inglehart, R., 2000).

*2.1 SWB formula:*

$$SWB = \frac{\Delta (Happiness) + \Delta (Satisfaction)}{2}$$

As supposed the *dependent variable*, economic welfare is the target development variable for a country. The data used in this analyze of the Objective Well Being Indicator are from the World Bank and International Monetary Found. The components of this indicator used in analyzing the correlation assumed in this paper, are the major relevant (The World Bank, 2013) indicators used in almost all studies concerning the economic development of a country: GDP per capita, Inflation per capita, Employment, Unemployment, GNI per capita, Total Investment, General Government Revenue.

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[2] *See: Kocani, A. Albanian value system studies. 1998-2012, Department of Political Science, Faculty of Social Sciences, University of Tirana*

## 3. Results and data analyze

**Table 1** Subjective and Economic Well-Being Indicator 1998-2012

| Year | SWB* | Inflation per capita | GDP per capita | Employment | GNI per capita | Unemployment | Total investment** | General government revenue ** |
|------|------|------|------|------|------|------|------|------|
| 1998 | -0.2 | 20.60 | 885.9 | 53.8 | 3550 | | 16.9 | 99.7 |
| 1999 | | 0.40 | 1117.7 | 53.3 | 3950 | | 20.8 | 121 |
| 2000 | | 0.10 | 1200.1 | 52.9 | 4380 | | 29.5 | 126.1 |
| 2001 | | 3.10 | 1329.4 | 47.4 | 4820 | 22.7 | 28.6 | 139.2 |
| 2002 | | 7.80 | 1440 | 52.4 | 4980 | | 27.9 | 154.6 |
| 2003 | 3.5 | 0.50 | 1819.4 | 52.3 | 5350 | | 25.4 | 167.2 |
| 2004 | -7.8 | 2.30 | 2388.7 | 52.1 | 5770 | | 26.3 | 184.4 |
| 2005 | -17 | 2.40 | 2666.1 | 52 | 6220 | | 29.7 | 204.2 |
| 2006 | | 2.40 | 2893.2 | 51.9 | 6980 | | 30.3 | 229.5 |
| 2007 | 19 | 2.90 | 3377.2 | 52.3 | 7380 | 13.5 | 30.1 | 251.6 |
| 2008 | 7.6 | 3.40 | 4076.4 | 52.6 | 8280 | 13 | 33.4 | 290.9 |
| 2009 | 33 | 2.30 | 3795.7 | 52.1 | 8500 | 13.8 | 30.3 | 299 |
| 2010 | 41 | 3.60 | 3700.7 | 52.1 | 8560 | | 26.8 | 319.6 |
| 2011 | 5.1 | 3.50 | 4029.7 | 52.3 | 8820 | | 25.6 | 330.4 |
| 2012 | -18.4 | 2.02** | | | | | 24.1 | 329.8 |

**\*** Subjective Well-Being Indicator from the student's diplomas and surveys leaded and applied from my PhD supervisor, A. Kocani, Political Science Department, Social Science Faculty, Tirana University, 1998-2012
** Data from the International Monetary Fund, May 2013

**Source:** Economic Well-Being Indicator from the World Bank, May 2013

**Table 2** Economic and Subjective Well-Being Correlation

| Albanian electorate 1998-2012 *(Independent Variable)* | | Subjective Well-Being Indicator *(Dependent variable)* |
|---|---|---|
| Pearson Correlation | Inflation | -.998 (.019) |
| (Sig. (1-tailed)) | GDP per capita | -.344 (.388) |
| | Employment | -.985 (.055) |
| | GNI per capita | .243 (.422) |
| | Unemployment | .980 (.064) |
| | Total investment | -.816 (.196) |
| | General government revenue | .217 (.430) |

Correlation is significant at the level .05

To search for a possible impact of economic welfare variable to the subjective well being variable during 1998-2012 showed in table 1, is needed this data to be processed in the form of regression analysis. The correlation results of the impact of the independent variable (economic well being indicator) and its components: Inflation per capita, GDP per capita, Employment, GNI per capita, Unemployment, Total investment, General government revenue to the dependent variable of subjective well-being of Albanian electorate are shown in table 2.

### 3.1    Regression data analysis

The first correlation to be analyzed is the one with the Employment as independent variable. It influences on SWB at a very the large range of -.985 (98.5 %). This relationship can be considered as significant although at an average level of .055, which means that Albanian electorate subjective well-being is very much related (caused) from the Employment situation during this period. The employment/SWB correlation is a negative correlation which means, when the number of employment increases the SWB decreases. This correlation is confirmed from the Unemployment-SWB positive correlation at the level of .980 (which is a high level of correlation), but the significance of this relationship is low at the (.064). On the other hand, if I correlate this result to the employment correlation result, I can conclude that employment/unemployment causes SWB but probably especially in the unemployment variable there could be other intermediate variable, or some other factors could interfere its SWB relationship which serves also as intermediate factors. This could be factors such as democratic governance, sociological, cultural, etc., but these are not the in this paper case interest of study.

The negative correlation it is interesting to be explained, because logically it was expected to be the complete contrary, a positive one. In 2011 SWB has decreased to 5.1, employment has increased to 52.3. One way to explain is that if the employment increases causes the decreases electorates' free time. This results can be explained with the fact that employment had a very slow increase with an average of .1 to .2 points, that means a very low, probably not a considerable number of Albanians electorate have been employed; numbers which are very probably not to have an impact to SWB. In addition, the increasing inflation rate, except 2012 with a decrease to 2.02, has a direct impact on the decreasing Albanians electoral families' consumer basket.

This variable is going to be analyzed below in more details. In this matter we have to take into account also the fact that Albania electorate values are those of the materialistic ones. This deterioration of "subjective well-being" indicator, constitutes signs of growing concern about the possibility of social explosions in the population (Inglehart, R., Wayne E. Baker, 2000, February 19), which can be interpreted as a necessity of changing the policy alternatives and programs as the electorate perception of the welfare gets worse. (See: Kocani, A. Values system studies, 1998-2012).

Thus, individuals become even more pragmatic. They tend not to enjoy the hard work, but simply the "easy money" and free time. Even the last year's crises of the global economy and the low level of payment for a normal day of work (even not enough to pay for the shopping basket), still does not bring Albanians to like work, and some of them prefer assistance or pensions (easy money). This result is very disturbing since it clearly reveals a passive behavior for work affecting the social and economic development even though the governmental policies in place enhance the economic welfare of citizens and entrepreneurships.

The employment argument is one of the main focus points of the electoral parties' program for the Parliamentary election of June 2013. In fact, employment results to be one of the prime electoral program points of the main Albanian electoral parties of 2013 parliamentary election (Democratic Party of Albania, Socialist Party of Albania and Socialist Movement for Integration). This argument is closely related to one of the main promises of the electoral program of the two main parties of Albania is increasing the number of employment in 250000 the Democratic Party of Albania (Partia Demokratike e Shqipërisë, June 2013) and 300000 the Socialist Party of Albania (Partia Socialiste e Shqipërisë, May 2013). Based on the above regression, the results of this indicator impact to the SWB remain very doubtful to have a positive impact to the electorate to increase the support for a party or coalition.

Inflation per capita has a very strong negative correlation with the SWB at the -.998, with a high significant .019, which means that inflation per person in Albania electorate influences at a very high level the Albanian Electorate SWB. If the inflation per capita increases, it causes the decrease of the Albanian electorate SWB. In 1998 the SWB was -.2 percent (near the 0 and under minus level it can be probably expected an electorate revolt or social explosions) and the Inflation rate was at 20.6. In the 2003 it can be seen an overturn of this two data, The SWB has increased at the 3.5 percent and the Inflation rate has decreased at the 0.5 level. The inflation rate increases till 2008, instead the SWB decreases and than rises at the 19 percent in 2007, decreases again in 2008 at the 7.6 percent. From 2008 to 2010 they both increase in their values, and then both decrease.

This direct impact of inflation changing the SWB of the Albanian electorate can be explained thought the Albanian

behavior relating to "easy money". The inflation change directly influences to family and individual portfolio, particularly in the consumer basket price increase; inflation increases results to less money available for spending. Fewer products to consume in combination to a prospective of hard work idea and less free time in disposal results in increasing directly the unhappiness and un-satisfaction of the electorate.

If reflecting the decrease of SWB into votes, the increase of Inflation, as it has happened during the last 4-5 years (with the exception of 2008 with 2.3) means probable negative result to the actual governance of Albania (Democratic Party).

Total Investment is another indicator that has a correlation with SWB at a large point of -.816. As Inflation and Employment also this relationship is a negative one. It means that if total investment increases the Albanian electorate SWB decreases. But I can't say that this relationship is significant (.196) since it is higher than the standard level (.05) of significance. The probability of other factors intermediating is higher is this case, most probably because Total Investment not like other analyzed indicators is not perceived directly from the voters in general but only from a minority of population directly related affected from the investment. Government Investment effects take value to the whole population only after a period of time however the short term taxes and governmental financing to the investment project are perceived from voter in some degree of dissatisfaction, same tendency as in the private sector. Long term investment requires a well studied micro and macro analyses to estimate the short term impact on the voters. In order to reduce the short term negative effect, such as employment and subventions to specific market segments, could be a method to decrease the citizen's short term dissatisfaction.

The remaining indicators are GDP per capita, GNI per capita and General government revenue, indicators directly derived from individual work/achievement and respective personal income which relates to the entrepreneurships affecting the governmental policies through their specific requests and intertwined dependencies. They cannot be considered as influential to the Albanian voter SWB since from the regression table 2 it can be noted that this relationship corresponds to the level of -.344, .243, and .217 (which are very below the considerable level of being in a relationship between them). This result is confirmed from the not significance level of each of the three relationship (.388), (.422), (.430). These results confirm that these three indicators do not serve as a cause for the Albanian Electorate SWB.

In June 2013 elections, Employment/Unemployment and Inflation rate will be the three main impacting indicators of the Albanian electorate subjective well being. These indicators combined to the decreasing tendency of SWB during the last years will affect negatively the support of the government, translated in decreasing the number of votes for the actual governance of Democratic Party that for 8 years now has governed Albania.
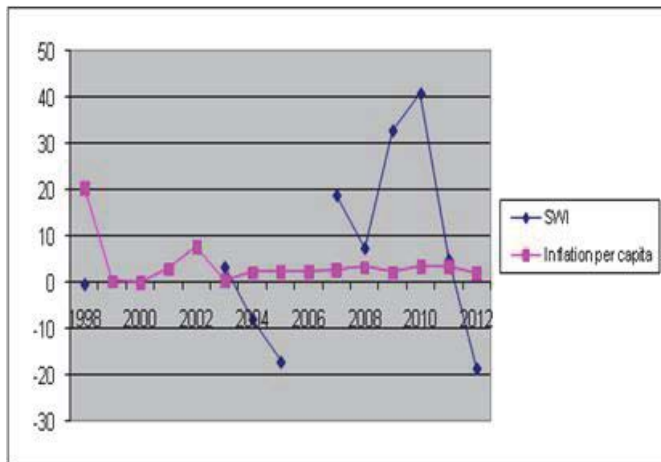


**Graph 1.** 1998-2012 dynamic trend of SWB and Inflation per capita
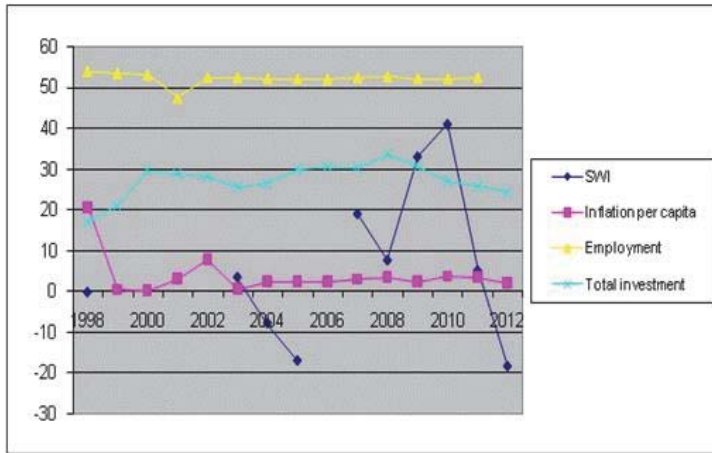
**Graph 2.** 1998-2012 dynamic trend of SWB, Inflation per capita, Total Investment, and Employment

The graph 1 and 2, confirms the conclusion of the regression analysis. In most of the indicator curves dynamics from 1998 to 2012 there is no correlation of their trend. Almost all economic indicators trends differ from the subjective well being indicator in the oscillation aspects. The SWB does oscillate considerably during these years, it increases and decreases rapidly, particularly 2005 it decreased at -17 percent, 2010 it increased at 41 percent and it decreased again in 2012 at -18.4 percent.

Meanwhile the other (economic) indicators do not oscillates with those margins. Almost all of them are increasing or decreasing slowly, except the two that from the regression analyze correlated with the SWB, inflation per capita which trend of the curve goes in the opposite direction from the SWB, which confirms the regression analysis, retaliated in the indirect proportion. The same thing as the inflation per capita can be said for the employment curve. It has the same fluctuating trend, in the opposite direction of the SWB, although also employment and unemployment curve do not have that large margin of oscillation as does the SWB.

## 4. Conclusions

From the regression analyze of the assumption that Economy Well-Being (objective Indicators) cause Subjective Well Being at Albanian electorate in the 1998-2012 period; the results of the correlation can be grouped in three:

**Table 3:** Grouped correlations results

| 1. The relationship correlates (sig.) | | 2. The relationship doesn't correlate (sig.) | | |
|---|---|---|---|---|
| Inflation per capita | -.998 (.019) | 1. | GDP per capita | -.344 (.388) |
| Employment | -.985 (.055) | 2. | GNI per capita | .243 (.422) |
| Unemployment | .980 (.064) | 3. | General government revenue | .217 (.430) |
| **3. Hardly correlates but not to be put at the "doesn't correlate group"** (sig.) | | | | |
| Total investment | -.816 (.196) | | | |

*In a conclusion*: The base assumption of this paper "economic well being causes subjective well being" is confirmed partially.

The analysis of the correlation between Economic and Subjective Well-Being Indicators and changing dynamics during 1998-2012, allows us to understand that economic welfare is one of the causes of subjective well being of Albanian voter in the analyzed period. In terms of data it is confirmed 42, 86 %, what means that economic indicators are not the only one factor that causes Subjective well-being to Albanian electorate. If we put into account even the Total

Investment indicator the percentage goes to about 52 % of economic indicator, which means that economic situation covers a considerable part of Albanian voter subjective well being (satisfaction and happiness). The numbers show that the other analyzed economic indicators except employment/unemployment, inflation per capita do not influence on the Albanian electorate well being. It's important to mention here the total investment may be included as an effecting variable but not as a direct influencing one.

This analysis shows that although the economic situation causes only about 50 percent of the Albanian Voter Subjective Well Being, there must be a correlation to the economic situation and other influential factors that might have equal or lower influential possibility of affecting the Albanian voter Subjective Well-being, such as cultural, sociological, etc. This means that other then economic factors have influential effects to the voters in this period of time. Although the drastic percentage decline of the Social Welfare Indicator, the not influential low increase of Employment and GDP per capita, and the decrease of total Investment, leads to the forecast of the potential demand of Albanian voters for political rotation in June 2013.

This allows also the realization of future predictions, as for example an added value for all stakeholders involved in the political game searching the right point to serve the electorate to increase their support. Based on this analyze[3], in addition of increasing their support, political parties, should include in their programs and activities a high percentage of themes concerning individual well being, particularly, decreasing level of Inflation per capita, increasing level of employment in high proportion, not at the current up insensitive low level percentage of increased employment and low raise of wage (payment) due to the high impact of materialistic profile of Albanian voter.

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[3] *Not taking into account other influence factors*

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## Appendix

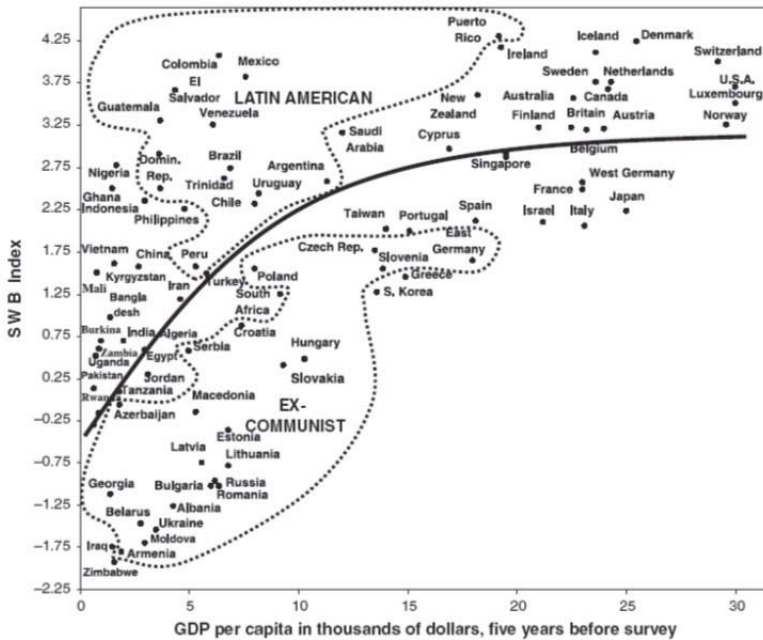**Figure 1.** GDP per capita and SWB in the world.



Fig. 2. Subjective well-being (SWB), per capita gross domestic product (GDP), and different types of societies. Well-being index is based on reported life satisfaction and happiness, using mean results from all available surveys conducted 1995–2007 (cubic curve plotted; r = .62). PPP=purchasing power parity estimates.

**Source**: Inglehart, Foa, Peterson, Welzel (2008), p 269.