

## Governance and happiness: Evidence from citizen's perception in Pakistan\*

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**Abstract** This paper examines the impact of governance on the happiness of residents in a developing society. Governance and happiness are measured on the basis of citizen's perceptions through a survey from all over the country. We find a significant relationship between self perceived governance and happiness. Our estimates suggest that improvement in democratic and technical governance will significantly increase the happiness of the citizens. Results carry important implications for a developing country like Pakistan to improve governance and strengthen the democracy.

**Keywords** Democratic governance · Technical governance · Happiness · Institutions.

### 1 Introduction

Historically, the welfare concepts presented in the early twentieth century by Pareto (1909) and later by Pigou (1920) in his book 'The Economics of Welfare', were ambiguous about adjustment between social welfare and national dividend. The Gross Domestic Product (GDP) is considered as a yardstick for measurement of growth, prosperity and also for forecasting the future economic performance of a country. In 1974, happiness was formally introduced in literature to test the inverted parabolic relationship between happiness and economic

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growth. Detailed analysis of cross sectional data revealed that over a period of time despite increase in per capita income happiness levels remained stagnant [Easterlin \(1974\)](#). A myriad of empirical studies and debates followed this perplexing result [for example [Clark et al \(2008\)](#); [Sacks et al \(2012\)](#)] and a consensus emerged that income is only one of the many factors that determine the happiness of an individual.

Consequently, both psychologists and economists have devoted time and effort to understand the determinants of subjective wellbeing or happiness. [Di Tella et al \(2001\)](#), and [Oswald \(2001\)](#) attempted to evaluate the short term welfare trade-off between inflation and unemployment. Their work reaffirmed earlier research [[Clark and Oswald \(1994\)](#) and [Oswald \(1997\)](#)] that the negative impact of monetary loss is far lower than the corresponding psychological cost of unemployment. However, the evidence on happiness and governance is still nascent, particularly in the context of developing societies. In the following paragraphs, we present a review of studies on wellbeing or happiness in relation with governance.

The existing scope of happiness and wellbeing was broadened by the analysis of [Frey and Stutzer \(2000\)](#). They explained differences in subjective wellbeing among Swiss cantons using individual variables along with measures of the direct accountability of cantonal administrations. A canton had a higher measure of subjective wellbeing if it had a more accountable government.

[Helliwell and Putnam \(2004\)](#) considered several individual measures along with state variables to provide primary estimates of income contribution, health, social connectedness and family status to an individual's wellbeing. Likewise, a number of social factors (civil rights, economic freedom and tolerance of minorities) which are controllable by government policies are identified by [Veenhoven \(2004\)](#). His study reveals that these social factors are positively correlated with happiness. He claims that happiness levels in a society could be elevated through enactment of appropriate public policies.

Other researches also revealed that happiness level is higher in well governed nations and therefore concluded that the quality of the government impacts subjective wellbeing [Helliwell and Huang \(2008\)](#). [Alvarez-Diaz et al \(2010\)](#) highlighted that differences in governance and policies across different states in the United States of America corresponded directly with life satisfaction.

[Veenhoven \(2000\)](#) concluded that in poorer countries economic freedom contributes more to happiness as opposed to richer countries where political freedom is valued more. Furthermore, [Helliwell and Huang \(2008\)](#) revealed that for poorer nations, technical quality of the government is clearly more important whilst for wealthier countries, democratic characteristics also play a significant role. Their findings were endorsed by [Ott \(2014\)](#) who additionally commented on the universality of technical governance across rich and poor countries. Democratic quality, however, has a weaker relationship with happiness than technical quality even in richer nations.

[Ott \(2011\)](#) found a positive correlation between technical quality of the government and average happiness in nations; the relation being bell shaped with inequality of happiness. The shape reveals that early improvement will initially lead to more inequality in happiness but subsequently less inequality will fol-

low. Bjørnskov et al (2010) claim that investing in a fair and efficient legal system would be one of the potential ways to increase national happiness levels and economic development in third world countries. Their results additionally speak that democratic and political institutions are contributors to happiness in middle and high income countries. Sufficient literature is available and many research papers are in favor of the argument that happiness is enhanced by good governance.

On the contrary, some studies reject this notion. For instance, Inglehart and Klingemann (2000) refute that democracy raises the wellbeing of a nation. They argue that history provides compelling evidence against this assumption. The results of Bjørnskov et al (2008) also find no robust association between wellbeing and democratic institutions and a negative relation between governance and life satisfaction.

The present study is the first of its kind in the context of Pakistan. The political and government institutions in Pakistan are fragile due to scarcity of human resources, international consequences and national politics. The study contributes to literature in a number of ways. First, it examines the relationship between governance and happiness in the context of a developing country like Pakistan. Secondly, the study conducts a detailed analysis of governance by bifurcating it into technical, political and judicial governance. Finally, the most important contribution of this study is that all governance indicators are self perceived by citizens, therefore there is no reliance on any external (national or international) source of information.

## 2 Data

The data used for this study comes from a survey titled ‘The Patterns of Human Concerns in a Developing society’. The main objective of this survey is to examine the status of wellbeing and happiness of citizens during the process of development, particularly when the economy is at the take off stage and industrialization and economic competition is on the rise. It also provides economic, gender and demographic specifications of the participants. The survey was conducted in August- September 2016 via telephone in 59 districts of Pakistan.

Overall the country was divided into 59 stratas except AJK, FATA and Gilgit Baltistan. The representation of each strata in the sample depends on its population (census 1998<sup>1</sup>). Districts with a population equal to or less than 5 percent of their respective province’s population were merged together on the basis of their geographical vicinity into one stratum. Districts with more than 5 percent share in their respective provincial population were considered as an individual stratum. The survey collected extensive information from 1600 individuals.

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<sup>1</sup> This is the latest census available in Pakistan.

## 2.1 Questionnaire development

The questionnaire of this survey is based on the previous surveys carried out in developed as well as developing countries. Before designing this survey the questionnaires of (1) Bhutan (2) World Value Survey and (3) European Social Survey were reviewed and many questions were borrowed from these surveys. However, many questions have been included and excluded, keeping in view the nature of this project and the context of Pakistan.

The questionnaire included a mixture of questions regarding family background, education level and demographics. It was divided into different sections to extract information on income inequality, wellbeing, ecology, culture/ heritage, community connectivity and governance. After several rounds of discussion and gathering of expert opinions, the initial draft of the questionnaire was finalized in early June 2016, which consisted of eight sections and 82 questions. However, feedback from the pilot survey conducted in each of the four provinces of Pakistan revealed that the survey was very time consuming and respondents were reluctant to spare that much time. Hence the questionnaire was redesigned and refined in such a way that maximum information could be gathered in a single question or with the help of sets of few questions. After many other rounds of discussion and deliberation, the questionnaire was shortened to six sections and 44 questions.<sup>2</sup>

## 2.2 Description of dependent variable

The dependent variable, self-reported happiness, is measured on a five-point scale ranging from 1 (very unhappy) to 5 (very happy). In our sample 21.3 percent individuals are very happy, 56.9 percent are happy, 17.7 percent neither happy nor unhappy, 3.7 percent unhappy and 0.4 percent very unhappy. A sizeable portion of the target population, therefore, reports being happy.

The first important consideration in this regard is about the nature of happiness as a variable. This is a social variable not an exact economic variable. The reporting of being happy does not mean complete 'absence of sadness or being very unhappy' and vice versa. This is in effect the state of mind and thoughtfulness of the respondent about his/her feelings at the time of the interview. The extent of the happiness is determined by the points on the scale from 1-5.

Secondly the observance of religion is another factor which explains why the majority of respondents reported being happy. There are many studies which explain and strongly establish the positive relationship between happiness and different religions i.e., Christianity, Buddhism and Islam (see for example Ahmed M. Abdel-Khalek (2006) for a relationship between Islam and happiness; Christopher Alan Lewis and Sharon Mary Cruise (2006) for a relationship between Christianity and happiness). It has been observed that religion encourages meditation, contemplation and social networking, all of which work to reduce depression, inner sadness and anger.

<sup>2</sup> The questionnaire will be available along with complete report after its completion on website of Institute of Business Administration, Karachi.

**Table 1:** Summary statistics

		Definition of variable	Mean
Dependent variable Happiness	1	Very Unhappy (omitted)	0.4
	2	Unhappy	3.7
	3	Neither Happy or Unhappy	17.7
	4	Happy	56.9
	5	Very Happy	21.3
Independent variables Age	1	18-24 years (omitted)	26.2
	2	25-34 years	28.9
	3	35-44 years	17.4
	4	45-54 years	11.5
	5	55-64 years	10.6
	6	65 or older	5.5
Gender	1	Male (omitted)	64.1
	2	Female	35.9
Education	1	No education/primary (omitted)	9.4
	2	Matric or inter	39.5
	3	Bachelors and above	51.1
Marital status	1	Married	65.1
	2	Unmarried & single & others	31.9
	3	Widowed and divorced	3
Province	1	Balochistan (omitted)	5.5
	2	Khyber Pakhtunawa	12.4
	3	Punjab	55.9
	4	Sindh	26.2
Region	1	Urban (omitted)	29.7
	2	Rural	70.3
Income	1	Less than 10000(omitted)	4.9
	2	10001 -20000	16.0
	3	20001-30000	21.1
	4	30001-40000	21
	5	40001-50000	15.2
	6	50001-75000	9.6
	7	75001-100000	5.4
	8	100001 and above	6.9
Fair election	1	Not fair elections	78.9
	2	Fair elections	21.1
Judicial satisfaction	1	Not Satisfied (omitted)	64.9
	2	Satisfied	35.1
Parliamentary satisfaction	1	Not Satisfied (omitted)	64.9
	2	Satisfied	35.1
Technical government satisfaction	1	Poor (omitted)	33.4
	2	Better	33.3
	3	Good	33.3
N		1600	

### 2.2.1 Controls

Explanatory variables include personal characteristics, demographics and region of residence. Table 1 shows the dependent and independent variables along with their mean sample statistics.

Age, the first independent variable in the table, is divided into six categories ranging from 18 years to 65 and above. The largest number of people, 28.9 percent fall in the age category 25-34 and least, 5.5 percent, in the age bracket 65 and above.

Education is categorized into three levels: (1) below primary, (2) matric or inter and (3) bachelor and above. Our sample consists of 65 married individuals. The socioeconomic status is controlled with inclusion of monthly income. The monthly income variable is further divided into eight categories to precisely determine the impact of economic class. Besides controlling for geographical and regional impact we also control for gender with the male to female ratio being 64 percent to 36 percent respectively.

### 2.2.2 Measurement and construction of governance variables

This paper attempts to examine the impact of governance on happiness using two distinctive measures: (1) government (legislative body), and (2) governance (processes and administration of government). Kaufmann et al (2011) consider both, the state and quality of existing institutions and also their performance. This paper, however, focuses only on the impact of governance on happiness. Ott (2011) suggests that governance can be broadly categorized into two types of qualities: (1) Democratic and (2) Technical. A conceptual difference existing in these two terms is that the former focuses on the political situation and the latter speaks for institutional quality and effectiveness Ott (2011).

Following Helliwell and Huang (2008) and Ott (2011) we have introduced two variables to measure the quality of governance i.e., Democratic Quality, which indicates the quality of institutions and Technical Quality, which measures the performance of the government. The Democratic Quality (GovDem) is determined using three questions from the survey. The replies to these questions are indicated in (Yes/No) dichotomous arrangement.

The uniqueness of these variables is further enhanced as the research does not make use of any third party to evaluate whether there are fair elections or not rather it directly questions the citizens about their perceptions or opinions on the fairness of the electoral process and vice versa. This subjective and self-perceived approach also distinguishes the present study from earlier studies. The three questions to capture democratic quality are:

(i) Fair Elections

The question that is asked in the survey is: "Overall, how would you evaluate the freeness and fairness of the election process? (Yes/ No)". There is the possibility that many of the respondents do not participate in the electoral process but in this age of information they are capable of judging the fairness in the election process. According to our data 79 percent of respondents believe that the elections in Pakistan are not fair. This is also an important result for the

Election Commission of Pakistan, that asserts conducting fair elections. Here we make our point that citizens' opinions can be different from what an institution/ governmental body is claiming.

(ii) Parliamentary Satisfaction

This variable is measured by asking the question, "Are you satisfied with the current parliamentary system? (Yes/ No)". This question, reaffirms the earlier question regarding fair elections. The difference between the two is that fair election is a short- term process and parliamentary satisfaction is a longer-term institutional variable. Thus there are slight differences in replies between these two questions.

(iii) Judicial Satisfaction

The third question included in the survey is to measure the democratic quality of governance is: "Are you satisfied with the judicial system? (Yes/ No)" This question more directly affects the household lives. The respondents' may/may not participate in the electoral process but they understand and want justice.

These three questions are used alternatively in three different models to examine the democratic quality of governance. The purpose of using three alternate variables is to bring more robustness in accepting the hypothesis that whether the democratic quality of governance matters or not?

Technical quality of governance is measured on tangible questions asked from citizens to examine their perceptions about the performance of the government. All questions are measured on a scale of 1-4. The questions in the survey attempt to gauge the performance of the government during the last 12 months with respect to: (a) creation of jobs, (b) reducing the gap between rich and poor, (c) provision of education, (d) improving health services, (e) eradicating corruption, (f) protecting the environment (g) building infrastructure (h) providing electricity, (i) ensuring safety and (j) providing safe drinking water. We use Principle Component Analysis and generated an index on the technical quality of the government based on all the above criteria. We further divide this index into three categories (poor, better and good). Later this variable is used in estimation as a categorical variable.

### 3 Methodology

Multinomial logit and probit models have been used extensively in literature to capture the latent variables however they are not appropriate for this study as they neglect ordinality of the data set necessary for this study. If the outcomes of the dependent variable are ordered multinomial for each respondent  $i$ , ordered probit model can be used [Kockelman and Kweon \(2002\)](#). This applies to our study which has categorical outcomes very unhappy, unhappy, neither happy nor unhappy, happy and very happy. The model can be expressed as follows:  $y_i = j$  if,

$$\mu_{j-1} < y_i^* \leq \mu_j \quad (1)$$

$j = 1, \dots, m$

where  $y_i$  is individual  $i$ 's response to the survey question, and it can take one of the integer values 1,2,3,4 or 5.

The latent variable  $y_i^*$ , is assumed to be a function of individual and governance variables  $x$  and

$$y_i^* = X_i\beta + \varepsilon_i \quad (2)$$

$\varepsilon_i \sim N(0,1)$

$$\mu_0 = -\infty, \mu_j \leq \mu_{j+1}, \mu_m = \infty \quad (3)$$

Given that the error term is normally distributed, the probability of observing a particular value of  $y$  is

$$P_{ij} = P(y_i = j) = \Phi[\mu_j - x_i\beta] - \Phi[\mu_{j-1} - x_i\beta] \quad (4)$$

where  $\phi(\cdot)$  is the standard normal distribution function. The log likelihood for ordered probit takes the form of

$$\log L = \sum_{ij} y_{ij} \log P_{ij} \quad (5)$$

$X_i$  includes the set of independent variables, democratic and technical government. A detailed discussion on these variables is given in the previous section and definitions are provided in table 1.

#### 4 The context of Pakistan

Pakistan fares worst on governance measured by [Hellman et al \(2003\)](#). The general consensus obtained by research compiled over the years shows that there is less government effectiveness, more perjury, higher political instability and violence in Pakistan, as compared to developed and some developing countries around the world.

A glimpse at various indicators observed in Pakistan reveal a stagnating situation in the country. Corruption is a widespread and deeply ingrained phenomenon at all levels of the society [Javaid \(2010\)](#). The performance of Pakistan on the Corruption Perception index is very low and has been following a deteriorating trend since 1995. Similarly, World Bank Governance indicators for the country have not shown much improvement over time [Kaufmann et al \(2011\)](#). Other similar problems such as nepotism and bureaucracy are widespread, and have acutely weakened the institutions of the country [Root and Waseem \(1997\)](#).

Starting from 1947 to 1958, the country experienced unstable governments with no clear strategy for growth and development insight. Pakistan's history is marked with frequent regime changes and military takeovers. Ayub Khan who took over as president in 1958 imposed the first martial law. Other military government regimes followed including Yahya Khan (1969-1971), Zia-ul-Haq (1978-1988) and General Pervez Musharraf (1999-2008). The frequent transition from military to civilian governments and vice versa created an unstable situation; one exacerbated further by civilian governments also changing hands frequently. However, the democratic processes of the general elections of 2013 are widely praised, as for the first time a democratically elected government underwent peaceful transition in the history of the country. With the strengthening of democratic institutions, the position of Pakistan in the corruption index improved from 143 in 2010 to 117 in 2017.

The weak edifice of the parliamentary system gives rise to institutional inefficiencies, poor performance of bureaucracy and also weak legislation. Government instability can be considered as one of the main causes of several problems, among many others. From an economic perspective, instability has had a negative effect on foreign investment and business attractiveness. Loss in business interest has also impacted GDP and resulted in the lack of development in local industries.

From a social perspective, the ineffectiveness of the government has resulted in social disparity and inequality among the various groups that prevail in the society. Historical evidence, for instance, is the separation of East Pakistan; which happened due to the inability of the government to address internal conflicts and grievances. Many other social problems have arisen including illiteracy, malnutrition, crime and extremism as consequences of government inefficiencies, particularly in the post devolution scenario.

## 5 Results and discussion

The empirical investigation presented in this paper establishes a relationship between governance and happiness in the context of Pakistan. Table 2 to table 5 present the marginal effects of all governance variables and controls, on the five outcomes of happiness.<sup>3</sup>

### 5.1 Democratic quality and happiness

For this study the democratic quality of the government is measured using three different variables. These are fair elections (table 2), parliamentary satisfaction (table 3) and judicial satisfaction (table 4). Fair elections refer to a true representation of opinion of all the members in a society. Our results clearly suggest that good quality of the democratic government enhances the wellbeing of an individual in Pakistan. If elections are free and fair it increases the proportion of persons reporting 'very happy' by 2.2 percentage points and decreases the proportion of persons reporting unhappy by 0.1 percent even though, our results of 'free and fair elections' are not statistically different from zero.

Frey and Stutzer (2000) conclude that (direct democracy measured in the form of an index, in Swiss Cantons) one-point rise in direct democracy increased the share of persons indicating very high satisfaction with life by 2.8 percentage points. The study also claims that in a properly developed democratic political system, the elected politicians are forced to follow the preferences of the voters. As Pakistan has always experienced a weak political system characterized by frequent interruptions from the military government the general public appears to be more or less indifferent regarding elections and electoral reforms.

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<sup>3</sup> We have also estimated district level fixed effects (appendix tables A1-A4) and they also present similar outcomes.

**Table 2:** Marginal probabilities Fair elections

Variables	Model 1	Model 2	Model 3	Model 4	Model 5
Age					
25-34 years	0.00243** (0.00118)	0.0151*** (0.00549)	0.0458*** (0.0161)	0.00849 (0.00597)	-0.0718*** (0.0262)
35-44 years	0.00382** (0.00189)	0.0225*** (0.00798)	0.0643*** (0.0208)	0.00526 (0.00643)	-0.0959*** (0.0311)
45-54 years	0.0026 (0.00166)	0.0160* (0.00827)	0.0482** (0.023)	0.00826 (0.00587)	-0.0751** (0.035)
55-64 years	0.00302 (0.00185)	0.0183** (0.0088)	0.0540** (0.0236)	0.00748 (0.00618)	-0.0828** (0.0351)
65 or older	0.00699* (0.00379)	0.0373*** (0.0143)	0.0963*** (0.0295)	-0.00812 (0.0148)	-0.132*** (0.0367)
Gender					
Female	-0.00154* (0.000858)	-0.00898** (0.00422)	-0.0252** (0.0118)	-0.000462 (0.0017)	0.0362** (0.0173)
Education					
Primary	-0.00199 (0.00311)	-0.0103 (0.0156)	-0.0251 (0.0374)	0.00568 (0.0101)	0.0318 (0.0471)
Matric	-0.00325 (0.0028)	-0.0176 (0.0131)	-0.0455 (0.0306)	0.00547 (0.01)	0.0609 (0.0379)
Intermediate	-0.00352 (0.00284)	-0.0193 (0.0132)	-0.0505 (0.0308)	0.00469 (0.0101)	0.0687* (0.0384)
Bachelors and above	-0.0019 (0.00269)	-0.00983 (0.013)	-0.0238 (0.0297)	0.00554 (0.00993)	0.03 (0.0355)
Marital Status					
Unmarried, single and others	0.00283* (0.00164)	0.0152** (0.00703)	0.0393** (0.0166)	-0.00414 (0.0038)	-0.0532** (0.0219)
Widowed and divorced	-0.00117 (0.00145)	-0.00741 (0.00935)	-0.023 (0.0308)	-0.00567 (0.0119)	0.0373 (0.0532)
Region					
Khyber Pakhtunkhwa	-0.00256 (0.00187)	-0.0163* (0.00979)	-0.0507* (0.0278)	-0.0124 (0.00846)	0.0819* (0.0424)
Punjab	0.00106 (0.00172)	0.00577 (0.00944)	0.0149 (0.0252)	-0.002 (0.00213)	-0.0197 (0.0345)
Sindh	-0.00114 (0.00172)	-0.00671 (0.0096)	-0.0191 (0.0262)	-0.000923 (0.00218)	0.0279 (0.037)
Rural	-0.00359** (0.00156)	-0.0197*** (0.00571)	-0.0511*** (0.0131)	0.00664 (0.00433)	0.0677*** (0.0163)
Income					
10001 -20000	0.00298 (0.00228)	0.0158 (0.0115)	0.0389 (0.0295)	-0.00948 (0.00651)	-0.0483 (0.0388)
20001-30000	0.00148 (0.00192)	0.00823 (0.0107)	0.0214 (0.0287)	-0.00338 (0.00356)	-0.0277 (0.0386)
30001-40000	-0.000348 (0.00175)	-0.00208 (0.0103)	-0.00585 (0.0288)	9.89E-05 (0.00126)	0.0082 (0.0398)
40001-50000	-0.00115 (0.00178)	-0.00711 (0.0105)	-0.0209 (0.0297)	-0.00141 (0.00291)	0.0306 (0.0421)
50001-75000	-0.00243 (0.00187)	-0.0161 (0.0104)	-0.0519* (0.0307)	-0.0136 (0.01)	0.0841* (0.0473)
75001-100000	-0.00125 (0.002)	-0.00776 (0.012)	-0.0229 (0.0351)	-0.00182 (0.00515)	0.0338 (0.0516)
100001 and above	-0.00154 (0.0019)	-0.00973 (0.0113)	-0.0293 (0.0331)	-0.00343 (0.0061)	0.044 (0.0491)
Fair elections	-0.000905 (0.000842)	-0.00528 (0.00472)	-0.0148 (0.0135)	-0.000393 (0.00136)	0.0214 (0.02)
Observations	1601	1601	1601	1601	1601

Standard errors in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

**Table 3:** Marginal probabilities Parliamentary satisfaction (All controls in table 2 are included but not reported in this table)

Variables	1 Model 1	2 Model 2	3 Model 3	4 Model 4	5 Model 5
Parliamentary satisfaction	-0.00217** (0.000969)	-0.0129*** (0.00416)	-0.0367*** (0.0117)	-0.00143 (0.00255)	0.0531*** (0.0174)
Observations	1,601	1,601	1,601	1,601	1,601

Standard errors in parentheses  
\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

**Table 4:** Marginal probabilities Judicial satisfaction (All controls in table 2 are included but not reported in this table)My caption

Variables	1 Model 1	2 Model 2	3 Model 3	4 Model 4	5 Model 5
Judicial satisfaction	-0.00143* (0.00084)	-0.00827** (0.00417)	-0.0234** (0.0118)	-0.00023 (0.00155)	0.0333* (0.0171)
Observations	1,587	1,587	1,587	1,587	1,587

Standard errors in parentheses  
\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

However, the citizens seem to express greater concern for justice and parliamentary system due to awareness created by the media. We find a statistically significant relationship between parliamentary satisfaction and happiness and also between judicial satisfaction and happiness. One percent point increase in parliamentary satisfaction increases likelihood of reporting very happy by 5.4 percent (table 3). This reveals that institutional contentedness and happiness are interrelated. A productive and non-corrupt parliamentary system in which public power is not used for private gain would attempt to achieve equity thereby translating into satisfaction and happiness.

Similarly, one percentage point increase in judicial satisfaction increases the probability of reporting very happy by 3.4 percentage points. Higher judicial satisfaction causes greater happiness. If people have confidence that the police and the courts will enforce law, it will reduce the likelihood of crime and violence. [Hudson \(2006\)](#) finds similar results for European countries. Their study finds that institutions have a significant impact on the macroeconomic policies and wellbeing of citizens.

The insignificance of fair elections is a very important result in the context of Pakistan. In developed economies, political parties engage in debates before electoral process starts, regarding their manifesto and proposed strategies and policies. Thus the elected representatives try to meet their claims and thus directly affect the households' wellbeing. This process is very weak or absent in Pakistan, thus much more attention is required to strengthen the electoral process. This result also supports the argument developed earlier by [Helliwell and Huang \(2008\)](#).

Whilst, comparing the two variables of democratic quality of governance we

would further like to elaborate on the significance of three measures of democratic governance. According to the Election Commission of Pakistan (ECP) only 45 percent of voters turn out for votes. This is the national level average and there is possibility that once we analyze at provincial or district level the turn out rate of voters might be even lower. The most significant reason that has been identified by ECP is that citizens of Pakistan believe that their participation will not have any bearing on neither the election results nor the condition of the country. Furthermore, security issues keep people away from participation in the electoral process. Finally, the citizens perceive that their opinion or vote for one party over another party will not affect their standard of living or general conditions in the country. That is why happiness remains insignificant in direct relation with fair elections.

The other variable that is parliamentary satisfaction, which is considered as a flow variable or an institutional process variable, is significant in direction relation to the dependent variable. The comparison of results for fair election and parliamentary satisfaction is not controversial due to the nature of these two variables. First, fair election is an event that happens during the course of time and in the case of this analysis, the elections were held in 2013 and we collected data in 2016. Thus whether the elections were fair or not in 2013, may not significantly affect the level of happiness of people in 2016 in that particular week of data collection. On the other hand parliamentary satisfaction is a process that citizens follow on media over time and remain informed about the happenings in the parliament. For instance, people express their concerns about different bills and policies that are presented in the parliament and also the activities of the parliament, which are regularly discussed in the media.<sup>4</sup>

## 5.2 Technical quality and happiness

Technical quality is more associated with the federal or provincial government and the everyday affairs of the state. There are numerous responsibilities that the state must handle effectively, for instance, taxation, public spending projects, healthcare, budgeting, provision of water and power. Such technical services have also suffered from the vices of corruption, nepotism and bureaucracy. Weak institutions lead to ineffective delivery and dissatisfaction among the population. These shortcomings, if corrected, will improve the economic and social indicators in the country.

Helliwell and Huang (2008) relate that democratic quality is more important for wealthier nations whereas technical quality is more important for poorer nations. Democracy becomes important only once a certain level of technical quality in government performance is achieved. This argument is endorsed by Ott (2011). However, in the present case, both democratic and technical governance are significantly affecting the happiness.

Beside the periodic changes in the governments, another major obstacle in Pakistan is the lack of social mobility that not only hampers the rule of law and

<sup>4</sup> It is important to mention here that the data for this paper was collected well before the debate of corruption allegation on the present government.

**Table 5:** Marginal Probabilities Technical governance (All controls in table 2 are included but not reported in this table).

Variables	1 Model 1	2 Model 2	3 Model 3	4 Model 4	5 Model 5
Bad technical governance	Omitted	Omitted	Omitted	Omitted	Omitted
Good technical governance	-0.00068 (0.00096)	-0.0038 (0.00526)	-0.0101 (0.0139)	0.000929 (0.00149)	0.0136 (0.0188)
Excellent technical governance	-0.00156 (0.00101)	-0.00904* (0.00513)	-0.0250* (0.0141)	0.00029 (0.00188)	0.0353* (0.0198)
Observations	1,601	1,601	1,601	1,601	1,601

Standard errors in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

democracy but also leads to unequal distribution of socio-economic benefits in favor of the privileged [Khan et al \(2012\)](#). Good governance is not followed at the government level. Favoritism and corruption are deep rooted with excessive power in the hands of public officials [Ullah \(2012\)](#).

The results for our sample show that improvement in different indicators of governance will make the individuals happier. Moreover, the magnitude of the marginal effects is also very high indicating that even a slight improvement would cause betterment and satisfaction in the society. Table 5 presents the predicted outcomes of technical governance. A sound technical government will have a direct relationship with happiness. A good technical government increases the probability of an individual reporting happy by 1.4 percentage points. Whereas the reporting of excellent technical government increases happiness by 3.4 percentage points.

### 5.3 Impact of other controls

The effect of demographic and other controlled variables remains almost the same in magnitude and significance, thus we discuss all of them jointly. Females are happier as compared to their male counterparts. Our results differ from [Frey and Stutzer \(2000\)](#), who highlight that in Switzerland men are happier than women if the employment status is considered. Pakistani women, generally, are contended in life, in spite of male dominance. This complacent attitude could be because of the religious doctrine.<sup>5</sup>

All the coefficients for education dummies are insignificant, however with a positive relationship. These results are in line with most of the studies on happiness. [Chen \(2012\)](#) reports similar results from four East Asian Countries (China, Japan, South Korea and Taiwan). More educated individuals have greater interaction with people from across the world, which results in extensive social networks; such social conditions are related to happiness and lead to improved wellbeing of the subject. By enhancing one's ability and propensity to connect with the wider social world, education thus improves an individual's satisfaction and happiness levels.

<sup>5</sup> Islam is the state religion of Pakistan, and about 95-98% of Pakistanis are Muslim.

Being residents of a patriarchal society, unmarried and single women are sympathized with and looked down upon as a burden on their parents. The marginal effects of our sample reveal the same pattern. Unmarried and single women are unhappier than married women.

Region significantly impacts happiness because of climate and socio-economic conditions. Compared to the reference group, which is urban areas, rural residents are more likely to report being very happy in Pakistan. Many other studies for example [Berry and Okulicz-Kozaryn \(2011\)](#) and [Knight and Gunatilaka \(2010\)](#) also support the argument that residents of rural areas are happier than those of urban areas. However, the results of this research reveal that residents of rural areas are not happier because of any type of good governance (democratic or technical governance).<sup>6</sup> Cross tabulations also show that there is a negligible relationship between participants who are happy and living in rural areas with satisfaction towards any type of governance variable (table A5). This further confirms our argument that residents of rural areas are happy but not due to good governance.

Why rural residents are happier than urban ones can be a potential area of future research; whether its due to proximity to nature, strong values of collectivism, being away from economic competition so on and so forth. Henderson (1985) has argued that people who live in larger cities enjoy greater benefits in terms of a greater variety of shopping options, restaurants, cinemas and cultural activities. They also possibly have better health and education facilities, but may suffer from increased pollution, crowdedness and, in some cases, crime.

Another interesting dimension for future research can involve the replacement of 'happiness' in the hypothesis with life satisfaction or satisfied with living standards. Happiness and satisfaction are both aspects of well being, but the individual perception is likely to change as a consequence of the different choice of words. This study is one of its kind as it measures citizen's perceptions of 'happiness and wellbeing' NOT 'standard of living or level of development'. However, this can be a potentially interesting area for future research.

Finally, the impact of economic class is measured through monthly income, which clearly reveals that higher income leads to higher level of happiness.

## 6 Conclusion

Over the years, substantial research has been compiled on government effectiveness and the happiness of people. The same is the basis of this research paper as we explore the impact of government effectiveness, democratic and technical, in the case of a developing country. As has been maintained throughout the paper, improved democratic and technical structures can improve the happiness levels, which are critical to nurture a productive workforce and positive community.

The results reveal significant room for improvement in government structure and processes in Pakistan. Improvements in democratic processes will ensure greater stability, accountability and transparency, which would result in a more satisfied voter base. Improving technical processes and systems will also result

<sup>6</sup> The results can be provided on request.

in better effectiveness and more control on part of the government. A sound education and health care system, safety on the streets and robust infrastructure would create conditions that would make an individual happy. Policies aimed at improving the standard of living and provision of basic facilities in a society would raise happiness levels. Finally a well functioning judiciary is among the basic requirements for a happier society. All these improvements that result in a satisfied and happy population will yield tremendous benefits for the economy and the society.

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## Appendix

**Table A1:** Marginal probabilities fair elections (district-level fixed effects and all controls in table 2 are included but not reported in this table). My caption

Variables	-1 Model 1	-2 Model 2	-3 Model 3	-4 Model 4	-5 Model 5
Fair elections	-0.00094 -0.00094	-0.0047 -0.0045	-0.0142 -0.0135	0.00008 -0.0008	0.0198 -0.0188
Observations	1,601	1,601	1,601	1,601	1,601

Standard errors in parentheses  
 \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

**Table A2:** Marginal probabilities parliamentary satisfaction (district-level fixed effects and all controls in table 2 are included but not reported in this table).

Variables	1 Model 1	2 Model 2	3 Model 3	4 Model 4	5 Model 5
Parliamentary satisfaction	-0.00239 (0.001)	-0.012 (0.0043)	-0.0360*** (0.0119)	0.00025 (0.0021)	0.0501*** (0.0165)
Observations	1601	1601	1601	1601	1601

Standard errors in parentheses  
 \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

**Table A3:** Marginal probabilities judicial satisfaction (district-level fixed effects and all controls in table 2 are included but not reported in this table).

Variables	1 Model 1	2 Model 2	3 Model 3	4 Model 4	5 Model 5
Judicial satisfaction	-0.0012 (0.00086)	-0.0062 (0.004)	-0.019* (0.011)	0.0002 (0.0011)	0.027* (0.016)
Observations	1,587	1,587	1,587	1,587	1,587

Standard errors in parentheses

\*\*\* p&lt;0.01, \*\* p&lt;0.05, \* p&lt;0.1

**Table A4:** Marginal probabilities technical governance (district-level fixed effects and all controls in table 2 are included but not reported in this table).

Variables	1 Model 1	2 Model 2	3 Model 3	4 Model 4	5 Model 5
Bad technical governance	Omitted	Omitted	Omitted	Omitted	Omitted
Good technical governance	-0.0011 (0.001)	-0.0055 (0.0047)	-0.0167 (0.0139)	0.00009 (0.00101)	0.0233 (0.0194)
Excellent technical governance	-0.0023** (0.0011)	-0.0121** (0.00514)	-0.0363** (0.0146)	0.000199 (0.00218)	0.0505** (0.0202)
Observations	1,601	1,601	1,601	1,601	1,601

Standard errors in parentheses

\*\*\* p&lt;0.01, \*\* p&lt;0.05, \* p&lt;0.1

**Table A5:** Cross tabulation between four good governance indicators and rural residence

Replies	FE+ rural	PS+ rural	JS+ rural	TG+ rural
Not Happy	0.30%	0.06%	0.25%	0.25%
Neither happy or unhappy	1.40%	2%	2.40%	2.10%
Happy	4.10%	7%	6.60%	6%
Very Happy	0.90%	1.75%	2.10%	1.80%