DOI: 10.20472/EFC.2017.008.001

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GOVERNANCE AND HAPPINESS: EVIDENCE FROM CITIZENS' PERCEPTION IN PAKISTAN

Abstract:

This paper examines the impact of governance on happiness of residents in a developing society. Two major aspects of governance, i.e., democratic and technical governance are used for this analysis. 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 increase happiness of its citizens. Results carry important implications for a developing country like Pakistan to improve the government institutions and their functioning in order to increase their effectiveness.

Keywords:

Governance, Happiness, Democratic, Technical

JEL Classification: D02, D00

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 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 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). Myriad of empirical studies and debates have followed after this perplexing result as more and more data kept pouring on happiness [for example Clark et al. (2008); Sacks et al. (2012)] and a consensus started to develop that income is only one of the many factors that determine happiness in an individual. Considerable amount of literature in economic discipline emerged in recent years in exploration of happiness [see for instance Easterlin (1995),Frey and Stutzer (2000)].

In most recent years, both psychologists and economists have gained important insights into the determinants of subjective wellbeing or happiness. Beside many others, Di Tella et al. (2001) used survey as a measures of subjective well-being to evaluate the short-term welfare trade-off between inflation and unemployment. Their work echoed earlier work [Clark and Oswald (1994) and Oswald (1997)] that loss of money income is far lower than the corresponding psychological cost of unemployment. However, the evidence on happiness and governance is still nascent particularly in context of developing societies. In following paragraphs, we present the 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 the 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.

Prior researches conducted related that the happiness level is higher in well governed nations and therefore concluded that quality of government impacts subjective wellbeing

(Helliwell and Huang, 2008). Alvarez-Diaz et al. (2010) establishes a link that in the United States of America differences in governance and policies across States corresponded directly with life satisfaction. Veenhoven (2000) concludes that in poorer countries economic freedom contributes more to happiness as opposed to richer countries where political freedom is valued higher place.

Furthermore, Helliwell and Huang (2008) reveals that for poorer nations technical quality of government is clearly more important whilst for wealthier countries democratic government also plays a significant role. Their findings were endorsed by Ott (2014) who additionally commented on 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) finds a positive correlation between *technical quality* of government and average happiness in nations; the relation being bell shaped with inequality of happiness. The shape reveals that initial improvement will initially lead to more inequality in happiness but subsequently less inequality will follow.

Bjørnskov et al. (2010) claim that investing in a fair and efficient legal system would be one of the potential ways to augment national happiness levels and economic development in third world countries. Their results additionally speak that democratic political institutions are a source of happiness for middle and high income countries.

Sufficient literature is available in exploration and many research papers in favor of 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 first of its kind in context of Pakistan. The political and government institutions in Pakistan couldn't strengthen for number of reasons due to scarcity of human resource, international consequences and national politics. The study is an attempt to contribute in literature in number of ways. First, it examines the relationship between governance and happiness in context of developing country like Pakistan. Secondly, the study provides a detailed analysis by categorization of governance into technical, political and judicial governance. Finally, the most important contribution of this study is all governance indicators are self-perceived indicators thus we are not relying on any external (national or international) source. This is first study in Pakistan, which measures the governance on the basis of perception of citizens. Also, this paper provides a ground for further exploration, which is need of time as economy is considered to enter in an industrialized era.

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 citizen during the process of development, particularly when economy is almost of take off stage and industrialization and economic competition is increasing. It provides economic, gender and demographic specifications of individuals as well. The survey was conducted in August- September 2016 through telephones in at least 59 districts of Pakistan. Over all the country is divided into 59 strata’s except AJK, FATA and Gilgit Baltistan. Each strata gets representation in the sample according to its population (census 1998[1]). Districts with a population equal to or less than 5 percent of their respective province’s population are merged together on the basis of their geographical vicinity into one stratum. Districts with more than 5 percent share in their respective provincial population are considered as an individual stratum. The survey collected extensive information from 1600 individuals.

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 are very happy, 56.9 percent individuals are happy, 17.7 percent neither happy nor unhappy, 3.7 percent unhappy and 0.4 percent very unhappy.

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 highest number of people that is 28.9 percent lies in age category of 25-34 and lowest in age bracket of 65 and above i.e., 5.5 percent. Education is defined in 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 measure the more précised impact of economic class. Besides controlling geographical and regional impact we also control for gender. There are 35.9 percent female respondents in our sample.

Measurement and Construction of Governance Variables

This paper attempts to examine the impact of governance on happiness in two distinct ways. First, performance of governance and second the quality of government bodies.

[1] This is the latest census available in Pakistan.

Thus paper uses two distinctive measures: (1) government (legislative body), and (2) governance (processes and administration of government). Kaufmann, Kraay, & Mastruzzi (2009) consider both the state and quality of existing institutions and also their performance. The paper, however, focuses only on impact of governace on happiness. Jan C Ott (2011) suggest that the governance can be broadly categorized into two types of qualities: (1) Democratic and (2) Technical. A conceptual difference exists in these two terms is that the former focuses on the political situation and the later 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 indicate the quality of institutions and 'Technical Quality', which measures the performance of the government. For the measurement of Democratic Quality (GovDem) we exploit three questions from our survey. The replies of all these questions are measured in dichotomous arrangement (Yes/No). Three questions to capture the democratic quality are: (1) fair elections, (2) parliamentary satisfaction and (3) judicial satisfaction. These three questions are used alternatively in three different models to examine the democratic quality of governance.

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 1-4 scale. Questions asked in the survey are about government performance during last 12 months about: (a) Creating jobs, (b) Reducing gap between rich & poor, (c) Providing educational needs, (d) Improving health services, (e) Fighting corruption, (f) Protecting environment (g) Providing road, (h) Providing Electricity, (i) Providing safety and (j) Providing safe drinking water. We use the Principle Component Analysis and generated an index on technical quality of the government on all above questions. We further divide this index into three categories (poor, better and good), later this variable is used in estimation as a categorical variable.

Table 1: Summary Statistics

	Definition of Variable	Mean
Dependent Variable Happy		
1	Very Unhappy (omitted category)	0.4
2	Unhappy	3.7
3	Neither Happy nor Unhappy	17.7
4	Happy	56.9
5	Very Happy	21.3

Independent Variables		
Age Categories		
1	18-24 years (omitted category)	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 category)	64.1
2	Female	35.9
Education		
1	No education and primary (omitted category)	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	3.0
Province		
1	Balochistan (omitted category)	5.5
2	Khyber Pakhtunawa	12.4
3	Punjab	55.9
4	Sindh	26.2
Region		
1	Urban (omitted category)	29.7
2	Rural	70.3
Income		
1	Less than 10000 (omitted category)	4.9
2	10001 -20000	16.0

3	20001-30000	21.1
4	30001-40000	21.0
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 election & don't know (omitted category)	78.9
2	Fair elections	21.1
Judicial Satisfaction		
1	Not Satisfied (omitted category)	64.9
2	Satisfied	35.1
Parliamentary Satisfaction		
1	Not Satisfied (omitted category)	64.9
2	Satisfied	35.1
Technical Government Satisfaction		
1	Poor (omitted category)	33.4
2	Better	33.3
3	Good	33.3
N	1600	

Source: Authors own calculations

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

$$y_i = j \text{ if } \mu_{j-1} < y_i^* \leq \mu_{j,} \qquad \ldots\ldots(1) \qquad j = 1, \ldots\ldots, m$$

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^*, is assumed to be a function of individual and governance variables x and

$$y_i * = X_i\beta + \varepsilon_i, \qquad \ldots\ldots(2) \qquad \varepsilon_i \sim N(0,1)$$

$$\mu_0 = \infty, \mu_j \leq \mu_{j+1}, \mu_m = \infty$$

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

$$P_{ij} = P(y_i = j) = \phi[\mu_j - x_i\beta] - \phi[\mu_{j-1} - x_i\beta] \ldots\ldots\ldots (3)$$

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

$$\text{Log } L = \sum ij y_{ij} \log \sum P_{ij} \ldots\ldots (4)$$

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

The Context of Pakistan

Pakistan fares worse 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 an unchanging situation in the country; corruption has been a widespread and deeply entrenched phenomenon at all levels of the society over the years (Javaid, 2010). According to Corruption Perception index in 1995 Pakistan's performance is low and since after that the performance in this index remains very discouraging. Similarly, World Bank Governance indicators have not shown much improvement over time (Kaufmann et al., 2011). Other similar problems such as nepotism and bureaucracy also exist, which have collectively weakened the institutions of the country severely (Root and Waseem, 1997).

The history of Pakistan after independence in 1947 is knitted with many complex national and international phenomena's, events and internal disorders. Whether political turmoil and insecurity in the country for the past five decades is likely to be the cause behind Pakistan's poor performance on the indicators is a big question till date. 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 first martial law. Other military government regimes followed; Yahya Khan (1969-1971), Zia-ul-Haq (1978-1988) and General Pervez Musharraf (1999-2008). The intermingling between military and civilian governments created an unstable situation; one exacerbated further by civilian governments continued changing hands frequently. However, the democratic processes with the general elections of 2013 being widely praised for the first time a democratically elected government underwent peaceful transition in the history of the country.

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 cause of several problems among many others. From an economic perspective, instability has a negative effect on foreign investment and business attractiveness. Loss in business interest has also impacted the GDP and ensured the lack of development in local industries. From a social perspective the government inefficiencies have resulted in social disparity and inequality among the various sects that prevail presently in today's society. Historical evidence, for instance, the separation of East Pakistan happened due to inefficiencies in removing the internal conflicts and grievances. Many other social problems have given rise due to government ineffectiveness; these include illiteracy, malnutrition, crime and extremism.

Results and Discussion

The empirical investigation presented in this paper establishes a relationship between governance and happiness in context of Pakistan. Table 2 to table 5 presents the marginal effects of all controls and governance on five outcomes of happiness. First we discuss the governance variables and later on other controls.

Democratic Quality and Happiness

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

Table 2: Marginal Probabilities Fair Elections

VARIABLES	(1) Model 1	(2) Model 2	(3) Model 3	(4) Model 4	(5) Model 5
25-34 year old	0.00243**	0.0151***	0.0458***	0.00849	-0.0718***
	(0.00118)	(0.00549)	(0.0161)	(0.00597)	(0.0262)
35-44 year old	0.00382**	0.0225***	0.0643***	0.00526	-0.0959***
	(0.00189)	(0.00798)	(0.0208)	(0.00643)	(0.0311)
45-54 year old	0.00260	0.0160*	0.0482**	0.00826	-0.0751**
	(0.00166)	(0.00827)	(0.0230)	(0.00587)	(0.0350)
55-64year old	0.00302	0.0183**	0.0540**	0.00748	-0.0828**
	(0.00185)	(0.00880)	(0.0236)	(0.00618)	(0.0351)
65 or older	0.00699*	0.0373***	0.0963***	-0.00812	-0.132***
	(0.00379)	(0.0143)	(0.0295)	(0.0148)	(0.0367)
Female	-0.00154*	-0.00898**	-0.0252**	-0.000462	0.0362**
	(0.000858)	(0.00422)	(0.0118)	(0.00170)	(0.0173)
Primary	-0.00199	-0.0103	-0.0251	0.00568	0.0318
	(0.00311)	(0.0156)	(0.0374)	(0.0101)	(0.0471)
Matric, religious, vocational	-0.00325	-0.0176	-0.0455	0.00547	0.0609
	(0.00280)	(0.0131)	(0.0306)	(0.0100)	(0.0379)
Intermediate	-0.00352	-0.0193	-0.0505	0.00469	0.0687*
	(0.00284)	(0.0132)	(0.0308)	(0.0101)	(0.0384)
Bachelors and above	-0.00190	-0.00983	-0.0238	0.00554	0.0300
	(0.00269)	(0.0130)	(0.0297)	(0.00993)	(0.0355)
Unmarried, single and others	0.00283*	0.0152**	0.0393**	-0.00414	-0.0532**
	(0.00164)	(0.00703)	(0.0166)	(0.00380)	(0.0219)
Widowed and divorced	-0.00117	-0.00741	-0.0230	-0.00567	0.0373
	(0.00145)	(0.00935)	(0.0308)	(0.0119)	(0.0532)
Khyber pakhtunkhwa	-0.00256	-0.0163*	-0.0507*	-0.0124	0.0819*
	(0.00187)	(0.00979)	(0.0278)	(0.00846)	(0.0424)
Punjab	0.00106	0.00577	0.0149	-0.00200	-0.0197
	(0.00172)	(0.00944)	(0.0252)	(0.00213)	(0.0345)
Sindh	-0.00114	-0.00671	-0.0191	-0.000923	0.0279
	(0.00172)	(0.00960)	(0.0262)	(0.00218)	(0.0370)

Rural	-0.00359**	-0.0197***	-0.0511***	0.00664	0.0677***
	(0.00156)	(0.00571)	(0.0131)	(0.00433)	(0.0163)
10001 -20000	0.00298	0.0158	0.0389	-0.00948	-0.0483
	(0.00228)	(0.0115)	(0.0295)	(0.00651)	(0.0388)
20001-30000	0.00148	0.00823	0.0214	-0.00338	-0.0277
	(0.00192)	(0.0107)	(0.0287)	(0.00356)	(0.0386)
30001-40000	-0.000348	-0.00208	-0.00585	9.89e-05	0.00817
	(0.00175)	(0.0103)	(0.0288)	(0.00126)	(0.0398)
40001-50000	-0.00115	-0.00711	-0.0209	-0.00141	0.0306
	(0.00178)	(0.0105)	(0.0297)	(0.00291)	(0.0421)
50001-75000	-0.00243	-0.0161	-0.0519*	-0.0136	0.0841*
	(0.00187)	(0.0104)	(0.0307)	(0.0100)	(0.0473)
75001-100000	-0.00125	-0.00776	-0.0229	-0.00182	0.0338
	(0.00200)	(0.0120)	(0.0351)	(0.00515)	(0.0516)
100001 and above	-0.00154	-0.00973	-0.0293	-0.00343	0.0440
	(0.00190)	(0.0113)	(0.0331)	(0.00610)	(0.0491)
Fair elections	-0.000905	-0.00528	-0.0148	-0.000393	0.0214
	(0.000842)	(0.00472)	(0.0135)	(0.00136)	(0.0200)
Observations	1,601	1,601	1,601	1,601	1,601

Source: Authors own calculations
Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 3: Marginal Probabilities Parliamentary Satisfaction

VARIABLES	(1) Model 1	(2) Model 2	(3) Model 3	(4) Model 4	(5) Model 5
25-34 year old	0.00233**	0.0145***	0.0441***	0.00805	-0.0690***
	(0.00116)	(0.00546)	(0.0161)	(0.00578)	(0.0261)
35-44 year old	0.00379**	0.0223***	0.0637***	0.00467	-0.0945***
	(0.00187)	(0.00797)	(0.0208)	(0.00631)	(0.0309)
45-54 year old	0.00250	0.0154*	0.0465**	0.00784	-0.0723**
	(0.00163)	(0.00821)	(0.0230)	(0.00568)	(0.0349)
55-64year old	0.00291	0.0177**	0.0524**	0.00710	-0.0801**
	(0.00181)	(0.00873)	(0.0236)	(0.00599)	(0.0350)
65 or older	0.00702*	0.0374***	0.0962***	-0.00911	-0.132***
	(0.00380)	(0.0143)	(0.0295)	(0.0149)	(0.0365)
Female	-0.00151*	-0.00881**	-0.0248**	-0.000411	0.0355**
	(0.000846)	(0.00418)	(0.0118)	(0.00165)	(0.0171)
Primary	-0.00229	-0.0119	-0.0292	0.00649	0.0370
	(0.00312)	(0.0156)	(0.0373)	(0.0104)	(0.0470)
Matric, religious, vocational	-0.00327	-0.0176	-0.0451	0.00631	0.0597
	(0.00283)	(0.0132)	(0.0306)	(0.0104)	(0.0375)
Intermediate	-0.00366	-0.0200	-0.0523*	0.00530	0.0706*
	(0.00288)	(0.0133)	(0.0308)	(0.0106)	(0.0380)
Bachelors and above	-0.00209	-0.0108	-0.0262	0.00621	0.0329
	(0.00273)	(0.0131)	(0.0297)	(0.0104)	(0.0352)
Unmarried, single and others	0.00269*	0.0146**	0.0377**	-0.00394	-0.0511**
	(0.00160)	(0.00697)	(0.0166)	(0.00368)	(0.0218)
Widowed and divorced	-0.00136	-0.00873	-0.0275	-0.00732	0.0449
	(0.00139)	(0.00902)	(0.0304)	(0.0133)	(0.0538)
Khyber pakhtunkhwa	-0.00275	-0.0172*	-0.0529*	-0.0107	0.0836**
	(0.00197)	(0.0101)	(0.0280)	(0.00830)	(0.0417)
Punjab	0.000802	0.00431	0.0110	-0.00175	-0.0144
	(0.00178)	(0.00969)	(0.0253)	(0.00299)	(0.0339)
Sindh	-0.00158	-0.00929	-0.0264	-0.00106	0.0383
	(0.00183)	(0.00986)	(0.0264)	(0.00322)	(0.0366)
Rural	-0.00357**	-0.0196***	-0.0509***	0.00663	0.0675***

	(0.00155)	(0.00568)	(0.0131)	(0.00430)	(0.0163)
10001 -20000	0.00265	0.0142	0.0354	-0.00822	-0.0440
	(0.00221)	(0.0114)	(0.0295)	(0.00613)	(0.0388)
20001-30000	0.00145	0.00807	0.0210	-0.00340	-0.0271
	(0.00192)	(0.0106)	(0.0286)	(0.00364)	(0.0384)
30001-40000	-0.000246	-0.00146	-0.00408	0.000137	0.00565
	(0.00176)	(0.0104)	(0.0288)	(0.00144)	(0.0396)
40001-50000	-0.00113	-0.00699	-0.0205	-0.00118	0.0298
	(0.00178)	(0.0105)	(0.0297)	(0.00283)	(0.0418)
50001-75000	-0.00250	-0.0167	-0.0540*	-0.0144	0.0875*
	(0.00187)	(0.0104)	(0.0307)	(0.0103)	(0.0472)
75001-100000	-0.00130	-0.00812	-0.0241	-0.00188	0.0354
	(0.00199)	(0.0120)	(0.0351)	(0.00530)	(0.0514)
100001 and above	-0.00161	-0.0102	-0.0307	-0.00361	0.0461
	(0.00190)	(0.0113)	(0.0331)	(0.00629)	(0.0489)
Parliament Satisfaction	-0.00217**	-0.0129***	-0.0367***	-0.00143	0.0531***
	(0.000969)	(0.00416)	(0.0117)	(0.00255)	(0.0174)
Observations	1,601	1,601	1,601	1,601	1,601

Source: Authors own calculations
Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 4: Marginal Probabilities Judicial Satisfaction

VARIABLES	(1) Model 1	(2) Model 2	(3) Model 3	(4) Model 4	(5) Model 5
25-34 year old	0.00238**	0.0146***	0.0447***	0.00773	-0.0694***
	(0.00118)	(0.00548)	(0.0163)	(0.00575)	(0.0262)
35-44 year old	0.00376**	0.0219***	0.0632***	0.00447	-0.0933***
	(0.00188)	(0.00796)	(0.0210)	(0.00627)	(0.0311)
45-54 year old	0.00249	0.0152*	0.0463**	0.00759	-0.0716**
	(0.00165)	(0.00823)	(0.0233)	(0.00565)	(0.0352)
55-64year old	0.00291	0.0175**	0.0523**	0.00681	-0.0795**
	(0.00183)	(0.00872)	(0.0238)	(0.00597)	(0.0352)
65 or older	0.00747*	0.0389***	0.100***	-0.0118	-0.135***
	(0.00401)	(0.0146)	(0.0298)	(0.0159)	(0.0363)
Female	-0.00143*	-0.00824**	-0.0233*	-0.000181	0.0332*
	(0.000844)	(0.00419)	(0.0119)	(0.00153)	(0.0172)
Primary	-0.00117	-0.00615	-0.0156	0.00284	0.0201
	(0.00291)	(0.0151)	(0.0379)	(0.00786)	(0.0486)
Matric, religious, vocational	-0.00219	-0.0120	-0.0319	0.00311	0.0429
	(0.00252)	(0.0126)	(0.0312)	(0.00757)	(0.0397)
Intermediate	-0.00265	-0.0148	-0.0402	0.00211	0.0555
	(0.00256)	(0.0126)	(0.0313)	(0.00778)	(0.0403)
Bachelors and above	-0.00111	-0.00585	-0.0148	0.00275	0.0190
	(0.00245)	(0.0124)	(0.0303)	(0.00756)	(0.0377)
Unmarried, single and others	0.00299*	0.0159**	0.0414**	-0.00470	-0.0556**
	(0.00169)	(0.00706)	(0.0168)	(0.00404)	(0.0218)
Widowed and divorced	-0.000928	-0.00576	-0.0179	-0.00384	0.0284
	(0.00154)	(0.00981)	(0.0319)	(0.0102)	(0.0533)
Khyber pakhtunkhwa	-0.00273	-0.0170*	-0.0532*	-0.0115	0.0844**
	(0.00195)	(0.00992)	(0.0280)	(0.00847)	(0.0420)
Punjab	0.000802	0.00429	0.0111	-0.00166	-0.0146
	(0.00176)	(0.00957)	(0.0255)	(0.00276)	(0.0341)
Sindh	-0.00126	-0.00730	-0.0208	-0.000402	0.0298
	(0.00180)	(0.00977)	(0.0266)	(0.00269)	(0.0367)
Rural	-0.00373**	-0.0202***	-0.0528***	0.00742	0.0693***

	(0.00161)	(0.00575)	(0.0133)	(0.00454)	(0.0163)
10001 -20000	0.00236	0.0123	0.0303	-0.00808	-0.0369
	(0.00231)	(0.0117)	(0.0300)	(0.00682)	(0.0382)
20001-30000	0.00101	0.00549	0.0142	-0.00268	-0.0180
	(0.00202)	(0.0110)	(0.0292)	(0.00452)	(0.0379)
30001-40000	-0.000687	-0.00397	-0.0110	0.000677	0.0150
	(0.00190)	(0.0108)	(0.0293)	(0.00314)	(0.0391)
40001-50000	-0.00152	-0.00912	-0.0265	-0.000618	0.0378
	(0.00195)	(0.0109)	(0.0302)	(0.00396)	(0.0414)
50001-75000	-0.00278	-0.0178	-0.0565*	-0.0116	0.0888*
	(0.00205)	(0.0109)	(0.0314)	(0.00999)	(0.0467)
75001-100000	-0.00165	-0.00996	-0.0292	-0.00112	0.0419
	(0.00215)	(0.0123)	(0.0356)	(0.00574)	(0.0510)
100001 and above	-0.00204	-0.0126	-0.0378	-0.00333	0.0557
	(0.00207)	(0.0116)	(0.0336)	(0.00710)	(0.0487)
Judicial Satisfaction	-0.00143*	-0.00827**	-0.0234**	-0.000230	0.0333*
	(0.000840)	(0.00417)	(0.0118)	(0.00155)	(0.0171)
Observations	1,587	1,587	1,587	1,587	1,587

Source: Authors own calculations
Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Frey and Stutzer's (2000) conclude that direct democracy- measured in the form on 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.

We find statistically significant relationship for parliament and judicial satisfaction with happiness. One percentage increase in parliament satisfaction increases likelihood of reporting 'very happy' by 5.4 percent (See table 3). Similarly, one percentage point increase in judicial satisfaction increases the probability of reporting 'very happy' by 3.4 percentage points. Institutional contentedness and happiness are interknit. A productive and non-corrupt parliamentary system would mean an equitable system. Public power would not be exercised for private gain.

Higher judicial satisfaction causes greater happiness. If people have confidence that rule of 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 find that

institutions have a significant impact on the macroeconomic policies and wellbeing of citizens.

Technical Quality and Happiness

Technical quality is more associated with the federal 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 phenomenon such as corruption, nepotism and bureaucracy. The 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 where as 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). Whilst in the present case the democratic governance is and technical governance both are significantly effecting the happiness.

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

Table 5: Marginal Probabilities Technical Governance

VARIABLES	(1) Model 1	(2) Model 2	(3) Model 3	(4) Model 4	(5) Model 5
25-34 year old	0.00232**	0.0144***	0.0437***	0.00732	-0.0678***
	(0.00116)	(0.00552)	(0.0163)	(0.00563)	(0.0262)
35-44 year old	0.00365**	0.0216***	0.0616***	0.00420	-0.0911***
	(0.00184)	(0.00799)	(0.0210)	(0.00613)	(0.0311)
45-54 year old	0.00234	0.0145*	0.0439*	0.00730	-0.0680*
	(0.00159)	(0.00821)	(0.0232)	(0.00548)	(0.0352)
55-64year old	0.00272	0.0166*	0.0494**	0.00667	-0.0755**
	(0.00177)	(0.00873)	(0.0239)	(0.00573)	(0.0354)
65 or older	0.00629*	0.0341**	0.0893***	-0.00673	-0.123***
	(0.00356)	(0.0140)	(0.0300)	(0.0138)	(0.0376)
Female	-0.00152*	-0.00888**	-0.0250**	-0.000444	0.0358**
	(0.000849)	(0.00420)	(0.0118)	(0.00168)	(0.0172)
Primary	-0.00215	-0.0113	-0.0277	0.00595	0.0352
	(0.00308)	(0.0155)	(0.0374)	(0.0100)	(0.0473)
Matric, religious, vocational	-0.00316	-0.0172	-0.0443	0.00570	0.0589
	(0.00278)	(0.0131)	(0.0306)	(0.0101)	(0.0378)
Intermediate	-0.00351	-0.0193	-0.0507	0.00478	0.0687*
	(0.00282)	(0.0132)	(0.0308)	(0.0102)	(0.0383)
Bachelors and above	-0.00193	-0.0100	-0.0244	0.00565	0.0308
	(0.00268)	(0.0130)	(0.0298)	(0.00998)	(0.0355)
Unmarried, single and others	0.00260*	0.0142**	0.0368**	-0.00363	-0.0499**
	(0.00158)	(0.00697)	(0.0168)	(0.00357)	(0.0221)
Widowed and divorced	-0.000951	-0.00597	-0.0183	-0.00382	0.0290
	(0.00152)	(0.00979)	(0.0315)	(0.00998)	(0.0526)
Khyber pakhtunkhwa	-0.00240	-0.0154	-0.0484*	-0.0123	0.0785*
	(0.00181)	(0.00963)	(0.0277)	(0.00834)	(0.0426)
Punjab	0.00123	0.00675	0.0175	-0.00221	-0.0233
	(0.00169)	(0.00932)	(0.0251)	(0.00187)	(0.0348)
Sindh	-0.00104	-0.00621	-0.0179	-0.00115	0.0263
	(0.00167)	(0.00943)	(0.0262)	(0.00198)	(0.0372)
Rural	-0.00362**	-0.0199***	-0.0517***	0.00679	0.0685***
	(0.00157)	(0.00571)	(0.0132)	(0.00437)	(0.0163)

10001 -20000	0.00303	0.0163	0.0407	-0.00913	-0.0510
	(0.00223)	(0.0113)	(0.0295)	(0.00629)	(0.0392)
20001-30000	0.00157	0.00886	0.0233	-0.00325	-0.0305
	(0.00187)	(0.0104)	(0.0286)	(0.00327)	(0.0390)
30001-40000	-0.000109	-0.000653	-0.00185	1.57e-05	0.00260
	(0.00170)	(0.0102)	(0.0288)	(0.000478)	(0.0402)
40001-50000	-0.000992	-0.00621	-0.0185	-0.00157	0.0273
	(0.00171)	(0.0103)	(0.0296)	(0.00274)	(0.0425)
50001-75000	-0.00225	-0.0151	-0.0493	-0.0138	0.0805*
	(0.00179)	(0.0102)	(0.0307)	(0.00997)	(0.0476)
75001-100000	-0.000915	-0.00570	-0.0169	-0.00128	0.0248
	(0.00196)	(0.0120)	(0.0354)	(0.00414)	(0.0518)
100001 and above	-0.00130	-0.00829	-0.0252	-0.00313	0.0379
	(0.00184)	(0.0112)	(0.0332)	(0.00566)	(0.0493)
Good technical governance	-0.000680	-0.00380	-0.0101	0.000929	0.0136
	(0.000960)	(0.00526)	(0.0139)	(0.00149)	(0.0188)
Excellent technical governance	-0.00156	-0.00904*	-0.0250*	0.000290	0.0353*
	(0.00101)	(0.00513)	(0.0141)	(0.00188)	(0.0198)
Observations	1,601	1,601	1,601	1,601	1,601

Source: Authors own calculations

Standard errors in parentheses

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

Impact of Other Controls

The effect of demographic and other controlled variables remain almost 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), they find 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[2] doctrine which guides the followers to be patient and contented in life (Ali and ul Haq, 2006).

All the coefficient of education dummies are insignificant, however with positive relationship. These results are aligned with most of the studies on happiness. Chen (2012) reports similar results for four East Asian Countries (China, Japan, South Korea and Taiwan). Individuals with higher education levels have a greater involvement with a wider world, which results in extensive social networks; theses social conditions are related to happiness and lead to an improved subjective wellbeing. By enhancing one's ability and propensity to connect with the wider social world, education may improve an individual's subjective well-being.

Being resident 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 the 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 likely to report ‘very happy’ in Pakistan. Henderson (1985) has argued that people who live in larger cities enjoy greater benefits in terms of a greater range of shops, 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. Finally, the impact of economic class is measured through monthly income, which clearly reveals that higher income leads to higher level of happiness.

Conclusion

There has been substantial research compiled over the years on government effectiveness and happiness of the people. The same is the basis of this research paper as we explore the impact of government effectiveness, democratic or technical, in the case of a developing country. As has been maintained throughout the paper, improved democratic and technical structures can improve the happiness, which is important to form a more productive workforce and community.

[2] Islam is the state religion of Pakistan, and about 95-98% of Pakistanis are Muslim.

The findings offer significant room for improvement in government structure and effectiveness 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 in better effectiveness and more control on part of the government. A good education and health care system, safety on streets and an efficient 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 impact the happiness levels. In the nutshell, the benefits of a satisfied and happy population are tremendous for the economy and for society.

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