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MARCELLA D'UVA

University Parthenope of Naples, Italy

MARIANGELA BONASIA

University of Naples Parthenope, Italy

ORESTE NAPOLITANO

University Parthenope of Naples, Italy

ELINA DE SIMONE

University Parthenope of Naples, Italy

DOES A BETTER PROTECTED ENVIRONMENT ENHANCE HAPPINESS IN EUROPEAN COUNTRIES?

Abstract:

The promotion of a sustainable development and the safeguard of citizens' wellbeing through the international cooperation is one of the fundamental scope of many multilateral environmental agreements. In particular, the Parties who ratified the Aarhus Convention recognized the importance of an ample environmental protection for human well-being of present and future generations. They also stated that the right of everyone is to live in an environment appropriate to their own health. Therefore, the pursuit of happiness and well-being cannot represent a secondary objective in environmental decision-making (United Nations, 2011; Tofallis, 2019). Providing that environmental factors affect human well-being (MacKerron and Mourato, 2013), an interesting question may concern the actions that policy makers can take to promote a safer environment and, as a consequence, to improve the quality of life of the citizens. The answer to this question may offer important policy implications for controlling pollution and environmental degradation that generate negative externalities. The linkage between environmental degradation and well-being has been explained as both a relational and environmental failure of market societies. The capacity to generate growth is negatively affected by mass dissatisfaction in rich societies deriving from an excessive depletion of environmental and social assets, as growth does not necessarily lead to happiness (Bartolini, 2007, p. 351). Hence, public spending on environmental protection responds to a worsening in the quality of life caused by overexploitation of natural resources and aims to restore happiness by providing a more sustainable community development. The role of public expenditure is thus to provide those goods like environmental protection and pollution abatement which, by securing a more sustainable future, may increase the citizens' well-being. The aim of our paper is to study the long-run relationship between per capita environmental protection expenditure (EPE) and happiness at the European level. To our knowledge, this link remains unexplored. We use a dynamic panel heterogeneity analysis through an autoregressive distributed lag model estimated by the dynamic fixed effect, the mean group and the pooled mean group estimators. The sample covers 19 countries in the period 1997-2016. Our results highlight the existence of a direct long-run equilibrium between happiness and environmental protection expenditure. The policy implication suggested by our findings is that government expenditure on environmental protection may not only offer a solution to market failure but, by increasing happiness, could also improve the quality of social life.

Keywords:

environmental protection expenditure; happiness; long-run relationship; dynamic fixed effect; mean group; pooled mean group

JEL Classification: Q58, I31, C22