

From market needs to human needs: Spain and the economic crisis

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Abstract

The 2008 financial crisis hit the world economies in different ways. In Spain, the economic crisis has had an acute effect on unemployment, access to health care and education, aggravated by the austerity plans of the Spanish government. From the beginning of the crisis until 2012, government efforts have aimed at controlling public deficit and stabilizing financial markets, rather than at directly supporting citizen's wellbeing. Within this context, this paper uses a subjective well-being (SWB) approach to study the relationship between the socio-economic aspects most influenced by the crisis with the wellbeing of Spaniards. To do so, we use representative data from people living in Granada in 2012. The city has one of the highest unemployment rates in the country, which more than doubled from the beginning of the crisis. Regression analysis using three different SWB indicators as dependent variables reveal, as expected, that unemployment and higher education are strong determinants of SWB, particularly regarding perceived satisfaction of material needs. In this context of crisis, income has a weak and not robust relationship with SWB, except when it comes to the satisfaction of material needs. In the light of the empirical results, we propose that in order to maintain quality of life in Spain, policy interventions should focus more on social policies such as reducing unemployment and keeping people in education than on abiding to the requirements of the financial markets.

Keywords: Economic crisis, happiness, subjective well-being, basic needs, Spain.

1. Introduction

The 2008 financial crisis affected the world in many ways, not only economically, but also in terms of individual rights. In Europe, the Southern area has suffered its consequences in a more acute way, especially in countries such as Greece, Portugal, Italy, Ireland or Spain. The case of Spain illustrates the pernicious effects of the crisis on civil society. The financial crisis affected Spain in the peak of economic prosperity in terms of GDP growth and employment creation, driven mainly by the construction sector and related industries and services. However, the combination of growth of prices, supply and demand in those sectors generated a bubble that burst when the impact of international financial crisis was felt in Spain (Carballo-Cruz 2011). The crisis is putting at risk the possibilities of Spanish people to have a satisfactory life that permits them to achieve their goals and aspirations, not only from a material perspective. Several ways coexist in which economic crisis may be affecting welfare of

people and from a material perspective we could highlight at least three: The loss of jobs, the deterioration of income and the government cuts in Spanish social welfare.

Unemployment in Spain has traditionally been a source of unrest for citizens, being at the core of the problems of Spaniards in the past decades (CIS 2013). Recently, the unemployment rate has risen from 9% in January 2008 to 26.6% in November 2012, being in 2012 the highest in the European Union (Eurostat 2013a). Institutional changes were done in 2012 that, through a polemic labor market reform, gave more flexibility to cut wages and made it cheaper to dismiss individual employers and implement collective lay-offs (BOE 2012). In addition the reposition of public employment has been reduced in the last years, lowering the number of public employees¹. Decreases of salaries of public servants, private workers and pensions have joined with increases of direct and indirect taxes, that decreased net income and increased prices, therefore undermining purchasing power. The legal minimum salary was not risen in 2012 (BOE 2011), and it was the first time it was not increased since its creation in 1980.

Austerity not only reached income and deteriorated employment opportunities, but also affected key components of the welfare state in Spain. Austerity undermined accounts of the government budget that have great positive externalities. For instance, the funds devoted to housing shrank from 1,378 million euros in 2008 to 766 in 2013. Education and health, two important basis of the Spanish welfare state, were also affected by economic cuts, from 2,933 to 1,945 the former and 4,434 to 3,852 the latter (Ministerio de Hacienda y Administraciones Públicas 2013). Regarding health, public savings were accompanied with measures such as stopping funding some medicines and the closure of some healthcare centers. Education cuts meant an increase in university taxes, among others. The increase of taxes made more costly the access to higher education, which will reflect in the future in an increase of social inequalities. Those figures are only an approximation of the real budget situation, as economic austerity has been implemented not only at the national level, but also by regional and local administrations. As a result of austerity, the Economic, Social and Cultural Rights Committee from the United Nations requested the Government of Spain to guarantee human rights through legislative measures in order to avoid rising discrimination, poverty, unemployment and health risks and other potential consequences of recession (United Nations 2012).

In parallel to austerity and unemployment increase, the subjective indicators also show a decrease in wellbeing. According to the Eurobarometer (2013), Spain has reached minimum levels of life satisfaction. Since April 2008, life satisfaction has stagnated. The percentage of very satisfied people has persistently been under 20% while it stayed above this figure since October 2005 to April 2008. The percentage of not at all satisfied has reached in 2012 maximum levels of 7%, not seen since 1994.

Taking into consideration the acute outlook briefly described above, in this paper we take people as the centre of the research, adopting a subjective well-being (SWB) and basic needs approach. The objective of this research is to link key aspects of the Spanish people's life that are being jeopardized by the economic crisis with SWB. As far as the authors know there are no research efforts to relate economic crisis and the SWB of Spaniards, although it has been done in other regions of the world (Deaton 2012;

¹ In 2010 the government will only recruit the 15 per cent of people that left their public work because of jubilation, in 2011 only the 10%, in 2012 and 2013, 0%, excepting for certain sectors which percentage varies according to each year (Ministerio de Hacienda y Administraciones Públicas, 2013).

Gudmundsdottir 2013; Walsh 2011). To achieve the objective, we structure the rest of the paper as follows: We link in Section 2 the economic crisis and wellbeing by reviewing the existing literature on the issue, as well as the influence of the crisis in key aspects of life, taking as a framework the SWB literature. Section 3 presents the empirical analysis of the relationship between income, unemployment, education and SWB variables on a 2012 representative sample of Granada, a city of Spain with 239,000 inhabitants and within a province with one of the highest unemployment rates in Spain and the lowest social welfare (Zarzosa and Somarriba 2013). Empirical results and theoretical evidence permits us to discuss in Section 4 the possible consequences from a human perspective of the economic austerity policies on the welfare of Spaniards

2. Literature review

Addressing the effects of an economic crisis from a SWB perspective implies relying on people's own appraisal of their situation and not only on traditional socio-economic indicators. Variation in the two groups of variables is not always correlated and distinctions have to be made between short and long-run effects. Several studies suggest that variables such as inflation, income and unemployment are not always related to SWB measures in the long run although short-term changes are commonly found to be of great importance (Helliwell et al. 2012). As Easterlin and colleagues (2010) indicate, recessions and economic contractions are associated to changes in the average SWB of the population in the short run but in the long run (10 years or more), neither rich nor middle or low income countries experience changes in happiness levels that can be explained by the evolution of their economy alone.

Studies on the effects of the recent financial crisis using longitudinal data confirm the limited influence of drops in employment levels and income (two key determinants of happiness in cross-sectional studies) on the SWB of Europeans and their US counterparts. Gudmundsdottir (2013) for example, in her analysis of the economic crisis in Iceland shows that it has not had a particularly negative effect on happiness and that experiencing financial difficulty has been a better explanation for SWB variations than a lower income or being unemployed. The latter has also been of limited importance in explaining SWB variations during the financial crisis in Ireland and the US (Walsh 2011; Deaton 2012). However, despite the limited predictive power of socio-economic variables in longitudinal studies, cross-sectional analyses still suggest the importance of income and unemployment levels for the SWB of people during periods of crisis. This is particularly the case regarding job losses that for example, in the US could only be compensated by a six-fold increase in income (Deaton 2012:17).

Generally, in cross-sectional within-country studies income is found to be positively and significantly related to SWB when logarithm of income is included (Van Praag and Ferrer-i-Carbonell, 2004). This reflects the diminishing returns of income on SWB implying that the same proportional increase in income yields lower returns in terms of SWB at higher incomes than at lower ones (Graham et al. 2010). Efforts to estimate the point at which income stops being relevant for subjective wellbeing have been made in the US, for example, indicating that beyond an income of around \$75,000 the relationship between income and SWB ceases to exist (Kahneman and Deaton 2010). However, the latter only holds with measures of SWB capturing hedonic or affect related wellbeing. As Kahneman and Deaton point out, emotional measures such as happiness and positive or negative affect do not respond to changes in income at higher incomes but measures of life evaluation like Cantril's (1965) ladder do, and show a

positive linear relationship with the logarithm of household income. This is also the case when studying longitudinal data during the current economic crisis. As Deaton (2012) indicates, positive emotions return to the pre-crisis level after about a year despite rising unemployment and diminishing incomes, whilst this is not exactly the case for more cognitive measures such as life evaluation.

The finding that measures of wellbeing based on emotions such as positive, negative affect or happiness are only sensitive to changes in income before a certain threshold has commonly been explained in terms of basic needs. Veenhoven (2007) argues that 'needs are requirement for functioning that are so vital that evolution has safeguarded their fulfillment by means of hedonic signals'. Thus, people will experience an array of negative feelings up to the point where their basic needs are met, after that level more income or consumption will not have a significant effect on their emotional wellbeing.

The frustration of not being able to satisfy one's needs might explain the fact that within countries richer people are usually happier than their poorer counterparts. However, it does not explain why social comparisons or relative consideration are as important for the poor as they are for the rich (Graham and Felton 2006). If the poor were only concerned about basic needs satisfaction, measures of relative income would not be significantly affecting their SWB in such diverse countries as South Africa (Fafchamps and Shilpi 2006), Peru (Guillen-Royo 2011) or Nepal (Kingdom and Knight 2007). The generalized importance of social comparison suggests that in contexts of economic crisis, where many people see their income and relative position reduced, income should be strongly related with SWB as it represents both the possibility of meeting ones' needs and keeping a relatively favorable social position.

In addition to income, unemployment is also a variable repeatedly found to have a negative effect on people's SWB in cross-sectional studies. The effect of unemployment has been found to be worse for SWB than getting a divorce, for example, (Clark and Oswald 1994) and its detrimental effect goes beyond the reduction in one's income to account for other personal and social consequences. Unemployment decreases the opportunities to meet other people, it also comes with a loss of social status and self-esteem. All of these are factors that influence emotional and cognitive assessments of wellbeing negatively (Helliwell et al. 2012).

The effects of unemployment are not limited to the unemployed but spread to the rest of society as people become scared of future job losses for them and their families. Thus, recessions, through their toll on available jobs could be expected to result in generalized SWB losses. However, this might only be true if recessions bring moderate increases in unemployment rates (Helliwell and Huang 2011). When unemployment spreads, people feel less the stigma of lacking a job and this dampening effect is further increased if someone in the family also becomes unemployed. Clark (2003) argues that an unemployment rate of 24% in the UK eliminates the differences in SWB between the unemployed and the employed. This rate is lower than the one experienced by the population in Granada during 2012.

In addition to income and unemployment, economic crisis, mainly in the South of Europe are negatively affecting wellbeing through a reduction of the state support for social programs and higher education. People's educational achievements are not always found to directly determine SWB. They usually affect wellbeing through their effect on income as in most societies the higher the education the higher the income

perceived (Frey and Stutzer 2002). However, additional years in formal education seem to enable people to get more job security and stability and facilitate promotion and thus higher status which are all positive contributors to SWB (Helliwell et al 2012). Thus, getting higher education and with it reaping its non-income related benefits might become increasingly important in Southern European countries where the welfare state is being dismantled and public safety nets are vanishing.

3. An empirical example

3.1. Data, variables and hypothesis

The empirical analysis in this paper is implemented using an original database collecting data from households living in the urban area of Granada. Granada is located in Andalusia, in the South of Spain, a region with one of the highest unemployment rates in the country averaging 35% in 2012 (37% for women and 65% for people under 25). Granada province shows unemployment rates similar to the regional average (around 37%), but the increase is remarkable as in 2008 the unemployment rate was only 15% (INE 2013). This high unemployment rate makes Granada an interesting location for a study on the determinants of SWB in a situation of crisis.

The survey from which our data is drawn was funded by the Spanish Government and implemented by Almanara Social Consulting in 2012 to a universe of 5,483 households from which a representative sample of 1,472 households was obtained. There was one respondent per household. Respondents had to be over eighteen years old, and when the household was integrated by a family, the household head or the spouse would be approached for the interview. The questionnaire gathered information on socioeconomic variables as well as water access and SWB variables. After eliminating missing values we were left with a total of 903 households.

The SWB variables used in this study are cognitive or evaluative as they focus more on people's appraisal of their situation than on their emotional states; those are questions capturing life satisfaction, financial satisfaction and the possibilities of the household to satisfy their material needs with their disposable income. Do we expect a correlation between them because they are asked in the same section? The life satisfaction variable was created using the following question: "Are you satisfied with your life in general?" The respondent answered in a scale from 1 to 5, with a score of 1 meaning very dissatisfied, 5 very satisfied, and 3 as a middle neutral point. The financial satisfaction scale was constructed by asking people if they were satisfied with the income they earn, and they replied using the same 5-point scale. Finally, we also asked if they believed that with the available income in the household they could meet their material needs. The possible answers to these questions were: 1 we still need a lot more to satisfy our needs, 2 we need only a little more to satisfy our needs, 3 we just get by and 4 we get by comfortably to satisfy our needs.

The independent variables are chosen among those key issues in which economic crisis has generated an unfavorable effect on Spanish society: income, unemployment and education. Concerning income, we create three variables, the logarithm of the income per capita earned by the household and two dummy variables that approximates if income has improved or has decreased two years before the interview took place. Interviewees were asked to group household income in different categories. We decided to make this variable continuous by taking the Neperian logarithm of the average value of each category, dividing by the number of households. This transformation to create

the variable *income* is normally used when the income variable is categorical (Clark et al. 2008; McBride 2001). The questionnaire also contained the following question: Is the household income that you have at the household disposal...? And the possible answers were: 1 greater than two years ago, 2 equal than two years ago and 3 lower than two years ago. We create two dummy variables, *better hh income*, that equals 1 if the interviewee chose category 1 and *worse hh income*, if she/he chose category 3.²

Unemployment was approximated by two variables: The working status of the interviewee as unemployed and the percentage of unemployed people in the household. In the questionnaire, people were asked about their professional situation, and we created the *unemployed* variable that equals 1 if the interviewee declared him/herself as unemployed and 0 otherwise.³ People were also asked about the professional status of the rest of the household members, and we constructed an index by dividing the number of unemployed people by the number of household members that are older than 21 to capture the pressure of unemployment on the household. We call this index *unempl_rate*. Finally, in order to account for the importance of higher education on SWB, we constructed a dummy variable called *higher_educ* that equals 1 if the interviewee has a university degree. In order to control for demographic traits, we include *age* variable and *gender* (one indicates that a woman answered the survey) in the study.

Table 1 presents the descriptive statistics of the variables. To complement this table, it is worth to indicate that the maximum value of the unemployment rate was 1, and all of the household members were identified to be unemployed in around 2% of the households. Around 15% of the total sample had at least one member of the household that declared to be unemployed.

Insert Table 1 about here

According to the literature review above, we expect a positive effect of the variables *income*, *better hh income* and *higher_educ* on SWB, and a negative one of the *worse hh income*, *unemployed* and *unempl_rate* variables. In the case of unemployment, and taking the literature review as a background, it seems that it could be the case that the high levels of unemployment in Granada could neutralize its negative individual effect into SWB. In addition, adaptation to the current could also weaken the effect of the comparison with the past variables. It is reasonable to expect that the magnitude of the effect will differ according to which SWB variable is chosen. Those hypotheses are tested in the next subsection.

3.2. Estimation strategy and results

In this section we estimate the effect of each key variable affected by the crisis on the three measures of SWB, introducing *age* and *gender* as control variables. The economic crisis could influence directly and indirectly the key variables, and these could be interrelated. Those interrelations have been tested in economics. For example, the education of people is related to the kind of employment they have, and the kind of

² Harman's single-factor tests yields more than one factor when the dependent variables and *better hh income* and *worse hh income* are included in an exploratory factors analysis. This indicates that common method bias might not present a problem in the current research (Podsakoff et al. 2003).

³ The different options were self-employed, employee, unemployed, retired, student, housework and others.

employment they have determines the income they earn. In spite of this, a collinearity test found no problems of imperfect collinearity in our variables, being the highest Variance Inflation Factor equal to 1.33. Therefore it could seem to be fair to include all variables in a single model. Nevertheless, we will estimate different models for each SWB in order to check the robustness on the results and identify possible consistent *ceteris paribus* relationship of each of the variables.

Taking this into consideration, the estimation strategy for each SWB variable will be as follows: Firstly, we add the income variable to a model with the control variables only (model 1). Then, we add the comparison with the past variables (model 2). In model 3 and 4 we include the unemployment variables to model 1 separately, as the unemployment ratio contains the variable unemployment of the respondent. Model 5 adds to model 4 the education variable. Finally, in model 6 we incorporate to model 5 the comparison variables. Given the ordinal design of each of the SWB variables, we estimate each model using ordered logit robust to heteroskedasticity technique.

The results are presented in table 2 for satisfaction with life, table 4 for financial satisfaction and table 6 for needs satisfaction. Tables 3, 5 and 7 include marginal probabilities for the significant variables in model 6 for each satisfaction variable. The chi-squared test of global significance indicates that all models are suitable for interpretation. Concerning life satisfaction, income seems to be nonsignificant. It is only significant at 10% in model 1, but it seems that the attention should be put in the other key variables. Comparing with the past only has a significant effect when the comparison is done positively, that is, if the household has improved his situation. However, the greatest influence on life satisfaction comes from the variables related to unemployment, which are negatively related as expected. The rate of unemployment has the highest marginal effect in terms of the magnitude of the absolute value of the marginal probability for each class. Education has also a positive and significant impact. The control variables indicate that women are unhappier than men, but no age differences are found.

Insert Table 2 about here

Insert Table 3 about here

The models estimated with financial satisfaction as dependent variable shown in table 3 draw analogous results as the models including life satisfaction. Income seems to have greater robustness in the positive influence on SWB, but again unemployment measures have the greatest influence on the estimations, with a high significance and the greatest marginal effect. Contrary to the previous models, for this measure people's financial satisfaction seems to be more influenced by negative than by positive comparisons with past income, but the effect vanishes when adding unemployment and education variables. Education plays a great role in financial satisfaction, and when this variable is added, the effect of income disappears. Women are more dissatisfied and the significance of age is unstable.

Insert Table 4 about here

Insert Table 5 about here

Contrary to the previous models, the perception of material needs satisfaction is robust and positively influenced by income. However, the effect of unemployment and

education is again strong and robust. People compare positively, but not negatively. Similar to the previous results, women seem to declare a lower level of satisfaction, and the significance of age is again unstable. Pseudo R squares are much higher in these models than in the previous ones; they are around five times higher than in the life satisfaction models and around two times more than in the financial satisfaction estimations.

Insert Table 6 about here

Insert Table 7 about here

5. Conclusion, Discussion and limitations

In this paper we have attempted to reflect on the economic crisis in Spain, using data from 2012 in one of the Spanish regions that has most deeply suffered its consequences in terms of jobs destruction. Concretely, we have assessed the influence of key variables affected by the crisis in three measures of SWB. From the empirical estimations, there are at least two results that merit further attention. Firstly, the importance of education, and particularly of unemployment, as a tool for SWB. The high significance and negative impact of the unemployment related variables on SWB, in a province with an unemployment rate of around 37%, contrast with results of past literature. It seems that the high unemployment figures and their rapid raise have not weakened the relationship between unemployment and SWB. Our results contradict past research indicating that with unemployment rates over 25% people tend to see unemployment as normal, weakening the negative influence of unemployment on SWB (Clark 2003).

Contrary to what we would expect, the influence of income and its possible loss seems to be a bad predictor of SWB. Income has a weak and not robust relationship with SWB, except when it comes to the satisfaction of material needs. A possible explanation for this is as follows: As the decreasing of income is quite spread -around 30 per cent of the sample declared to having experienced it and it is constantly in the news- people experiencing it could have conformed to the loss or have compared to others in the same situation. In the same vein, people who increased their income, around 10 per cent of the sample, could feel fortunate and compare with the not as fortunate others and be more satisfied. This possible explanation of a social comparison effect and adaptation does not apply, however, with unemployment. From a SWB perspective, those results strongly support the claim that policy interventions should focus more on social policies such as reducing unemployment and keeping people in education than on abiding to the requirements of the financial markets.

Taking into consideration the high importance of employment and education, and the low importance of income in the formation of SWB within the crisis context, it seems feasible to discuss on this results from a matter of scientific knowledge on the drivers of SWB, and to inspire the creation of public policies and institutions that could foster SWB; recognizing that knowledge condition public action. This goes along with the spirit of the present special issue, that is, to consider human life and societies as something more than a collection of out-of-context individuals; and economic activities as not final aims but means to foster people's wellbeing. Within this spirit, we go one step beyond and propose at least two interrelated branches of discussion to find paths to get out of the economic crisis, namely how to diagnostic and monitor the crisis, and who should be the actors involved in this diagnostic. We give some insights on each of

them according to our perspective, in the light of the results of this paper and in the Spanish situation.

The first branch of discussion is about the diagnosis and the monitoring of the crisis. The nature of the diagnosis could condition the identification of the causes and the solutions. In the social indicators literature there is a general agreement that diagnosis should result from deep reflection and political action that go beyond single macromagnitudes as a measure of prosperity, such as public deficit and risk premium. However, the contractive or austerity policies outlined in the introduction of this paper are usually identified to the efforts of the government devoted to put confidence in international financial investors⁴ through the control of the risk premium⁵, and to avoid a possible bailout. In the meantime, the result of economic crisis and economic austerity has supposed the worsening of dimensions of life, not only the ones treated empirically in this paper, but also others related to social cohesion such as the rising of poverty⁶, income inequality⁷ and strikes and demonstrations⁸.

The correct diagnosis could permit us to accurately recognize the crisis from a human and social perspective. However, in a broader perspective, going beyond market needs to human needs entails the risk to arrive to the negative conclusion that the world is permanently in crisis. As Johan Galtung, founder of peace research, put it in a recent book *-Peace Economics, from a killing to a living economy-*, there is *Crisis I*, that has been dealt in this paper through the Spanish case, and refers broadly to the lack of growth and financial instability. In addition, there is *Crisis II*, a permanent misery crisis affecting 20% of the world population, causing numerous deaths due to starvation and easily preventable and curable diseases (Galtung, 2012: 16). In spite of negative judgments, recognizing *Crisis II* as a reality and a general problem that affects

⁴ The financial market support is formed by endorsement of debts, the nationalization of banks with difficulties or concession of direct loans. The huge monetary cost for the government involved in those operations is difficult to estimate but there is a general feeling in the population that it has been retrieved at the expense of the maintenance of the Spanish welfare state.

⁵ The risk premium is the difference of the profitability of the Spanish ten year bond and the German one, the latter assumed to be the safest in terms of devolución del capital. This risk is perceived to be subjective, and the causes of the increase or decrease of the risk premium are through factors such as the trust of markets, other countries actions, the ability of the leaders to convince on the solidity of the economy, their declarations and other leaders' declarations from other institutions and the publicity of the result of several macromagnitudes. Generally speaking, and according to Charron (2013), it depends on the expectations of investors without meeting any criteria of justice. Risk Premium in Spain was below 100 in 2008 and it reached a peak above 600 in July 2012. Meanwhile, the account devoted in the government budget to pay the public debt raised from 16,609 million euros in 2008 to 38,590 in 2013 (Ministerio de Hacienda y Administraciones Públicas, 2013).

⁶ Caritas, a catholic organization that gives social support to excluded and deprived people that cannot satisfy basic material needs, published that the number of people that asked for help to them in 2011 was 1,015,276, and has multiplied by 2.7 from 2007 (Caritas, 2012).

⁷ The percentage of people that earned below the 60% of the national median equivalised disposable income experienced a growth from 19.6 to 20.7. Eurostat (2013b).

⁸For instance, the number of strikes increased in 36.4% in 2012 (CEOE, 2013). Among the demonstrations, the movement of *Indignados* (indignants) is one of the greatest expression of public discontent in Spain, composed by heterogeneous members of society that claimed for more social and economic rights from the Government to the most vulnerable people, instead of putting attention and economic support to financial stability and the banking system. The discontent on this form of inequality is not only in Spain but it seems a global phenomena (see Tortosa, 2013, chapter 3).

humankind seems to be the necessary step for policy and institutional action that could also avoid *Crisis I*.

The second branch of discussion, closely related to the previous one, concerns the actors involved in this crisis. In a similar vein as Galtung's interpretation, the sociologist José María Tortosa has argued on the existence of several interrelated crisis in the world that forms a single one. Not only the world is experiencing an economic crisis, but also an energetic, ideological, food, environmental, democratic and hegemonic crisis (Tortosa, 2010). The crisis is multidimensional, it is also the SWB of people (Layard, 2005) and therefore it is feasible to assume, or at least hypothesize, that multidimensional are the relations of the crisis with SWB too. As a consequence, the understanding of the crisis from a holistic perspective requires multidisciplinary, that seeks to look for people centered solutions to escape from economic deprivation. From an economics perspective, multidisciplinary enables to overcome neoclassical ideas such as the close identification of income and utility, also refuted within the happiness literature and being the current research no exception in this literature. Multiple views would allow to better understand human nature and its drivers of welfare, and stimulate in the creation of institutions and public policies that, from a principle of social justice, could permit to guarantee basic needs of everybody beyond greed, capital accumulation and financial speculation.

It seems fair that people that are affected by policies and institutions are consulted, and they might be considered as actors of their own SWB instead of objects. Asking people on the drivers of their quality of life, as Max-Neef (1991) proposes, or at least to use models that avoid presumption or imputation of well-being drivers (Rojas, 2012), could foster governability of people and help to design happiness-driven policies. That is, to substitute top-down policies, that are defined without the people but affects the people, by bottom-up policies, that are defined taking into consideration people's views, instead of one decision maker view or the international investment needs as it is the case of Spain. Of course, in the case of Spain this faces several institutional problems that we have to be aware. For instance, the influence on the interest rates and the exchange rates is in the hands of the European Central Bank, which reduces governability. The need of decreasing deficit as a priority is agreed with the European Union. This establishes serious institutional bounds to foster individual happiness from the government. Unfortunately, in the Spanish context and in the present time, putting in practice happiness fostering policies seems to be wishful thinking, but even so, it seems fair to recognize them in order to create possibilities to overcome them.

The empirical part of this study has some limitations that should be addressed, particularly in the formation of the database and its usefulness in order to capture the nature of the effect of the crisis in SWB. We use cross section data and the most appropriate would be panel data, the dataset are locally representative but not nationally, and there are other key independent variables that could experience an impact, such as health, that are not included. Although the sample is representative, it was answered by people in the city of Granada that dwells in a house. There are however people that, as an effect of not being able to pay their mortgages or rents, lost their houses, therefore going to live to a relative or a friend's house, or just living in the streets. This effect is not captured by our income variable and therefore not captured by our regressions. The collective of the most vulnerable people is not a negligible one, as more than 58 thousands of evictions were produced in Spain in 2011, and this figure more than doubled in 2012, according to the information from the Consejo General del Poder

Judicial⁹. Those outstanding figures, jointly with reported cases by the press of suicide caused by evictions and deprivation, generated civil reaction such as the boycott of ejections through the Platform Against Evictions. The most evident noise we have in our house-to-house sample is that homeless people did not answer the questionnaire, and obviously casualties of the economic violence derived from the crisis neither did. Another aspect that is not captured concerns to the people leaving in structural poverty. It was not save to implement the questionnaire in the outskirts of the city where deprivation, drug addiction and marginalization are rampant. Although this might be a common flaw of most representative databases and it could be argued that evictions and suicides are high in absolute terms, but could be low in proportional terms, we should be wary that the income effects could be greater than the data reveal. Nevertheless, we consider that this limitations does not change the general picture in the discussion concerning the necessities of creating institutions and policies that aim to guarantee people's welfare and basic needs instead of condition them to market imperatives, creating the illusion of financial stability as a tool for human development.

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⁹ The Consejo General del Poder Judicial is an autonomous and constitutional institution which main duty is to guarantee the independence of judges in their functions.

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Table 1: Descriptive statistics

| Variable | Mean/% | Std. Dev. |
|---------------------------------------|--------|-----------|
| Life_satis (%) | | |
| Very dissatisfied | 0.35 | |
| Dissatisfied | 2.90 | |
| Neither satisfied nor dissatisfied | 24.82 | |
| Satisfied | 49.93 | |
| Very satisfied | 21.99 | |
| Finance_satis (%) | | |
| Very dissatisfied | 3.53 | |
| Dissatisfied | 15.56 | |
| Neither satisfied nor dissatisfied | 33.86 | |
| Satisfied | 39.48 | |
| Very satisfied | 7.56 | |
| Need_satis (%) | | |
| We are very far | 1.87 | |
| We just get by | 9.81 | |
| We get by comfortably | 54.36 | |
| I satisfy them very well | 33.96 | |
| Age | 52.43 | (20.2831) |
| Gender (%) | 56.82 | |
| Income | 6.25 | (1.4532) |
| Better hh income(%) | 9.77 | |
| Worse hh income(%) | 29.46 | |
| Unemployed (%) | 6.87 | |
| Unempl_rate | 0.07 | (0.2017) |
| Higher_educ (%) | 47.53 | |

Standard deviation of quantitative variables between brackets

Table 2: The influence of key variables on SWB: Life satisfaction

| Variable | (1) | (2) | (3) | (4) | (5) | (6) |
|---------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| age | -0.0020 (0.5619) | 0.0000 (0.9923) | -0.0052 (0.1332) | -0.0045 (0.1932) | 0.0006 (0.8589) | 0.0032 (0.4082) |
| gender | -0.4408*** (0.0007) | -0.4140*** (0.0015) | -0.4510*** (0.0005) | -0.4695*** (0.0003) | -0.3983*** (0.0024) | -0.3692*** (0.0052) |
| income | 0.0779* (0.0649) | 0.0671 (0.1143) | 0.0245 (0.5829) | 0.0200 (0.6543) | -0.0162 (0.7225) | -0.0266 (0.5643) |
| Better hh income | | 0.6169** (0.0118) | | | | 0.6312** (0.0126) |
| Worse hh income | | -0.0443 (0.7506) | | | | 0.0313 (0.8226) |
| unemployed | | | -0.9611*** (0.0008) | | | |
| unempl_rate | | | | -1.1263*** (0.0016) | -1.1506*** (0.0014) | -1.0969*** (0.0025) |
| superior_educ | | | | | 0.5372*** (0.0002) | 0.5646*** (0.0001) |
| χ^2 | 16.8591 | 24.8330 | 29.1153 | 26.3621 | 41.2254 | 48.5908 |
| Pseudo R2 | 0.0079 | 0.0116 | 0.0141 | 0.0135 | 0.0207 | 0.0244 |

All models are significant at 1 per cent. * Significant at 10%, ** significant at 5% and *** significant at 1%. We include p-values between brackets below the estimated coefficient.

Table 3: Marginal probabilities for satisfaction with life

| | very insatisfied | insatisfied | normal satisfied | satisfied | very satisfied |
|---------------------|---------------------|-------------|---------------------|-----------|-------------------|
| age | | | | | |
| gender | 0.0011 | 0.0105 | 0.0626 | -0.0169 | -0.0572 |
| income | | | | | |
| better hh income | -0.0015 | -0.0146 | -0.0974 | 0.0020 | 0.1114 |
| worse hh income | | | | | |
| unempl_rate | 0.0033 | 0.0320 | 0.1884 | -0.0570 | -0.1666 |
| superior_educ | -0.0017 | -0.0167 | -0.0965 | 0.0292 | 0.0857 |

Marginal probabilities for each outcome, computed at the mean of the quantitative variables. Those cells in blank indicates that the marginal probability for that outcome was not significant at 10%.

Table 4: The influence of key variables on SWB: Financial satisfaction

| Variable | (1) | (2) | (3) | (4) | (5) | (6) |
|-----------------------|-----------------------|-----------------------|------------------------|------------------------|------------------------|------------------------|
| age | 0.0095*** (0.0059) | 0.0098*** (0.0071) | 0.0032 (0.3788) | 0.0052 (0.1457) | 0.0125*** (0.0024) | 0.0136*** (0.0014) |
| gender | -0.3272** (0.0119) | -0.3005** (0.0209) | -0.3686*** (0.0050) | -0.3880*** (0.0029) | -0.3231** (0.0134) | -0.2967** (0.0237) |
| income | 0.2175*** (0.0000) | 0.2148*** (0.0000) | 0.1281*** (0.0058) | 0.1189** (0.0134) | 0.0665 (0.1966) | 0.0660 (0.2054) |
| Better hh income | | 0.3065 (0.2165) | | | | 0.3433 (0.1810) |
| Worse hh income | | -0.3087** (0.0279) | | | | -0.1636 (0.2604) |
| unemployed | | | -1.9909*** (0.0000) | | | |
| unempl_rate | | | | -2.2383*** (0.0000) | -2.2530*** (0.0000) | -2.1269*** (0.0000) |
| Higher_educ | | | | | 0.6772*** (0.0000) | 0.6955*** (0.0000) |
| χ^2 | 37.8464 | 44.2820 | 72.9940 | 63.0663 | 84.6022 | 89.8812 |
| Pseudo R ² | 0.0185 | 0.0221 | 0.0412 | 0.0372 | 0.0472 | 0.0490 |

All models are significant at 1 per cent. * Significant at 10%, ** significant at 5% and *** significant at 1%. We include p-values between brackets below the estimated coefficient.

Table 5: Marginal probabilities for satisfaction with financial situation

| | very insatisfied | insatisfied | normal satisfied | satisfied | very satisfied |
|---------------|---------------------|-------------|---------------------|-----------|-------------------|
| age | -0.0002 | -0.0016 | -0.0015 | 0.0026 | 0.0008 |
| gender | 0.0050 | 0.0347 | 0.0340 | -0.0551 | -0.0186 |
| income | | | | | |
| better | | | | | |
| worse | | | | | |
| unempl_rate | 0.0365 | 0.2528 | 0.2393 | -0.3984 | -0.1303 |
| superior_educ | -0.0122 | -0.0830 | -0.0759 | 0.1281 | 0.0430 |

Marginal probabilities for each outcome, computed at the mean of the quantitative variables. Those cells in blank indicates that the marginal probability for that outcome was not significant at 10%.

Table 6: The influence of key variables on SWB: Material needs satisfaction perception

| Variable | (1) | (2) | (3) | (4) | (5) | (6) |
|-----------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Age | -0.0055 (0.1449) | -0.0030 (0.4469) | -0.0096** (0.0124) | -0.0096** (0.0125) | -0.0010 (0.8217) | 0.0024 (0.5871) |
| Gender | -0.6606*** (0.0000) | -0.6317*** (0.0000) | -0.6711*** (0.0000) | -0.7044*** (0.0000) | -0.6219*** (0.0000) | -0.5927*** (0.0000) |
| Income | 0.4087*** (0.0000) | 0.3986*** (0.0000) | 0.3517*** (0.0000) | 0.3189*** (0.0000) | 0.2507*** (0.0000) | 0.2443*** (0.0000) |
| Better hh income | | 0.8776*** (0.0003) | | | | 0.9378*** (0.0002) |
| Worse hh income | | -0.2235 (0.1366) | | | | -0.1329 (0.3754) |
| Unemployed | | | -1.2442*** (0.0002) | | | |
| Unempl_rate | | | | -1.8887*** (0.0000) | -1.9630*** (0.0000) | -1.8093*** (0.0000) |
| Higher_educ | | | | | 0.9135*** (0.0000) | 0.9532*** (0.0000) |
| χ^2 | 74.5620 | 94.9881 | 87.0453 | 97.7931 | 143.2449 | 155.8066 |
| Pseudo R ² | 0.0583 | 0.0693 | 0.0688 | 0.0736 | 0.0948 | 0.1050 |

All models are significant at 1 per cent. * Significant at 10%, ** significant at 5% and *** significant at 1%. We include p-values between brackets below the estimated coefficient.

Table 7. Marginal probabilities for material needs satisfaction perception

| | Need a lot more | Need a little more | We just get by | We get by comfortably |
|---------------------|--------------------|-----------------------|-------------------|--------------------------|
| Age | | | | |
| Gender | 0.0053 | 0.0382 | 0.0819 | -0.1254 |
| Income | -0.0023 | -0.0163 | -0.0323 | 0.0509 |
| Better hh income | -0.0062 | -0.0463 | -0.1654 | 0.2179 |
| Worse hh income | | | | |
| Unempl_rate | 0.0169 | 0.1206 | 0.2393 | -0.3768 |
| Higher_educ | -0.0093 | -0.0650 | -0.1218 | 0.1961 |

Marginal probabilities for each outcome, computed at the mean. Empty cells indicate a marginal probability not significant at 10%.