Paper prepared for the

Third Euroacademia International Conference

Re-Inventing Eastern Europe

Berlin, 28 – 29 March 2014

This paper is a draft

Please do not cite

Response to Recession through Life Satisfaction in Europe: One Voice or Many?

Katarzyna Kucaba

University of Leicester, Department of Sociology

Abstract: This project asked whether life satisfaction in European nations was affected by crisis in a homogeneous way. The project established clear trends in life satisfaction over time in European countries at the time of the recent financial crisis that point to existing variation among them that does not follow a clear dichotomy between East and West of Europe. The results indicate that there exists a cluster of countries in Europe that maintains its life satisfaction levels despite worsening financial situation in the continent. Moreover, some of these countries recorded significant growth in happiness. There is a lack of uniting factor amongst them as the cluster consists of three protestant nations: Germany, Netherlands, Norway; three post-communist countries: Poland, Russia and Slovakia, and a Mediterranean country - Portugal. Conversely, Spain and Greece are countries with happiness “in retreat” which is congruent with their disastrous economic situation. The rest of European nations shows some degree of sensitivity to the news of recession and reacts with worsening life satisfaction in either 2008 or 2010. Three clear trends of life satisfaction before and after recent crisis in Europe were established: N –shape, U- shape and unfinished W-shape that clusters the countries regardless of their economic, cultural or geographical position in Europe and as such denying the existence of schism between East and West of Europe. Concluding, it is asserted that economic crises tend to be followed by crises in happiness. However, Europe does not react to crisis in a unified way. Some nations maintained their happiness despite difficult situation. It is hard to predict how countries will react to future events in Europe but it won’t be as “one voice”.

Key words: life satisfaction, recession, Easterlin paradox, European community

Introduction

In the literature of well-being there are many approaches that by using different words emphasize different dimensions of the same concept. Happiness, life satisfaction, quality of life, subjective well-being are all terms used to describe the same notion which refers to how we feel about ourselves and our life. Although different names can sometimes emphasize different aspects of the same state, like for example happiness as referring to emotional state and satisfaction with life as describing a cognitive evaluation of one's life, in the research area about well-being they are often used interchangeably and as such they will be treated here. The definition of life satisfaction follows Aristotelian understanding of leading a meaningful life (Ryan and Deci 2001).

The definition of economic crisis for the purpose of this paper needs to consist of two additional notions: banking crisis and sovereign debt crisis. Banking crisis is an event that comprises of two factors: bank liquidation or significant losses, and policy intervention(like bank nationalisation) as a response to losses (Laeven and Valencia 2013). Sovereign debt crisis can be described as significant restructuring or default on external debt when government restructures or defaults on its own external debt or private sector debts that were publicly guaranteed (Reinhart and Rogoff 2008b). The reason why these two are essential for defining economic crisis is that crisis in one leads most inevitably to the crisis in the other (Reinhart and Rogoff 2008c). As such, the current crisis that started in many countries as banking crisis, led to external debt crisis that resulted in whole nations being close to bankruptcy or declaring it.

The organisation of the paper is as follows. Section 1 explains the puzzle regarding long-term fluctuations in subjective well-being and emphasizes the importance of researching changes in short term happiness as well. Section 2 describes factors relevant for happiness and focuses on the impact of current recession on happiness. Section 3 describes methodology behind the data while section 4 presents the result of analysis. Section 5 concludes delineating implications for policy and areas for further research.

1 Long-term happiness trends

Assessing time trends in subjective well-being can be a very unrewarding and difficult task for researcher. In the very long period of time they are usually quite stable and not much change can be observed between the first measured period and the latest. This stagnant trend was reported by the number of scholars, with perhaps the most known being Richard Easterlin who gave his name to define this paradox. What he described as the paradox was the fact that there existed variation in life satisfaction scores among countries that was congruent with their economic wealth, which was equally true for individuals, with richer nations reporting significantly higher life satisfaction scores than poorer countries. However, when he assessed the relationship between economic growth and life satisfaction over time, he found that despite substantial economic progress in most countries around the world, their subjective well-being did not change as much. In fact, according to his earliest findings (Easterlin 1974) it did not change at all in his sample of 19 industrialised countries. These findings were later corroborated by the author for nine European countries that he included in his sample (Easterlin 1995). The paradox provided a puzzle for a number of researchers who were trying to confirm or deny its existence (Veenhoven 1991; Diener et al. 1993; Hagerty and Veenhoven 2003; Veenhoven and Hagerty 2006; Deaton 2007; Fischer 2008; Stevenson and Wolfers 2008; Sacks, Stevenson, and Wolfers 2010, 2013, 2012; Veenhoven and Vergunst 2013). Despite efforts from the number of eminent scholars, the debate is still ongoing and no clear conclusions were reached that would satisfy all scholars engaged in the debate and explain whether there are changes in life satisfaction over time or not.

Importance of short term happiness

A number of researchers voiced an opinion that emphasized the importance of assessing and explaining happiness trends in shorter period of time as equally meaningful and important (Graham 2009; Radcliff 2001). Their argument states that despite people being on hedonic treadmill of happiness that keeps them adapting to increasing living standards and hence not really changing their levels of life satisfaction, which in result agrees with the deterministic theory of the existence of set level of happiness embedded in each individual that cannot be changed, the short-term changes in life satisfaction throughout human life are worth documenting. As Graham (2009) argues, if the person is unhappy for a period of few years, but then his or her satisfaction goes back to the previous level, then it is still important to inspect that period of misery and find out what was responsible for it. Then it is equally important to conduct wider research that would contribute to the knowledge of factors that can diminish one's subjective well-being, even if for a relatively short period of time, and explain their relationship with life satisfaction. Finally, it would be important based of the findings, to design social policies or personal therapies that would help to buffer the effect of negative life events on short-term life satisfaction.

This objective stems from the understanding that even short periods of unhappiness are not desirable for both the individual and his close social circle, but also for the wider community and society. Happy people are proven to be more efficient workers (Wright and Cropanzano 2000), more politically engaged citizens (Veenhoven 1988), more altruistic members of the society (Meier and Stutzer 2008), they have deeper and wider social net (Lyubomirsky, King, and Diener 2005) and enjoy better health (Pressman and Cohen 2005) than those who are miserable. Therefore, having high numbers of satisfied people in a country brings benefit to all. Healthy individuals use less services of national health department despite contributing in the same way through taxes as those who are miserable. Engaged citizens show more trust in the government and want to actively shape the policies that are introduced in the country which brings benefit to all individuals, and not just the happy ones. Happy workers are most efficient and hence they reduce the cost of production for the companies which attracts more businesses willing to invest. Altruistic society is the one where people voluntarily help each other through informal and formal channels, hence offloading this duty to some extent from the government that can tackle other problems.

2 Factors affecting life satisfaction

The inspection of individual factors negatively affecting life satisfaction points to three main areas: health problems, financial problems and marital troubles (Cantril 1965). In other words, sickness, unemployment or debt, and divorce/widowhood are the factors that lower subjective well-being significantly, which then needs many years to come back to its level prior to the event, but sometimes may never be fully recovered (Diener 2006). Additionally, events on a national arena can also significantly influence individual levels of happiness, and hence nations as a whole. Inglehart et al. (2008) emphasize the importance of freedom,Helliwell(2003) level of trust and quality of governance, while Heukamp and Arino (2011) add corruption levels to this list. Abbott and Wallace (2012) came up with the comprehensive list of four social factors that explain the largest proportion of national variance in life satisfaction. Their Social Quality model consists of economic security, social cohesion and inclusion, and empowerment which explain around 40% of variation in happiness in Europe (Abbott and Wallace 2014). However, economic security that takes into account household income and deprivation index is a powerful indicator as it alone explains around 30% of variation in the happiness scores.

Since the economic security is such an important factor in assessing individual and national happiness, and yet it shows such inconsistent relation with the actual scores achieved by individuals described in Easterlin paradox, it seems worthwhile to examine the relationship between economic growth and subjective well-being again, taking into account recent financial crisis that affected economies and nations around the world. This paper focuses on the effect of crisis on life satisfaction of Europeans but contrary to other research in this area, examines life satisfaction trends before and after the crisis in each country individually. Based on the results my aim is to examine the trends that appear in life satisfaction from 2006 until 2012. Following that, different clusters of countries will be determined that follow similar life satisfaction pattern. Finally, once the groups are derived, the attempt will be made to find the common factor among them, either referring to their cultural and political heritage, provision of state benefits, economic situation or geographical location, that will help to answer the question in the title whether Europe responds to crisis in one voice or many, based on the results of life satisfaction before and after recession.

Current crisis

Crisis has detrimental effect on happiness butit can also have a positive effect and enforce change that has long been needed. The role of current crisis cannot be undermined as it steered national governments in a new direction and contributed towards starting a discussion about happiness, its definition and meaning for individuals. It led to drafting multidisciplinary plans to measure happiness (or its broader term - subjective well-being) in a more coherent and organised way on a national and international level. Furthermore, it resulted in reflecting on economic growth that has been happening around the world and critically evaluating its positive and negative effects on individuals and their well-being. And finally, it showed cultural differences between countries in Europe when handling problems with national finances and generally responding to global crisis, measured also in their life satisfaction.

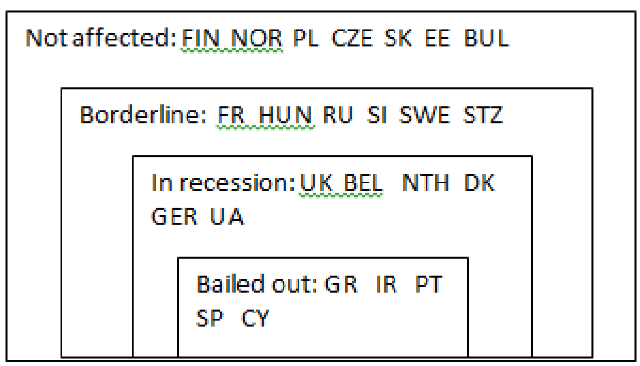
Despite its global impact the current crisis that affected Europe and the rest of the world to the significant extent is just one of many that have been happening in Europe since the 14th century. A panoramic view of crises in Europe reaching to the 14th century composed by Reinhart and Rogoff (2008b) shows that periods of relative economic lull are usually followed by default periods where most of the world emerging economies experience financial problems. From the beginning of the 19th century the authors listed five major international defaults each lasting approximately 20 years when sometimes half of the countries in the world were in default (in 1820s crisis and during 1930s Great Depression). Among European countries Spain defaulted record fourteen number of times from the 16th till the 19th century, followed by Portugal and France with 9 defaults and Germany and Austria - Hungary with 8. However it is Greece that spent over 50 per cent of its independent life in default counting 5 episodes of default since its independence in 1829 (see appendix A).

What is important to learn from this historic perspective of economic crises in Europe is that first of all, economic recessions are a stable trait of global market functioning and are preceded by periods of economic stability, which is also the case in current crisis, as the 1990s onwards are described as the Golden Age of stability in developed countries (Goodhart 2008). Unfortunately these periods of lull give rise to deluded sense of security which results in under- rating risks and overspending, leading inevitably to another crisis.Furthermore, in many cases business ties between countries result in spreading the financial problems to the rest of the continent, like in the case of Spain and France until 1800. As the development of global trade continued, Great Depression in 1930s affected most of the developed countries in the world – nine in Europe as well as emerging markets in China, India, Brazil, Argentina and Mexico (Reinhart and Rogoff 2008c) while current crisis has spread even more widely around the globe through the financial domination of United States.Lastly, some countries in Europe have very extensive experience of recessions, notably Spain, Portugal and Greece who coincidentally this time are suffering the most from current recession as well. It may seem that the protective umbrella of European Union has helped them achieve a period of relative stability and modernisation since they joined it in 1980s, however the emergence of deep financial problems only 30 years later suggests that efficient and scrutinised economic governance has to be implemented by central governments through its policies and cannot be externally co-ordinated by international bodies like EU, especially in case of "serial offenders" from the south of Europe.

The fact that after World War II only few countries, mainly from the communist bloc, suffered from sovereign defaults suggests that European economies moved toward stabilisation and economic prosperity where standards of living were on the rise, macroeconomic policies were developed to secure controlled growth and countries were co-operating with each other in order to strengthen the trade between them that would benefit its nations. In order to see if these policies were successful and had lasting impact on people's lives it is essential to examine well-being ratings across Europe in times of current recession.

In order to understand better the economic context for life satisfaction findings, figure 1 presents a degree to which countries in Europe were affected by crisis. The smallest square shows countries that faced severe financial difficulties and asked European banks for loans in order to fight them. In some cases they openly declared bankruptcy (GR, IR) while in others they were on the verge of it (PT, SP, CY). The next square lists countries that found themselves to be in recession with their governments often acknowledging it openly. In all of them appropriate policies were quickly drafted that helped to steer them to quick recovery and avoid drowning in deeper crisis. Next group of countries were those that were on the borderline of recession but through very quick and efficient actions of their governments managed to avoid it. Finally, the last group consists of nations that were largely unscathed by the financial crisis who were mere observers of the events unveiling in the rest of Europe(Laeven and Valencia 2013).

Fig 1.Degree of recent banking crisis in European countries.



3 Methods

This project uses data from European Social Survey (abr. ESS) that has been running since 2002 and conducts biannual surveys on European country sample. The last data available comes from 2012. The full number of countries reaches 30 in all surveys from 2002, however some countries have been part of ESS too sporadically (two waves only until 2010) and therefore they are excluded from the sample. The project uses data from four waves of the survey for years 2006 (or 2004 in case of Czech Republic), 2008, 2010 and 2012. As such the sample consists of 24 countries, namely Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Netherlands, Norway, Poland, Portugal, Russia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Ukraine and United Kingdom. However, analysis for France, Sweden and Slovenia are not significant and therefore are omitted from the discussion. Sample size in each country per each year of the survey consists of minimum 1000 individualsage 15 or over and the data is collected through probability sampling. The life satisfaction question in ESS is worded as follows: "All things considered, how satisfied are you with your life as a whole nowadays?" and the scale runs from 0 to 10 where 0 denotes "extremely dissatisfied" and 10 denotes "extremely satisfied" (ESS 2012). In order to test the significance of the changes between life satisfaction in each period of the survey, one-way ANOVA tests were performed using SPSS software. Design weights were applied to the analysis.

4 Results

"Happy go lucky" countries

Several countries have increasing trend in happiness despite unveiling financial crisis that affected Europe and the rest of the world to a significant extent. These countries have no common cultural or political background, and their economic wealth has reached very different levels. The countries are as follows: Germany, Netherlands, Norway, Poland, Portugal, Russia and Slovakia. In all of them there was a significant increase in life satisfaction from 2006 until 2012 with mostly significant rise in the years 2008 and 2010. This group of countries can be described as "insensitive" to the news of recession, as well as to the actual events connected with financial crisis which included subsequent bailouts of five European economies by the European Monetary Fund. The group is composed of different countries representing post-communist regimes (Poland, Russia, Slovakia), Protestant religious heritage (Germany, Netherlands, Norway), affluent economies (Germany, Netherlands, Norway), transitional economies (Poland, Russia, Slovakia), economies in crisis (Portugal).

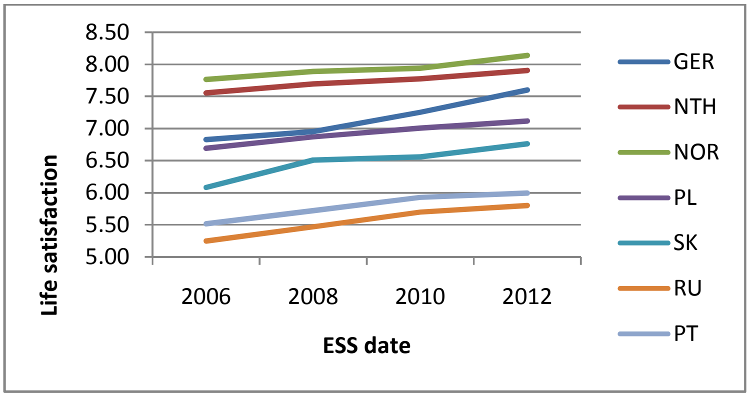
Taking into account their welfare provision, they also represent diverse approaches to offering social provisions with the most generous Norway representing social-democratic system but Germany and Netherlands following conservative social policies (Esping –Andersen 1990). Portugal belongs to the Latin system that stresses the importance of family in offering support and as a source of social provisions(Saint-Arnaud and Bernard 2003) although some researchers see it as a more elementary version of the conservative system (Fenger 2007). Poland and Slovakia also resemble conservative type of welfare provisions but they are characterised by lower levels of social well-being than the western sample, although higher than the rest of the post-communist countries, among them Russia. In Russia there is additionally a very low level of public trust which is distinctive from CEE countries despite their common political heritage.

All countries apart from two - Norway and Russia, belong to European Union, although their date of accession is very different. Poland and Slovakia are the newest members that joined in 2004. Portugal joined EU in 1986 while Netherlands and Germany were the founding fathers of the union in 1973. It is clear then that even membership in the common Europe or its duration cannot be a unifying factor among the happy nations that show no sign of even momentarily declining happiness levels in times of crisis.

Puzzling case - Portugal

When it comes to analysing the "stubbornly happy" European cluster in terms of being affected by the recession, Portugal seems the most puzzling case. In 2011 it found itself at the forefront of the fight for survival as an economically independent state and has been the subject of bailout by European banks (ECB 2014). This was followed by tough austerity measures imposed by the EU. Despite this disheartening situation, it seems that the people in Portugal have not let the tough financial sanctions affect their satisfaction with life as a whole. Their scores for life satisfaction continued to rise significantly in 2008 and 2010 despite beginnings of enormously difficult financial situation. However closer look at the frequencies of life satisfaction reveals that in 2008 the percentage of satisfied people decreased 2.3% from 77.5% to 72.2%. The happiness of people recovered quickly though and in 2010 the percentage of happy Portuguese reached 77.8% and increased for further 1% in 2012. It seems then that when the news of recession hit the continent in 2008, it caused some people to react with lower life satisfaction, although the percentage was very small. Perhaps when the headlines informing about crisis became more common people became less sensitive to it, and the score of satisfaction increased again (Graham 2009). However, Portugal found itself in difficult economic situation in 2011 when it asked for bailout from EU, and so the events that led to it must have been unveiling for some time there. The fact that life satisfaction was still increasing up to 2012 suggests that there must have been some other factors that buffered the effects of crisis on happiness.

Fig. 2. Rising happiness trends before and after crisis.



It is worth noticing that CEE countries have not been touched by recession in the investigated timeline although their banks received a rescue package in 2009 (see figure 1). The same is true for Norway who was unaffected by the financial crisis worldwide. Government in Norway stimulated shrinking growth in the middle of 2009 by more state spending which led to quick recovery of its economy later during that year (Guillén 2009). Germany was immersed in the crisis as it quickly became the leader of EU response to financial recession in Europehowever its markets and economy were not affected to a great degree by the crisis. This can explain why life satisfaction of people there continued to grow – their livelihoods were simply not threatened by the recession even though its government and, especially prime minister, played a key part in securing recovery for the rest of Europe. It could even be possible to hypothesise, that thanks to stable situation at home which in comparison with other economies in Europe was virtually unaffected by economic plunge, people learned to appreciate their situation more and assess it in relation to those whose lives were severely impacted by the financial perturbations of their countries.

Nations with happiness “in retreat”

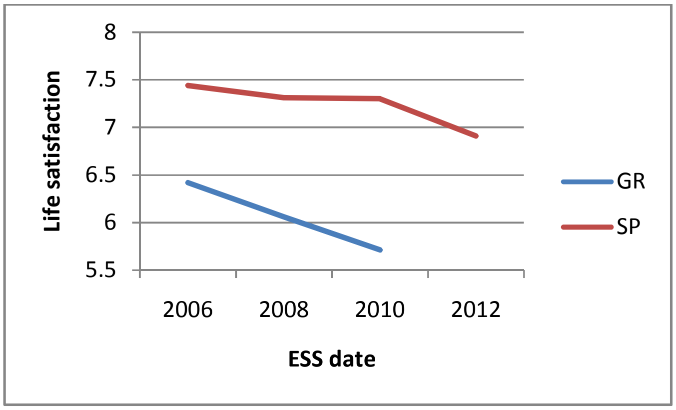
On the other side of the spectrum of the clear happiness trend during crisis are those nations where life satisfaction levels decreased significantly in the period of last 10 years. The most consistent significant trend is observed, not surprisingly, in two Mediterranean economies that have declared bankruptcy or were very close to doing so, namely Greece and Spain.

In Greece the declining trend in life satisfaction was most prominent and could be observed in the proportion of happy population that shrank from 84.5% in 2004 to 75.4% in 2010. In the run up to the bankruptcy and during the crisis, almost 9% of Greeks declared themselves not satisfied with life anymore which makes it one of the largest drops in happy population among European countries. When in 2010 Greece asked for financial support from EU, only ¾ of Greeks were satisfied with their lives. It is hard to estimate how that figure would look later as the country did not participate in round six of European Social Survey in 2012 but according to other researchers the numbers of happy people decreased even more strongly(Katsimi et al. 2013).

Spain was not so far behind Greece, with almost 8% of Spaniards declaring lack of satisfaction with life in the six years of unveiling the crisis. The trend is however less consistent, as in 2008 when the country was on the brink of bankruptcy, the drop in happy individuals was 2% but then recovered in 2010 to almost the same level as in pre-crisis Spain (change of 1.5%). Sadly, in 2012 the number of happy individuals plummeted again 7% leaving Spain with almost 13% of its citizens declaring lack of satisfaction with life, while in 2006 this number was 5.5%. The deep drop in the number of happy Spaniards coincides with the request of financial help from EU in April 2012 (ECB 2014).

Many similarities between the two countries, like being affected by financial recession to a very high degree, having similar welfare model with high importance of family relations, being located among Mediterranean countries and being devoted to religious beliefs (Catholic in Spain and Orthodox in Greece) helps to understand why these two nations are clustered together in respect to life satisfaction trends preceding and following recession. It is interesting then to observe contradictory trend in Portugal, which shares all the similarities with the two nations, and yet seems to have rising life satisfaction despite the crisis. This discrepancy requires further research in order to determine what other factors affect life satisfaction in those countries that explain such different trends there.

Fig. 3. Declining happiness trends before and after crisis.



Among the countries that showed sensitivity to the news of recession and when the banking crisis was taking place in Eurozone, there are three clear trends that can be distinguished.

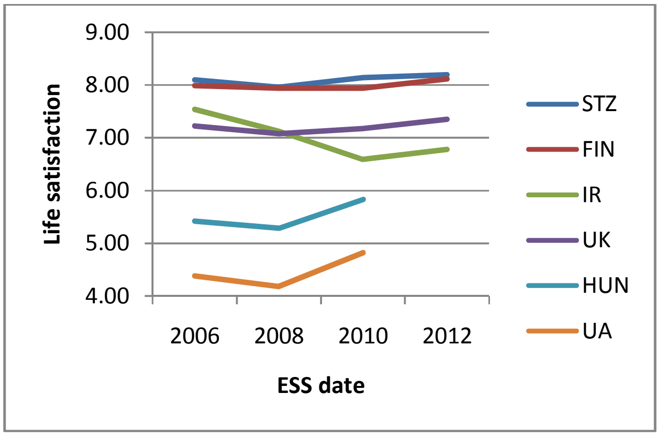
U – shape trend

This trend is present in six European nations that recorded slide and then significant growth in life satisfaction following the start of recession in 2008, apart from Ireland that recorded the growth only in 2012. Switzerland, Finland, United Kingdom, Hungary and Ukraine all reacted to the first sign of banking crisis with lowering their life satisfaction scores. However, the change in happiness was only minor and therefore not statistically significant. As such the findings of happiness there have not changed significantly from year 2006 until 2008 when the news of banking crisis was revealed. Interestingly, since the first events of crisis in Europe in 2008 life satisfaction has increased significantly in all nations in this group and exceeded the scores recorded in 2006. For three countries – Switzerland, Hungary and Ukraine happiness increase was already significant between 2008 and 2010, while for Finland and United Kingdom it reached significance in longer time span between 2008 and 2012. As such, the two last countries needed longer time span to recover from the shock of news of recession and the events that led to it. Hungary and Ukraine did not participate in the last round of ESS in 2012 and therefore it would be hard to estimate how they score now on life satisfaction, although research by other authors indicate that their scores were maintained (Anderson 2012)On the other hand, Ireland score was significantly lowered in 2008 and then again in 2010, but it started to increase again in 2012.

Juxtaposition of life satisfaction trends in years 2006 and 2012 with the impact of economic crisis in each country reveals that UK was the first country in Europe hit by recession and already in the beginning of 2007 had to bail out one of its banks. Full confirmation of recession by the government came in January 2009 after the country had to struggle with diminishing interest rates, falling banks and rising unemployment rates for almost two years. Half a year later Switzerland officially was affected by recession while at the same time UK has already declared the end of it. In the meantime Hungary asked for a loan from European Monetary Fund in October 2008 and at the end of 2009 Ukraine did the same.Ireland asked EU for financial support at the end of 2010 (Guillen 2012). Thus the one country from U cluster that did not found itself in recession was Finland who managed to keep its economy relatively stable (see figure 1).

When it comes to delineating factors that can cluster the nations in this group together, again there is no one dimension that can do that. The five countries represent wealthy (Switzerland, Finland, UK, IR) and poor (Hungary, Ukraine) economies in Europe, post-communist political systems (HUN, UA), catholic (Ireland) and protestant religious heritage (STZ, FIN, UK). Their geographical location stretches from the far east of Europe (UA), through its centre (HUN) and the west (STZ, UK, IR), and finally reaching north of the continent (FIN). As such their location in Europe could not have been more different. Welfare state provisions follow that pattern: Finland is the most generous with the provision of benefits which is the main characteristic on the social-democratic model.UK and IR follow liberal type where market provides for people. Switzerland belongs to the conservative type that focuses on workers in the provision of benefits, while Hungary reflects more egalitarian CEE system of welfare benefits. Finally, Ukraine system is typical for post-communist countries and characterised by low social well-being and trust. Even accession to European Union is different for each country: Hungary joined in 2004, Finland in 1991 while UK and Ireland were in the original sample of founding fathers in 1973.Ukraine and Switzerland are not part of it.

Fig. 4.U-shape trend in life satisfaction before and after crisis.



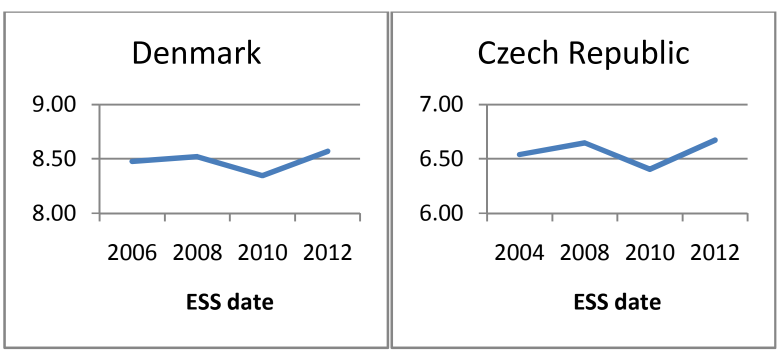
“Compassionate” country – Finland

It seems then that Finland deserves the name of the most “compassionate” country in the group as it has not been directly affected by crisis and yet it has shown some signs of decreasing happiness when other countries in Europe were struggling with it. However closer examination of the results for years 2008 and 2010 shows that happiness levels were stagnant during that time at 7.94, while the change from 2006 was only trivial and not significant (-0.05). In 2012 the life satisfaction score increased to 8.11 which was both significant comparing with 2010 and 2008 and was also higher than in 2006 (although it did not reach significance). Based on those findings it can be concluded metaphoricallythat, it seems that the Finns held their breath while the recession was unveiling on the European continent throughout 2008 and 2010, and breathed with relief in 2012 when most countries managed to deal with it, either on their own or with the help from European community.

N - shape trend

Two countries from the sample – Czech Republic and Denmark display an N - shape trend in life satisfaction from 2004 and 2006 to 2012 respectively. In 2008 both countries recorded insignificant rise in life satisfaction which then in 2010 plunged to record low and then recovered slowly in 2012 exceeding the score from 2004 and 2006. All changes between 2008, 2010 and 2012 were significant. According to figure 1, Denmark was immersed in crisis from 2009 and had to deal with falling GDP and rising unemployment rates (OECD 2009). That would explain its falling life satisfaction scores in 2010. Assessing the percentages of satisfied Danes over the six years period the figures have not changed dramatically. Denmark already had the highest number of satisfied people reaching just above 97% of society when in 2008 this number increased 0.5% making up almost 98% of Danish population happy. This number reversed to its previous level in 2010 and stabilised there in 2012.

Fig. 5. N –shape trend in life satisfaction before and after the crisis.



Czech Republic was not immersed in the crisis although it has been affected by it to a slight degree, with Czech banks receiving a loan from EMF in February 2009 but defending its economy a month later in a joint statement with Poland, Slovakia, Bulgaria and Romania (Guillen 2012). However, substantial decrease in economy came at the end of 2008 and the unemployment has been on the sharpest rise since early 1990s reaching 7% at the end of 2009 (OECD 2010). Thanks to public policies the country recovered quickly and unemployment rate was stabilised at 7%, but this sharp and significant change resulted in life satisfaction scores plummeting down in 2010. It seems that quick intervention from the government and accurate policies recovered trust of the public that they can deal with the crisis effectively which reacted with increasing their life satisfaction scores.

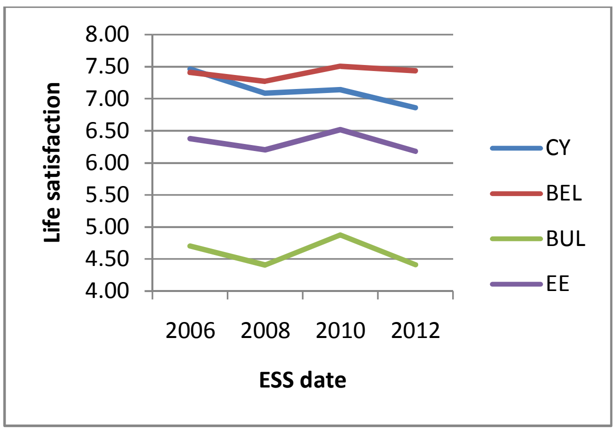
The two countries that belong to N-shape trend, namely Denmark and Czech Republic, could not have been different to each other in terms of the following factors: economic wealth (rich and moderate), cultural heritage (protestant and post-communist), welfare system (social-democratic and CEE model that resembles conservative), location (Scandinavia and central Europe), accession to EU (1973 and 2004), and degree of recession (DK in recession, CZE not affected by it).

Unfinished W - shape trend

Life satisfaction in Cyprus, Belgium, Bulgaria and Estonia resembles an unfinished W letter, with the last "leg" hanging in the air and waiting for the findings from newest ESS data from 2014. All countries recorded slump in their life satisfaction in 2008 but the only significant results were observed for Bulgaria and Cyprus. Happiness recovered in 2010 to "ecstatic" levels in all countries surpassing the score from 2006. Sadly, it decreased again in 2012 to its lowest levels since the beginning of the crisis in Bulgaria, Cyprus and Estonia, while in Belgium it returned to its pre-crisis level.

Quick assessment of the content of figure 1 reveals that among this group, Cyprus is the country most affected by recession that eventually needed to be bailed out by EU in 2012. Belgium was hit by recession very early – in the middle of 2008 but quick response from its government helped to relieve the troubles and restored life satisfaction among the people (OECD 2009). Bulgaria and Estonia are among countries that were not hit by recession and remained largely unaffected by it, however their own financial situation is far from satisfying regardless of the crisis.

Fig. 6.Unfinished W- shape trend in life satisfaction before and after crisis.



Trying to position the countries on different dimensions mentioned in previous sections of this paper results in similar distinction: "poor" countries in the sample are Bulgaria and Estonia, while Cyprus can be a classified as moderate and Belgium as a rich European economy (Gasic and Kurkowiak 2009). Cultural heritage points to post-communist cluster of Bulgaria and Estonia and orthodox in Cyprus. Belgium represent Catholic religious heritage. Degree of crisis varies from bailed out Cyprus, through Belgium declaring being in recession, to Estonia and Bulgaria not being affected by it. Each country represents different European location: west (BEL), south (CY), CEE (Baltic state – EE and Balkans –BUL) and their accession to EU is also different. Bulgaria is the newest member that joined in 2007, Estonia and Cyprus joined in 2004 while Belgium founded the union in 1973. Welfare provisions reflect conservative type in Belgium, CEE type in Bulgaria and ex-USSR in Estonia. Data for Cyprian social net type is not available.

5 Conclusions

The attempts to find uniting factors among the members of this groups lead to the following main conclusion. Among responses of European countries to current recession, as measured by their national life satisfaction scores, there aren't any dimensions that could clearly describe the reason for the observed trends, apart for countries with diminishing happiness. In the cluster where life satisfaction decreased since 2006 there were two very similar nations – Greece and Spain who share a lot of common features like strong religious attitudes to major Christian religions, social state benefits type that rely heavily on the importance of family as a source of it, position in the Mediterranean basin, moderate economic wealth. They have also accessed EU in the 1980s and were the subject of its subsidies throughout time but they are now affected to a high degree by the recession. Historically, they also share that trait.

When looking at other happiness patterns in the paper, it is clear that no groupings as the one mentioned above can be made for the countries there. In regards to the factors discussed throughout the paper, like economic wealth, degree of crisis, welfare policies type, cultural heritage, geographical location and membership in EU, the most consistent dichotomy can be observed in the upward trend of happiness for Germany and Netherlands as representatives of wealthy, Western, protestant, conservative and in recession founding fathers of EU. Similar but contradictory cluster for this trend can be observed for poor, Eastern, post-communist, CEE welfare type of 2004 EU members that were not affected by crisis, namely Poland and Slovakia. These four countries share similar features on all of the dimensions just like countries in the downward trend group. However having six out of 24 countries representing those similarities is not enough to point to any common national factors in life satisfaction trends in Europe as their response to crisis.

Therefore the answer to the question poised in the title, whether Europe reacts to current crisis in one or many voices, needs to be that European reactions to crisis are different and certainly not unified. There are diverse reactions to crisis as measured by life satisfaction scores, that are not always congruent with the degree to which the crisis affected the country or not. Moreover, countries that react to crisis in a similar way, have mostly no common features that would help to understand their reactions and certainly do not point to a division between West and East, and furthermore even between North and South. The answer to these puzzling findings could be provided by subsequent research that analyse the relation between life satisfaction and income taking into account other independent variables. Future events that accompany recession, like rising unemployment rates, austerity measures, protests and demonstrations, or referendums about EU involvement in resolving the crisis will receive response from European community that wouldbe hard to predict but it certainly it won't be as "one voice". European policy should acknowledge this diversity of opinions and draft plans that will take that into account when dealing with post-crisis events.

Bibliography

Abbott, Pamela, and Claire Wallace. 2012. Social quality: A way to measure the quality of society. *Social Indicators Research* 108 (1):153-167.

———. 2014. Rising Economic Prosperity and Social Quality the Case of New Member States of the European Union. *Social Indicators Research* 115 (1):419-439.

Anderson, Robert. 2012. *Quality of life in Europe: Impacts of the crisis*: Office for Official Publications of the European Communities

Cantril, Hadley. 1965. *The pattern of human concerns*. Vol. 4: Cambridge Univ Press.

Deaton, Angus. 2007. Income, aging, health and wellbeing around the world: Evidence from the Gallup World Poll. National Bureau of Economic Research.

Diener, Ed, Ed Sandvik, Larry Seidlitz, and Marissa Diener. 1993. The relationship between income and subjective well-being: Relative or absolute? *Social Indicators Research* 28 (3):195-223.

Diener, Ed. 2006. Beyond the Hedonic Treadmill: Revising the Adaptation Theory of Well-Being. *American Psychologist* 61(4): 305-314.

Easterlin, Richard A. 1974. Does economic growth improve the human lot? Some empirical evidence. *Nations and Households in Economic Growth* 125.

———. 1995. Will raising the incomes of all increase the happiness of all? *Journal of Economic Behavior & Organization* 27 (1):35-47.

ECB. 2014. Timeline of the financial crisis. *www.ecb.europa.eu/ecb/html/crisis.en.html*.

Esping-Andersen, G. 1990. 'The Three Worlds of Welfare Capitalism', Cambridge: Polity Press.

European Social Survey (2012), Source Questionnaire Amendment, online: *www.europeansocialsurvey.org/docs/round6/fieldwork/source/ESS6_source_main_questionnaire.pdf*

Fenger, HJM. 2007. Welfare regimes in Central and Eastern Europe: Incorporating post-communist countries in a welfare regime typology. *Contemporary Issues and Ideas in Social Sciences* 3 (2).

Fischer, Claude S. 2008. What wealth-happiness paradox? A short note on the American case. *Journal of Happiness Studies* 9 (2):219-226.

Gasic, M. and Kurkowiak, B. (2012) 'Substantial cross-European differences in GDP per capita 2011', Eurostat: *http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-12-047/EN/KS-SF-12-047-EN.PDF*

Goodhart, Charles AE. 2008. The background to the 2007 financial crisis. *International Economics and Economic Policy* 4 (4):331-346.

Graham, C. 2009. *Happiness around the world: The paradox of happy peasants and miserable millionaires*: OUP Oxford.

Guillén, Mauro. 2009. The Global Economic & Financial Crisis: A Timeline. *The Lauder Institute, University of Pennsylvania*.

Hagerty, Michael R, and Ruut Veenhoven. 2003. Wealth and happiness revisited–growing national income does go with greater happiness. *Social Indicators Research* 64 (1):1-27.
Helliwell, J.F. 2003. How's life? Combining individual and national variables to explain subjective well-being. *Economic Modelling* 20 (2):331-360.
Heukamp, F. H., and M. A. Arino. 2011. Does Country Matter for Subjective Well-Being? *Social Indicators Research* 100 (1):155-170.
Inglehart, R., R. Foa, C. Peterson, and C. Welzel. 2008. Development, freedom, and rising happiness: A global perspective (1981–2007). *Perspectives on psychological science* 3 (4):264-285.
Katsimi, M., Moutos , T., Pagoulatos G., Sotiropoulos, D. 2013. Growing inequalities and their impacts in Greece. Gini Growing Inequalities' Impacts, online:
http://giniresearch.org/system/uploads/447/original/Greece.pdf?1370090519
Laeven, Luc, and Fabian Valencia. 2013. Systemic banking crises database. *IMF Economic Review* 61 (2):225-270.
Lyubomirsky, S., L. King, and E. Diener. 2005. The benefits of frequent positive affect: does happiness lead to success? *Psychological bulletin* 131 (6):803.
Meier, S. and Stutzer, A. 2008. Is volunteering rewarding in itself? *Economica,* 75(297), 39–59.
OECD. 2009. Economic Survey of Belgium 2009: Coping with the crisis while pursuing structural reforms. *http://www.oecd.org/belgium/economicsurveyofbelgium2009copingwiththecrisiswhilepursuingstructuralreforms.htm*.
———. 2009. Economic Survey of Denmark 2009: Denmark: the crisis and beyond. *http://www.oecd.org/denmark/economicsurveyofdenmark2009denmarkthecrisisandbeyond.htm*.
———. 2010. Economic Survey of the Czech Republic 2010: The challenge of fiscal consolidation after the crisis. *http://www.oecd.org/czech/economicsurveyoftheczechrepublic2010thechallengeoffiscalconsolidationafterthecrisis.htm*.
Pressman, S. D., & Cohen, S. 2005. Does positive affect influence health? *Psychological Bulletin, 131,* 925–971.
Radcliff, Benjamin. 2001. Politics, markets, and life satisfaction: The political economy of human happiness. *American Political Science Review* 95 (4):939-952.
Ryan, R.M., Deci, E.L. (2001), On Happiness and Human Potential: A Review of Research on Hedonic and Eudaimonic Well-Being, *Annual Review of Psychology*, 52: 141-166.
Reinhart, Carmen M, and Kenneth S Rogoff. 2008b. This time is different: A panoramic view of eight centuries of financial crises. National Bureau of Economic Research.
———. 2008c. Banking crises: an equal opportunity menace. National Bureau of Economic Research.
Sacks, Daniel W, Betsey Stevenson, and Justin Wolfers. 2010. Subjective well-being, income, economic development and growth. National Bureau of Economic Research.
———. 2012. The new stylized facts about income and subjective well-being. *Emotion* 12 (6):1181.
———. 2013. Growth in Income and subjective well-being over time.
Saint-Arnaud, Sébastien, and Paul Bernard. 2003. Convergence or resilience? A hierarchical cluster analysis of the welfare regimes in advanced countries. *Current sociology* 51 (5):499-527.
Stevenson, B., and J. Wolfers. 2008. Economic growth and subjective well-being: Reassessing the Easterlin paradox. National Bureau of Economic Research.
Wright, T. A., & Cropanzano, R. 2000. Psychological well-being and job satisfaction as predictors of job performance. *Journal of OccupationalHealth Psychology, 5,* 84–94.
Veenhoven, R. 1988. The utility of happiness. *Social Indicators Research, 20,* 333–354.
Veenhoven, Ruut. 1991. Is happiness relative? *Social Indicators Research* 24 (1):1-34.
Veenhoven, Ruut, and Michael Hagerty. 2006. Rising happiness in nations 1946–2004: A reply to Easterlin. *Social Indicators Research* 79 (3):421-436.
Veenhoven, Ruut, and Floris Vergunst. 2013. The Easterlin illusion: economic growth does go with greater happiness.

Author's bio

Author of this paper holds a MA degree in Psychology from Lodz University in Poland and Msc in Social Research Methods and Statistics from the University of Manchester in UK. The author is also a recipient of departmental scholarship for PhD research in the department of sociology at the University of Leicester in UK. Research experience includes investigating consumers market in Poland and cognitive functioning for the purpose of the MA dissertation in Poland and investigating relationship between subjective well-being and values in UK and Poland for the purpose of Msc thesis. Current PhD research is focused on well-being in European countries before and after recessionusing quantitative design.

Appendix A

Table 1.European countries in foreign default since 1500 until 2006 (based on Reinhart and Rogoff 2008b).

Country	Number of defaults	First and last default dates	Year of independence	Share of years (%) in defaults since independence or 1800
Spain	**14**	1557 - 1882	1476	23.7
Portugal	9	1560 - 1890	1139	10.6
France	9	1558 - 1812	943	0.0
Germany	8	1683 - 1939	1618	13.0
Austria- Hungary	8	1796 - 1941	1918 HU, 1282 AU	37.1 HU, 17.4 AU
Greece	5	1826 - 1932	1829	**50.6**
Russia	5	1839 - 1998	1476	39.1
Poland	3	1936 - 1981	1918	32.6
Romania	3	1933 - 1986	1878	23.3

Appendix B

Country codes:

BEL – Belgium

BUL -Bulgaria

CY – Cyprus

CZE – Czech Republic

DK – Denmark

EE - Estonia

FIN -Finland

GER – Germany

GR – Greece

HUN - Hungary

IR – Ireland

NTH – Netherlands

NOR - Norway

PL – Poland

PT – Portugal

RU – Russia

SK -Slovakia

SP – Spain

STZ - Switzerland

UK – United Kingdom

UA -Ukraine

Appendix C

Table 1.Life satisfaction before and after crisis in Europe and their economic wealth.

Shape of LS	Economic wealth	
	Affluent	Moderate/Poor
UP trend	NOR, NTH, GER	PT, PL, SK, RU
DOWN trend		GR, SP
U-shape	STZ, FIN, UK	HUN, UA
N-shape	DK	CZE
Unfinished W-shape	BEL	CY, EE, BUL

Table 2.Life satisfaction before and after crisis in Europe and the degree of being affected by current crisis.

Shape of LS	Degree of crisis			
	Bail out	Recession	Borderline	Not affected
UP	PT	NTH, GER	RU	NOR, PL, SK
DOWN	GR, SP			
U-shape	IR	UK, UA	HUN, STZ	FIN
N-shape		DK		CZE
Unfinished W-shape	CY	BEL		EE, BUL

Table 3.Life satisfaction before and after crisis in Europe and welfare state type.

Shape of LS	Welfare state					
	Soc-dem	Liberal	Conservative	Latin	CEE type	Ex-USSR
UP	NOR		GER, NTH	PT	PL, SK	RU
DOWN				GR, SP		
U-shape	FIN	UK, IR	STZ		HUN	UA
N-shape	DK				CZE	
Unfinished W-shape			BEL	CY(?)	BUL	EE

Table 4.Life satisfaction before and after crisis in Europe and geographical position.

Shape of LS	Geographical position			
	North	West	South	East
UP	NOR	GER, NTH	PT	PL, SK, RU
DOWN			GR, SP	
U-shape	FIN	STZ, UK, IR		HUN, UA
N-shape	DK			CZE
Unfinished W-shape		BEL	CY	EE, BUL

Table 5.Life satisfaction before and after crisis in Europe and cultural heritage.

Shape of LS	Cultural heritage			
	Catholic	Protestant	Orthodox	Post-communist
UP	PT	GER, NTH, NOR	RU	PL, SK
DOWN	GR, SP			
U-shape	IR, STZ	FIN, UK		HUN, UA
N-shape	CZE	DK		
Unfinished W-shape	BEL		CY	EE, BUL

Table 6.Life satisfaction before and after crisis in Europe and date of accession to EU.

Shape of LS	Accession to EU					
	1973	1980s	1991	2004	2007	Not a member
UP	GER, NTH	PT		PL, SK		RU, NOR
DOWN		GR, SP				
U-shape	UK, IR		FIN	HUN		STZ, UA
N-shape			DK	CZE		
Unfinished W-shape	BEL			CY, EE	BUL	