

COLLEGE OF EUROPE

BRUGES CAMPUS

ECONOMICS DEPARTMENT

DETERMINANTS OF LIFE SATISFACTION IN THE POST- TRANSITION EU-10

IS HAPPINESS CONVERGENCE POSSIBLE?

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for the

Degree of Master of European Studies

Academic Year 2010-2011

Abstract

The curious puzzle of quickly converging New Member States in GDP terms, yet reporting very low life satisfaction levels has not been answered by previous research. This paper establishes that Eastern Europeans follow the same life satisfaction patterns as the people in the West on the individual level, yet the cross-country variation is quite large. The aim of this paper is to formulate some policy recommendations on how to achieve the convergence of life satisfaction in the post-transition EU-10. The findings suggest that GDP growth brings more happiness in these societies, however, as the EU average is being approached, the happiness bonus becomes smaller. The conclusion goes in line with the famous Easterlin Paradox. Eastern Europeans are happy to have higher income inequalities in their society; subsequently, they want less redistribution and show a strong preference for less government intervention. The conclusion suggests that the only way to sustainably raise the happiness levels in Eastern Europe is the institutional convergence, which has been lacking. People in the region are strongly negatively affected by high corruption levels and this effect manifests itself through slower growth rates as well as other psychological and political channels.