

# Freedom, political Trust and Economics of Happiness: Insights from Pakistan

Samia Awais<sup>1\*</sup> | Shahzad Kouser<sup>2</sup> | Ihtsham UI Haq Padda<sup>3</sup>

<sup>1\*</sup> Federal Urdu University of Arts,  
Sciences & Technology, Islamabad/  
COMSATS University Islamabad  
[samia.awais@gmail.com](mailto:samia.awais@gmail.com)

<sup>2\*</sup> COMSATS University Islamabad  
[Drskouser@comsats.edu.pk](mailto:Drskouser@comsats.edu.pk)

<sup>3\*</sup> Federal Urdu University of Arts,  
Sciences & Technology, Islamabad  
[Ihtesham91@gmail.com](mailto:Ihtesham91@gmail.com)

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## Abstract

This study find to extend the existing theories of happiness centered on income to include variables related to the subjective well-being in Pakistan and the impact of personal autonomy and trust in political and civil institutions. It looks at the effects of perceived autonomy and trust in political and public institutions on happiness, using the data from the 7th Wave of the World Values Survey (2022) in developing country facing governance and socio-economic challenges. The study employs a two-level mixed-effects ordered logistic regression approach, which takes into account the hierarchy of the data (individuals nested within communities). The findings demonstrate that perceived personal autonomy is a strong predictor of happiness, even controlling for the effects of income, health, education and other demographic variables. Health is an important positive factor of happiness, while food insecurity and victimization by crime is a negative factor. Perceived trust has mixed results: trust in courts, civil service, government and the press is positively associated with happiness while trust in parliament is negatively associated, which is a sign of problems in the quality of parliament. This research is in line with the capability approach and economics of happiness in terms of freedom, institutional efficiency and socio-economic insecurity being the basic aspects of well-being. This chapter concludes that policies to increase the happiness in Pakistan should not solely aim at economic development, but also increasing personal freedom, institutional credibility and personal security.

**Keywords:** Happiness; Subjective Well-Being; Personal Autonomy; Institutional Trust; Freedom; Governance; World Values Survey; Multilevel Ordered Logit; Pakistan

## INTRODUCTION

Several recent social science studies have focused on happiness - described as an evaluative judgment of life satisfaction and emotional states. Putting aside its philosophical dimensions, contemporary economic, psychological and political science research is placing increasing value on happiness as a measure of social progress and human development. Research is increasingly recognizing that happiness is no simple outcome as it is influenced not only by material standards but also by intellectual and personal freedoms, social security, institutional quality, and perceptions of justice and personal control.

Today, there is high-end evidence that only a very small part of economic growth is measured by traditional indicators such as income and GDP. While income can resolve material deprivation, it will not necessarily make people happier once the basic needs are met (Easterlin (1974), a view famously expressed by Easterlin (1974). This has been confirmed by subsequent research which shows non-income factors such as health, autonomy, safety and trust are at times more important and longer-lasting determinants of subjective well-being (Frey & Stutzer, 2002; Helliwell et al., 2016; Sen, 1999).

In particular, personal autonomy and trusting one's political and other institutions play an important role in happiness. Personal autonomy is the capacity to make decisions and exercise control over life is an important factor. The theory of self-determination suggests that people have greater well-being when their perceptions of personal autonomy, competence and choice in making decisions about their own personal goals are satisfied (Deci & Ryan, 2000). Research in numerous areas supports this argument that a belief in freedom to make decisions is one of the largest determinants of contentment, and appears to be more significant than level of

education or income (Nosek, Banaji, & Greenwald, 2002).

Similarly, trust is a significant predictor of well-being, because it provides certainty, social trust and feelings of security and fairness. Perceptions of fairness, efficiency and responsiveness in institutions, such as the courts, bureaucracy and media, play a role in contributing to psychological well-being also known as subjective well-being (Helliwell & Putnam, 2004; Rothstein & Uslaner, 2005). Conversely, distrust in and a lack of respect for political institutions especially if they are seen as corrupt, inefficient or unresponsive are a source of unhappiness due to anger, cynicism and hopelessness.

In this respect, these issues are especially pertinent to countries in transition towards democracy, such as Pakistan. Pakistan, despite its economic boom and period of transition towards democracy, struggles with constraints in the governance, trust in institutions, social security and opportunity. The sluggish nature of justice, low efficiency and political polarisation and perception of corruption contribute to the lack of trust in formal political institutions, particularly the parliament. At the same time, a large number of people are limited in their autonomy by poverty, nutritional security, crime and social norms are factors impacting on people's perceived autonomy.

So, in this environment, well-being may be less of a product of income, as it is people feeling secure, healthy, and autonomous and found to be treated fairly by institutions (i.e. procedural justice). In fact, trust in service-bureaucracies and impartial institutions (such as the courts, administration and the media) might support well-being, but trust in politicised institutions might not necessarily make people happier - especially if they are not happy with the result of governance (Graham, 2009; Helliwell et al., 2016). Moreover, experiences of insecurity and deprivation (such as food insecurity

and being a victim of crime, for example) are also likely to have a negative effect on happiness, regardless of income.

Earnings are a central component of living standards, but empirical evidence (described in detail below) from sources such as the World Values Survey highlights that happiness is based on a number of psychosocial and institutional factors. The terms happiness, life satisfaction and subjective well-being are used interchangeably and reflect individuals' own judgements of their life satisfaction. These measures capture not only material influences, but assessments of dignity, freedom, safety and trust - potentially crucial in societies facing governance and security challenges (Inglehart et al., 2022).

This conception is congruent with philosophical perspectives on happiness. From Aristotle and his idea of Eudaimonia emphasising the role of characters in virtuous action to Amartya Sen's capability approach emphasising the role of actual freedom and opportunities to live a valuable life, well-being is associated with freedom from and to. Recent studies of happiness add to these insights by demonstrating the role of freedom, health and good institutions in sustaining happiness.

In this theoretical and empirical framework, this essay examines the association between freedom and well-being in Pakistan, by focusing on the role of freedom and trust in major institutions for happiness. Using nationally representative data from the World Values Survey, this study examines the impacts of freedom of choice, trust in major institutions (courts, public service, media and parliament) and insecurity on subjective well-being, after controlling for socio-economic and demographic factors. Through the interaction of empirical insights and theories of freedom, governance and well-being, the purpose of this essay is to help explain happiness in Pakistan that

is not only molded by economic prosperity but also by freedom, security and confidence in major institutions.

### **Objectives of the Study**

The specific objectives of this essay are:

- To examine the impact of personal autonomy on individual happiness in Pakistan.
- To assess how trust in different political and administrative institutions influences subjective well-being.
- To analyze the role of insecurity particularly food insecurity and crime in shaping happiness.

### **Significance of the Study**

The essay has two implications. Theoretically, it adds to the economics of happiness by including autonomy and trust in institutions in the analysis of well-being in a developing country. Although the literature focuses on the importance of income and growth, the essay will discuss the importance of institutional quality, autonomy and security - variables that are critical in the explanation of happiness in Pakistan.

The findings highlight the need for policies encouraging more than economic growth for improving happiness. Establishing just institutions, enhancing freedom of choice, reducing insecurity and restoring trust are vital for sustained well-being. This research empirically verifies these connections; it implies that the evidence base for the design of "people-friendly" development policies that consider freedom, social protection and justice, while remaining focused on economic growth, is solid.

## **Evidence from Pakistan and the relevance of context**

Institutional trust and autonomy in Pakistan are interesting to explore in the socio-political backdrop of Pakistan. The Studies using WVS for Pakistan show trust, health and satisfaction with financial status is often associated with happiness (Jabeen & Khan, 2016), indicating the role of both economic and non-economic factors. However, the Pakistan's problems the with governance and socio-economic inequality suggests that trust and autonomy may play a very important role in well-being - which may help explain why we find them to be more predictive than income class.

## **LITERATURE REVIEW**

Happiness is conceptualized as a subjective well-being and is connected with quality of governance and institutional trust. Among various predictors of trust in legal, happiness, civic and political institution is appearing as a critical element. Different studies recommends that when we have more confidence in institutions such as media, courts, parliament and civil services are tend to show high level of life satisfaction and emotional well-being.

In judicial system, trust performs an important role in forming individual perception regarding fairness and justice, that in turn impacts happiness. According to Helliwell and Wang (2011), those who believe in effectiveness and integrity of courts tend to feel less anxious and more secure about outcomes of society. A trustworthy judiciary decreases the perceived risk of injustice and strengthen sense of social stability that is an important contributor to life satisfaction (Bjørnskov, 2003).

In the legislative body shows belief in responsiveness of political leaders and democratic representation. Study has found that political trust and democratic engagement is positively correlated with happiness (Frey & Stutzer, 2002). When people perceive that parliamentarians act in legislative processes and public interest are transparent, they experience a strong sense of optimism and control, both can improve subjective well-being (Ott, 2010). Conversely, the political cynicism may lead to feeling of dissatisfaction and helplessness.

Civil services work as a backbone of governmental administration and delivery of goods. In civil service trust is interpreted as a confidence in the government's capability to function fairly and efficiently. Rothstein and Uslaner (2005) argue that impartial bureaucracy and well-functioning contribute to social trust that in return increases happiness. Citizens that perceive public officials as non-corrupt and competent are likely to have confidence in the state institutions encouraging a positive attitude on life (Kim, 2005)

A reliable and free press is important for democratic accountability and well-informed citizenry. Confidence in press lead to more trust in other institutions and improve sense of inclusion and agency among individuals. While few scholars have questioned role of media in screaming negative news (McIntyre, 2018), others have observed that when media is considered as independent and trustworthy it positively influences happiness by encouraging civic engagement and transparency (Hanitzsch et al., 2018). Hence trust in journalism might improve psychological well-being by decreasing uncertainty and rising one's perceived social cohesion.

Hassan (2022) aims to evaluate the association between well-being and institutional trust by using data of 1566 people from Punjab, Pakistan. The research employs two methods: one is for order logistic regression to assess role of institutional governance and trust on subjective well-being, the second is GSEM to create a structural relationship of independent variable with SRH and SWB. The result of study show that government effectiveness, institutional quality and satisfaction with hospital services are positively associated with happiness, worth of life and LS. Moreover, people feel satisfy and happier with their life if they see no corruption by public institutions and government and build trust on institutions. The study recommends the policymakers and government to increase trust and enhance institutional quality of public in judiciary and police and also improves the quality of institutions such as health and education departments. Government should implement strict penalties on corruption and bribery in public institutions.

A substantial literature finds that freedom according to expanded opportunity set is positively linked with happiness. The contrasting literature hence finds that excessive choice have unavoidable outcomes. A study by (Bavetta et al., 2017) test the effect of two kinds of freedom i.e., political and autonomy on happiness by using 5 waves of world values survey data (1981 to 2008). The evidence supporting the claim that mobilizing people with tools to direct the course of lives (such as increasing autonomy freedom) benefits the wish to investigate the alternatives (such as political parties) before constituting a decision. The impact of freedom on happiness is decreased in contexts where people have less experience in evaluating alternatives like transitional or authoritarian countries.

Happiness is usually considered as the definitive goal of the lives of individuals. It is frequently used redeemably with the quality of life, utility, life satisfaction, or the subjective well-being (Diener, 2018). Income is deemed a better measure of an individual's standard of living and is related with a person's buying power of goods and services which lead to the desired level of satisfaction. But the major issue is whether money can bring the desired level of happiness or life satisfaction in this globalized competitive world. (Deepak Kumar, 2024) has investigated the socioeconomic determinants of happiness across 166 nations from the year 2005 to 2020, distinguishing the developed and less developed economies. By employing panel quantile regression methods and panel two-way robust fixed effects, the study inspects the impact of numerous factors like freedom to make choice, per capita income, gender inequality on happiness levels, social sustenance, corruption insight, and exposure of air pollution. Results of the study show that per capita income, freedom to make choices and social sustenance positively affect happiness, whereas the exposure of air pollution negatively effects it. Though, gender inequality doesn't substantially affect the level of happiness. The study recommends the significance of the Easterlin Paradox and underlines the significance of a unified approach to improve the well-being. (Sharif, 2016) inspects the determinants of happiness and assesses its relationship with several social, economic, and family factors, directing to give perceptions for policy devising. The study develops indices for Happiness, Social, Demographic, Economic, Governance and Environmental indicators by using the Principal Component Analysis (PCA) and made comparison between the levels of happiness among various countries across various categories of income. Applying panel data on 56 countries for

the years 1994, 1999, and 2004, the empirical analysis used Ordinary Least Squares (OLS), Generalized Method of Moment (GMM), Pooled Regression model, and Fixed Effect model. The research finds out that the associates of happiness differ for diverse categories of income, suggesting the disparity effects on happiness. Moreover, policy implications were suggested regarding the social, economic, environmental, and welfare strategies to improve the level of happiness, accentuating the importance of government interferences tailored to categories of income and the efficient allocation of resources. (Paul Dolan, 2008) gives a comprehensive literature review on the other determinants of happiness. Underscoring that lack of social contact, poor health, unemployment and separation all are strongly negatively related with happiness.

Happiness is associated with a range of favorable health outcomes. Health and happiness are significant and probably correlated to the hunts of humanity. Health might be a determinant of happiness - or, at the least, ill health might cause unhappiness. On the other hand, a sensation of happiness might improve health. The further things which correlate with national income and directly impact happiness are health amenities, fundamental freedoms and quality of governance. The people who are healthy are always considered as being the happier, as they are educated, and have good jobs. (Sunitha Singh, 2023) has conducted a systematic assessment aim to discover the determinants of happiness across cultures and countries. Preferred reporting items were used for systematic review, critical Appraisal skill program and Meta-Analysis (PRISMA) model, 5 databases were searched, and 2675 studies were screened which results in 155 articles that meet the criteria of inclusion. From this process, three main categories were identified as a determinant of happiness i.e., Health, Harmony and Hope. In

Health, the prominent determinants were the mental, physical and emotional wellbeing. Hope includes achievement of goals, economic and personal growth. Whereas Harmony contains alignment with cultural, social, familial and environmental factors. Results of the study revealed different factors that are affecting happiness like positive emotions, social relationship, psychological wellbeing, achievement of goals, and physical health. (Su Yeon Kye, 2014) has made a multivariate analysis which has revealed that participants of middle-aged were less probable to be happy than the older and younger participants, and higher happiness was linked with being a part of couple, lower stress, exercise, higher income, healthy diet, and certain exercise environments (such as mountain

A cross-sectional study was done by (Najmeh Maharlouei, 2020) which explores the differences in gender with effects of socio-economic status (SES) indicators on the subjective health and happiness in United States. Data was gathered from General Social Survey (GSS) for the years 1972 to 2018. The impact of employment, education and marital status on self-rated health and happiness was examined. They observe that employment, being married and high education are associated with improved self-rated health and happiness, but substantial interaction among gender and socio-economic status indicator specifies variances in their effects. The effect of marital status and high education is stronger for women, whereas employment has sturdier effect for men. Few inconsistencies were also noticed between happiness and self-rated health. The research conducted by (Clark & Flèche, 2017) discovers the key determinants of happiness and misery across different countries, i.e., the USA, Britain, Australia, and Indonesia. The study's purpose is to give an evidence-based visions for the policymakers to augment the well-being and

lessen misery. The research discovers that physical and mental health and social relationships are the main factors of life satisfaction, with childhood emotional health being an important interpreter of adult well-being. The research uses survey data to investigate the relative importance of social, economic, and health factors in various countries. Mental health arises as a more vital facet than employment, income, or physical health in Western societies, whereas in Indonesia, mental health is also significant but less so than income. Moreover, having a companion performs a critical role in the Western countries, reflecting the significance of social support networks. Education has a positive result on happiness across countries, though it is not the most influential descriptive factor on its own.

The socio-economic determinants of happiness across nation during covid was investigated by (Ashraf, Sadiq, & Rahman, 2023), 107 countries were analyzed including 29 developed and 78 developing countries during covid-19 in 2020. By using the ordinary Least square method, the research purposes to understand how social progress, life expectancy, economic growth, inflation and unemployment impact happiness. Cross-sectional data from different sources were used, World Happiness Report 2021, and the World Development Indicators such as Heritage Foundation Economic freedom index and the social progress Index. The result of the study indicates that social progress, economic growth, and life expectancy positively impact happiness across all nations, while inflation and unemployment have negative effects. The research finds variances between the developed and developing nations, in developing nations, social progress positively affects the level of happiness, while in developed nations, social progress, life expectancy, economic growth and inflation effect happiness positively.

According to (Brodeur & Andrew E. Clark, 2020) the implementation of social distancing and lockdowns in response to pandemic has disrupted the social connections, thus creating inquiries regarding the impact on levels of happiness.

Research by (Jaswal, Kishore, & Muniraju, 2020) was conducted to understand the determinants of happiness through Gallup World Poll. The aim was to know how different factors such as family, GDP per capita, freedom, life expectancy, trust, and generosity influence the level of happiness across various nations. Data was utilized from 149 countries from 2016 and 2017, Multiple linear regression, robust regression by using the M-estimator with Huber weight function and bootstrapping method was used. Denmark and Norway were classified as the highest in happiness scores, whereas Burundi was classified as the lowest. Family and freedom were recognized as sturdiest predictors of happiness whereas trust didn't demonstrate significant relationship. The study has revealed regional differences in happiness, Sub-Saharan Africa has shown lowest score while New Zealand and Australia the highest. The analysis of correlation has highlighted the significance of GDP, life expectancy and family in predicting the levels of happiness but trust didn't show significant connection with happiness.

Another study by (Bjørnskov, 2010) has examined the comparability between the Gallup World Poll data on life satisfaction and those from prior surveys such as World Values Survey (WVS). The analysis emphasizes on changes in timing, anchoring methods, and complete outcomes of the datasets. The aim was to determine to what extent the WVS and GWP data measure the similar idea of life satisfaction. The study classifies substantial variances between the datasets, mainly in their concern to social trust and economic development. The regression analysis was employed to assess

the association between datasets and imitate the findings from preceding literature. Results divulge a correlation of .75 among the averages of two series in a country and substantial inconsistencies in their factors of life satisfaction. The data of GWP is observed to be more sensitive to the expectations and aspirations of individual, because they use Cantril's anchoring method, while the WVS data depend on traditional satisfaction scales. Both datasets measure dissimilar idea of individual well-being and are considered as not a practical substitute in empirical analysis. The datasets are not comparable, the data of GWP is more inclined by the expectations of individuals which leads to low rating even in empirically better living conditions.

(Ngamaba, 2018) has explored the variations in life satisfaction and happiness across different religious groups by using data from the World Value Survey (WVS) straddling from the year 1981 to 2014. Responses from over 330,000 participants were analyzed across 100 countries, the research investigates whether individual religiosity and country-level development impact subjective well-being (SWB). Multilevel mixed-effects regression analysis is employed to examine within-group and between-group variations in SWB across different religious denominations, while controlling for country-level variables such as GDP per capita, government restrictions on religion, and social hostilities. The results reveal significant differences in SWB among religious groups, with Protestants, Buddhists, and Roman Catholics reporting higher levels of happiness and life satisfaction, while Orthodox individuals report the lowest. Factors positively associated with SWB include being female, married, younger, having advanced household financial satisfaction and state of health, feeling a bigger sense of freedom and control over one's life, believing others, esteeming friends, family, and leisure, attending pious services

weekly, and considering importance of God in one's life. On the other hand, factors that are negatively associated with SWB include belonging to lower-income groups and unemployment

A study conducted by (Eren & Aşıcı., 2017) evaluates the determinants of happiness in Turkey between the year 2004 and 2013 by depending on TURKSTAT survey of Life Satisfaction. It contributes to the literature by using the set of novel variables and greater dataset which turn into representative at city-level in 2013. A few of the exciting findings are the degree of hope is initiated to be the sturdiest estimator of happiness that was ignored in earlier studies; job satisfaction is as important as being employed. Also, being married makes people happier only if they are gratified by their marriage. Education brings more happiness only if it supports to rise the income. Moreover, our outcomes support the Easterlin Paradox (Easterlin, 1974). Income and happiness share a strong and positive relationship when annual or pooled micro datasets are being analyzed, which is not observed in the macro data.

(Jabeen & Khan, 2016) has analyzed the determinants of individual happiness in Pakistan by using data from World Values Survey (WVS) for three waves i.e., 1994-1998, 1999-2004 and 2010-2014 with a sample size of 3933, with 733 in the 1994-98 wave, 2,000 in the 1999-2004 wave, and 1,200 in the 2010-2014 wave. Happiness is determined on a four-point scale i.e., very happy, quite happy, not very happy, and not at all happy. The demographic and Socio-economic variables including age, marital status, income, children, gender, education, employment status, family saving, importance of religion, trust, and satisfaction with financial situation and health status are regressed against happiness by using an ordered probit regression method. In the 1994-1998 wave the percentage of individuals with 'very happy' was 28% and has increased to 45% in the

recent wave. Though, happiness is lesser for married individuals, old people and people with children. Results also showed that age, trust, health status, satisfaction with financial situation and importance of religion are the significant determinants of happiness across all the waves.

The standard of living imitated by consumption and income of individual is the key description for satisfaction or utility of private consumer. Though, empirical indication very frequently determines that the level of happiness is not essentially advanced for wealthy people in comparison with the poor. (Chyi & Mao, 2012) has inspected the determinants of happiness among the elderly population of China, mainly concentrating on the impact of living arrangements with grandchildren and children.

Using the data from Chinese General Social Survey (CGSS) 2005, the scholars aimed to know about the traditional values, like the concept of three generations under one roof, it influences the happiness of elderly individuals amid to the rapidly changing economy of China. To analyze the data 1533 elderly individuals between the age 60 to 94 was used and different statistical methods including ordered probit model, instrumental variable approach, and ordinary least square was employed. The results showed that, opposing to the traditional beliefs, living with one's child had negative effect on happiness of elderly individual, though living with children is negatively correlated with happiness. The findings were consistent in different regression models and were also pronounced among elderly women.

Topical research in national happiness by (Helliwell, 2004) institute indication in the World Values Survey for the declining marginal utility of income specifically that moving up deciles in the dispersal of family income rises happiness by decreasing amounts. Other research (Guo & Hu, 2011) has used panel data from Eurobarometer to

assess the effects of national economic indicators like inflation and unemployment on projected happiness across countries.

Economists generally accept that more income leads to increased happiness. Empirical studies in several nations and different cultures have constantly supported that approach and have demonstrated positive correlation between higher income and increased happiness. (Easterlin R. A., 1974) identifies that happiness is positively linked with higher incomes. Additional studies appear to corroborate with the findings of Easterlin regarding the static long-term relationship between real GDP and happiness in United States (Easterlin R. A., 1995). Based on the conventional approach, the increasing income must lead to an increase in utility, but it does not inevitably occur. It can also be described with the introduction of income ambitions into utility.

Income aspirations of individual reflect the concerns for relative income and their adjustment which is based on the previous income levels (Easterlin, 2002). Though studies show that an increase in income of individual leads to more happiness, (Easterlin R. A., 1995) discovered that, over the long run, an increase in income has no effect on happiness at the national level. This apparently contrary finding, known in the literature as Easterlin paradox, contradicts the prevalent economic notion that higher personal income results in higher utility. This opposed the empirical results of positive link between happiness level and income level based on cross-sectional analysis. Ensuing this, several researchers studied the relationship between happiness and income, efficiently swotted by (Clark & Frijters, 2008).

(S.Awais & Kouser, 2025) examined the empirical validity of the Easterlin Paradox in the context of Pakistan, drawing on nationally representative microdata from 1,995 adult respondents in the most

recent Wave 7 of the World Values Survey. The paradox posits that while income is positively associated with happiness at a given point in time, long-term increases in income do not necessarily lead to sustained improvements in subjective well-being whereas the happiness of an individual is influenced by the level of income (absolute effect), it is also influenced by how a person compares himself with others (relative effect). So, the paradox is described by the difference in relative and absolute income. In this condition the relative income dominates the absolute income effect mainly in high-income countries, while the average level of happiness remain constant as all people become wealthier (Easterlin R. A., 1995)

Unemployment is one of the major socio-economic issues which is impacting individuals as well as society. Unemployed people are less happy than employed, even controlling the other factors like health, income and education (Sharif, 2016). When the individual characteristics and income level are maintained constant, unemployment lessens the happiness of people.

Böckerman & Ilmakunnas, (2006) has explored the linking between subjective well-being and unemployment in Finland by using cross sectional data from world value survey for the years 1990, 1996, and 2000. Interestingly, a significant increase in the national unemployment rate (from 3 percent to 17 percent) did not lead to a decline in the average level of subjective well-being. Experiencing unemployment decreases the life satisfaction but it does not have substantial impact on happiness to logit estimation. Though, generalized ordered logit estimation divulges that being unemployed has a negative effect on happiness at lower happiness level, but has no significant effect at high happiness level. In low-income nations, the subjective well-being is greatly influenced by per capita income; however, in high-income nations, the distribution related to

unemployment is a more important determinant with significance shift from per capita income to the cleavages related to unemployment (Dluhosch & Horgos, 2014).

Moreover, Tella & MacCulloch, (2001) has analyzed how the rate of unemployment and rate of inflation affect the level of happiness by using micro data on happiness for the 12 European countries. He argues that everything else is the same, the unemployed people are less happy than the employed ones. (Andrew E.Clark, 1994) also conducted an empirical analysis based on the UK micro data and elucidate that unemployment has significantly decreases the happiness of people. (Bell & Blanch flower, 2009) observe using the data of UK and US that unemployment has a negative impact on happiness. Many studies focused on the prevalence on individual employment.

Social capital perform an important role in influencing happiness. Helliwell (2007) observed that communities with high level of trust team to have greater subjective well-being and low suicide rates. The interpersonal mistrust contributes to unhappiness (Tokuda & Inoguchi, 2008). Non-material social assets like participation in community organization and trust in institutions and individuals can boost the life satisfaction.

### **Research gaps**

There is emerging evidence but some gaps. First, trust in institutions is sometimes considered as a one-dimensional construct in the happiness research, while studies from Pakistan (and such is the case here) find trust varies between institutions. So we need to view trust in courts, bureaucrats, mass media and parliament separately. Second, autonomy is usually measured uni-dimensionally but the findings from Pakistan indicate that autonomy is multi-dimensional and context specific

(Ali, 2006). Third, insecurity measures such as crime rate (or lack of) and lack of food security are often left out of models of governance, yet are relevant to daily quality of life in developing countries.

This study contributes to the body of literature by bringing these issues together in one empirical analysis and by showing (as the results suggest) that well-being (happiness) in Pakistan is strongly linked with personal autonomy, health, trust in impersonal rule of law and socio-economic security, but may be more complex in relation to political institutions, and possibly related to trust in responsiveness and performance.

## **METHODOLOGY**

This section empirically examines the connection between autonomy, trust and happiness in Pakistan. The research builds on the capability approach and the concept of economics of happiness to test whether or not individual levels of freedom and trust in political and social institutions matter for individual happiness above and beyond wealth and other socio-economic factors. Having an ordinal dependent variable and a nested structure in the data, a multilevel ordered logistic (polr) regression framework is used.

### **Data Source**

The study is based on Pakistan's data from the World Values Survey (WVS, 2017-2022), wave 7. The WVS is the world-leading, nationally representative and cross-cultural survey that offers a wealth of information on human well-being, values, institutional trust, freedoms and socio-economic status. The sample for Pakistan represents the adult population (18 years and older) which can be broken down by provinces and urban and rural regions.

To alleviate potential biases, we removed

observations with missing data for the main variables of interest: happiness, freedom, institutional trust, and controls (age, sex, and province, urban-rural and household income). Our analysis is based on a sample of 1,995 observations in 197 communities. This survey design is a multilevel clustered survey design and can be therefore analyzed with multilevel modelling.

### **Construction of Variables**

#### **Dependent Variable: Happiness**

The dependent variable is self-reported happiness, measured on a four-point ordinal scale in the WVS:

1. Not at all happy
2. Not very happy
3. Quite happy
4. Very happy

This measure is widely used in the happiness literature and captures increasing levels of subjective well-being. Given its ordinal nature, treating happiness as a categorical outcome rather than a continuous variable avoids imposing unrealistic cardinal assumptions and ensures methodological consistency with prior studies.

### **Core Variables**

#### **Personal Freedom (Perceived Autonomy)**

Personal freedom as measured in the WVS is represented by the variable "free choice and control over life", which captures people's perceptions of autonomy and control. It reflects people's belief that they have choice and control over their lives, and it is integral to Sen's (1985) capability approach and self-determination theory (Ryan and Deci, 2000). The greater the value, the freer the person.

#### **Institutional Trust**

Institutional trust is measured using binary

indicators capturing respondents' confidence in key political and civic institutions:

- Confidence in government
- Confidence in courts
- Confidence in parliament
- Confidence in civil service
- Confidence in the press

Each variable equals 1 if the respondent reports “a great deal” or “quite a lot” of confidence and 0 otherwise. These measures capture perceived institutional credibility, fairness, and effectiveness, which are theorized to reduce uncertainty and enhance well-being.

### Control Variables

To isolate the independent effects of freedom and institutional trust, the model includes a comprehensive set of controls informed by prior literature:

- **Demographic variables:** age (continuous), gender, marital status
- **Socioeconomic variables:** education level, employment-related attitudes (hard work), income class, perceived social class
- **Health and security:** self-reported good health, crime victimization, moderate food insecurity
- **Normative values:** support for gender equality
- **Household characteristics:** household size
- **Geographic characteristics:** urban/rural residence and provincial dummies (Punjab, Sindh, Khyber Pakhtunkhwa, Balochistan)

These controls account for alternative pathways through which happiness may be shaped and help reduce omitted-variable bias.

### Econometric Strategy

#### Model Specification

Given the ordinal dependent variable (happiness), and the nesting of individuals within communities (multi-level data), the study employs a two-level mixed effects ordered logistic regression model. This model allows for random intercepts at the community level, which models unseen community effects and improves estimates of standard errors.

The baseline latent-variable specification is:

$$H_{ij}^* = \alpha + \beta F_{ij} + \delta T_{ij} + \gamma X_{ij} + u_j + \varepsilon_{ij} \quad (1)$$

Where,  $H_{ij}^*$  is the latent happiness of individual  $i$  in community  $j$ ,  $F_{ij}$  denotes perceived freedom (autonomy),  $T_{ij}$  represents institutional trust variables,  $X_{ij}$  is a vector of control variables,  $u_j$  is a community-level random effect, and  $\varepsilon_{ij}$  is the individual-level error term

Observed happiness categories are determined by threshold parameters that map the latent utility into the four reported happiness levels.

#### Estimation Strategy

The analysis proceeds in a stepwise manner:

- **Model 0 (Null Model):** Includes only random intercepts to assess baseline community-level variation in happiness.
- **Model 1:** Introduces perceived freedom and institutional trust variables.
- **Model 2 (Full Model):** Adds demographic, socioeconomic, health, security, and geographic controls.

Model fit and explanatory power are evaluated using Wald chi-square statistics and the intra-class correlation coefficient (ICC), which indicates the proportion of total variance in happiness

attributable to community-level differences.

### **Rationale and Consistency with Results**

This statistical strategy fits with the theoretical view and findings of this chapter. The ordinal formulation of happiness takes account of its subjective aspects, and the multilevel modelling is consistent with the findings regarding the significance of different contexts (for instance, urban vs rural) and across provinces. The importance of freedom, and trust in institutions, explicitly explores whether or not non-material (capability) factors and institutions are vital for well-being in Pakistan, as implied by the capability approach and the findings.

### **Theoretical Framework**

In this chapter happiness is defined as a function of latent utility determined by material living standards (income), capabilities, autonomy (agency), institutional trust and socio-economic security. The framework is in line with (i) this chapter's title and introduction, which point to the non-material aspects of well-being (autonomy and trust in political institutions), (ii) the statistical model (two-level ordered logit with random intercept at community level), and (iii) the results of significant positive associations with self-perceived autonomy, health and trust in a few institutions, significant negative associations with food insecurity and crime, and the distinct impact of political and "impartial" institutions.

### **Welfare economics, capabilities, and subjective well-being**

Welfare economic theory often applies the assumptions that people are maximisers with budget constraints (university textbook version). But the happiness and capability approaches argue that income and consumption are not the exclusive inputs into utility and well-being: they also require what people can do and be (their capabilities), freedom to choose (agency) and a system that

constrains or enables choice (institutions) (Sen, 1999). In this chapter, "freedom" is measured by self-perceived autonomy ("free choice and control over life" in the WVS) while "institutional trust" is trust in major government institutions (courts, civil service, government, parliament and the press). They contribute to the well-being function in that they influence (a) the confidence and control people experience, (b) expectations of justice and trust and (c) the efficiency of goods in delivering functioning.

So, we can think about individual well-being as a utility function where autonomy and institutional trust are non-market (free) goods that increase utility, and also productivity of other goods in achieving desired functionings:

$$U_{ij} = U(c_{ij}, A_{ij}, T_{ij}, S_{ij},)$$

Where  $c_{ij}$  is material consumption (proxied by income class/status),  $A_{ij}$  denotes perceived autonomy,  $T_{ij}$  denotes institutional trust, and  $S_{ij}$  denotes socio-economic security (health, safety, food security). Subscript  $i$  indexes individuals and  $j$  indexes communities.

### **Utility maximization with autonomy as a valued good**

To motivate why autonomy can matter independently of income, consider a simplified consumer-choice problem where individuals allocate resources between material consumption and an autonomy-enhancing "good" (time, effort, civic engagement, information, mobility, or actions that expand control over life):

$$\max_{c_i, a_i} U(c_i, a_i)$$

Subject to budget constraint:

$$p_c c_i + p_a a_i = y_i$$

The Lagrangian is:

$$\mathcal{L} = U(c_i, a_i) + \lambda(y_i - p_c c_i - p_a a_i)$$

The first-order conditions imply:

$$U_c = \lambda p_c, \quad U_a = \lambda p_a$$

and therefore the marginal rate of substitution satisfies:

$$\frac{U_a}{U_c} = \frac{p_a}{p_c}$$

This shows that autonomy will be demanded ( $a_i > 0$ ) when its marginal utility justifies its (explicit or implicit) cost. In environments where autonomy is scarce or constrained, the “shadow price” of autonomy is high; reforms that lower the effective cost of autonomy (reducing constraints, improving safety, lowering bureaucratic friction) increase autonomy in equilibrium and can raise utility even without large changes in income.

This logic directly anticipates the chapter’s results: perceived autonomy remains one of the strongest predictors of happiness after controlling for income and other covariates, consistent with the idea that freedom and agency have intrinsic value, not merely instrumental value.

### **Institutional trust as an enabling condition for autonomy and well-being**

Autonomy does not operate in a vacuum. In developing contexts, the ability to exercise choice depends heavily on whether institutions are perceived as credible, fair, and predictable. Institutional trust therefore affects happiness through two channels:

1. **Direct (psychological-security) channel:** trust reduces uncertainty, fear of unfair treatment, and stress associated with navigating public life, thereby directly improving well-being.
2. **Capability/enabling channel:** trust increases the expected returns to choices—investing in education, accessing justice, engaging in markets—because rules are more likely to be enforced fairly. This raises effective freedom (capabilities).

Formally, autonomy can be modelled as a function of institutions and constraints:

$$A_{ij} = A(y_{ij}, T_{ij}, S_{ij}, Z_j)$$

where  $Z_j$  captures community-level characteristics (governance quality, service access, norms). This is consistent with the chapter’s multilevel approach that communities differ in unobserved institutional quality and the opportunity structures that shape the individual experiences of freedom and security. A key implication is consistent with your empirical findings of institutional heterogeneity, trust in “impartial” institutions (courts, civil service) may translate into well-being more reliably than the trust in highly politicized institutions (parliament), because the former are more directly tied to fairness, dispute resolution, and the everyday administrative experiences.

### **Security, deprivation, and binding constraints on well-being**

The Capability theory also highlights that poverty and insecurity reduce the well-being not only by lowering consumption, but by restricting the feasible set of functioning. In this chapter, crime victimization and food insecurity represent the binding constraints that lower well-being directly and weaken the conversion of resources into well-being:

$$U_{ij} = U(\cdot) - \phi_1 Crime_{ij} - \phi_2 FoodInsec_{ij} + \dots$$

Health is similarly a core capability: narrate better health expands the opportunity set and raises the returns to autonomy, helping and explain why the results show the health as the single strongest predictor among the observed covariates.

### **1.3.5.5. Linking theory to measurement: latent utility and ordered happiness**

The WVS happiness item is ordinal and it is interpreted as a categorical reporting of an unobserved continuous well-being index  $U_{ij}^*$  (“latent utility”). The standard ordered-response formulation is:

$$H_{ij} = k \quad \text{if } \kappa_{k-1} < U_{ij}^* \leq \kappa_k$$

with:

$$U_{ij}^* = \alpha + \beta A_{ij} + \theta T_{ij} + \delta S_{ij} + \gamma X_{ij} + u_j + \varepsilon_{ij}$$

- $X_{ij}$  includes socio-demographics (age, gender, education, marital status), socio-economic status (income class, perceived social class), and geography (urban/rural, province).
- $u_j$  is a community random intercept that capturing unobserved cluster-level features (local governance quality, service access, social cohesion).
- $\beta > 0$  implies greater autonomy increases the probability of reporting higher happiness;  $\theta > 0$  implies institutional trust increases happiness;  $\delta$  captures security/capability effects (health positive; crime and food insecurity negative).

This mapping is precisely aligned with your estimation strategy (two-level ordered logit) and with your results (strong autonomy and health effects, positive trust effects for courts, civil service, press, government and negative effects for crime, food insecurity and meaningful community-level ICC).

### 1.3.5.6. Core mechanisms and testable implications

**Mechanism 1: Agency and autonomy (capability expansion).** Greater perceived control increases well-being because it expands the feasible set of valued choices and strengthens self-efficiency consistent with autonomy emerging as a top predictor.

**Mechanism 2: Institutional credibility (uncertainty reduction and fairness).** Trust in institutions improves well-being by lowering perceived arbitrariness and strengthening the expected

payoff to personal effort consistent with positive coefficients for courts, civil service, and government.

**Mechanism 3: Security and basic needs (binding constraints).** Food insecurity and crime reduce well-being through stress, fear, and constrained functioning's consistent with strong negative coefficients.

**Institutional asymmetry (politicized vs impartial bodies).** Trust in parliament may not translate into well-being if citizens associate political institutions with low responsiveness or performance. The framework therefore allows heterogeneous signs across institutions, matching your observed pattern.

### 1.3.5.7. Hypotheses consistent with the chapter results

- **H1:** Higher perceived autonomy ( $A_{ij}$ ) increases the odds of reporting higher happiness ( $\beta > 0$ ).
- **H2:** Better health increases happiness ( $\delta_{health} > 0$ ).
- **H3:** Trust in impartial and accountability-related institutions (courts, civil service, press) is positively associated with happiness ( $\theta > 0$ ).
- **H4:** Crime victimization and food insecurity reduce happiness ( $\delta_{crime} < 0$ ).
- **H5 (institutional heterogeneity):** The sign and magnitude of trust effects differ by institution, with politicized institutions potentially showing weaker or even negative associations depending on perceived performance.

This theoretical framework therefore provides a

coherent welfare-economic and capability-based explanation for the chapter's empirical findings: in Pakistan, happiness reflects a multidimensional utility process in which autonomy and health are central capabilities, institutional credibility shapes both security and agency, and deprivation and insecurity operate as binding constraints that suppress subjective well-being even when income is controlled.

## RESULTS AND DISCUSSION

Overall, we see that in Pakistan, happiness is related to individual autonomy and trust, as well as being strongly related to health and security (ability to afford food and feeling secure from crime). This is consistent with the current research in subjective well-being which emphasises the role of human capabilities (capacity to function) and agency (capacity to act) and the social and institutional environment in becoming happy (Diener et al., 1999; Dolan et al., 2008; Frey & Stutzer, 2002; Sen, 1999).

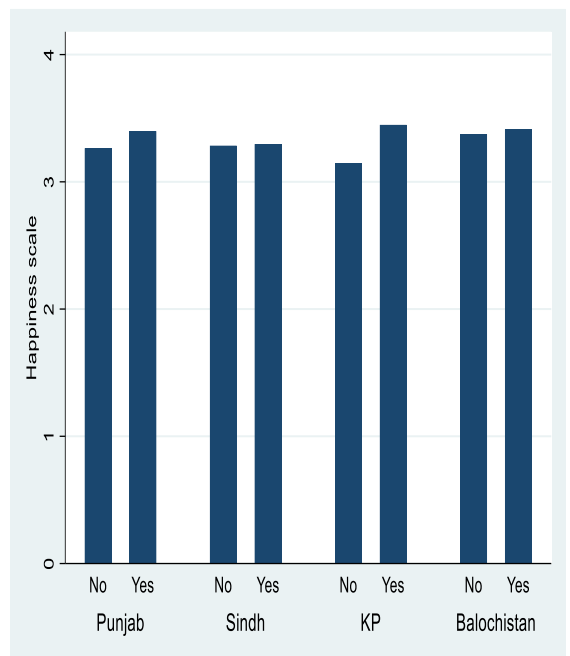
### Descriptive analysis

Below Table 3.4.1 presents the cross-tabulation of the level of happiness with individual, family and geographical characteristics. There are a number of key findings. Table 3.4.1 shows that there are higher densities in the "very happy" category among individuals who have greater "free choice and control over life" (49.90%) than among those who have lesser control (40.34%). This descriptive gradient is consistent with the SWB and self-determination literature: the perception of freedom and control is consistently associated with greater well-being (Frey & Stutzer 2001, Diener et al 1999, Dolan et al 2008) as it reduces feelings of coercion

and enables appraisal of the ends and means of life (Frey & Stutzer 2001).

Our Pakistani picture (Figure 3.4.1) across provinces confirms the positive association between autonomy and happiness. Provinces with relatively larger values of autonomy (Punjab and KP) report greater well-being whereas the provinces with smaller values of autonomy (Sindh and Balochistan) report lesser well-being. The following provincial comparison suggests that geographical areas with more favorable opportunity and governance structure are more likely to convert autonomy into higher levels of well-being. Overall, the figure demonstrates empirical evidence of the association between autonomy and happiness and that regional variations in well-being are more associated with variations in freedom than income

Figure 1: Distribution of freedom and happiness across provinces



Source: World Values Survey (2022)

The Self-reported good health is positively linked to being very happy (49.12% "very happy") and the proportion of "not very happy" is significantly higher among the illiterate (12.38%). These anecdotal comparisons are in line with a capabilities approach because education and health increase people's capabilities and capacity to cope with negative events, and also the opportunity to achieve other ends, which translates into higher well-being than income (Dolan et al., 2008; Sen, 1999). This is also in line with evidence that good health often plays a strong role in determining life satisfaction and happiness, especially once needs are met (Diener, Oishi, & Lucas, 1999; Dolan et al., 2008).

Table 1: Descriptive Analysis

| Variables                    | Not at all Happy<br>(n1= 50) | Not very Happy<br>(n2= 163) | Quite happy<br>(n3= 826) | Very Happy<br>(n4= 956) |
|------------------------------|------------------------------|-----------------------------|--------------------------|-------------------------|
| Individual Characteristics   |                              |                             |                          |                         |
| Male (%)                     | 2.41                         | 7.23                        | 41.27                    | 49.08                   |
| Female (%)                   | 2.61                         | 9.19                        | 41.54                    | 46.66                   |
| Age (years)                  | 36.52                        | 38.18                       | 36.22                    | 34.51*                  |
| Illiterate (%)               | 3.63                         | 12.38                       | 41.91                    | 42.08**                 |
| Poor income class (%)        | 3.03                         | 8.31                        | 41.03                    | 47.63                   |
| Middle income class (%)      | 2.06                         | 7.85                        | 42.71                    | 47.33                   |
| Rich income class (%)        | 2.99                         | 9.58                        | 34.73                    | 52.69                   |
| Social class (score)         | 1.98                         | 2.34                        | 2.42                     | 2.58***                 |
| Moderate food insecurity (%) | 4.25                         | 12.02                       | 45.01                    | 38.71**                 |

| Household characteristics   |      |       |       |         |
|-----------------------------|------|-------|-------|---------|
| Household size (No.)        | 6.14 | 6.79  | 6.47  | 6.15    |
| Poor income class (%)       | 3.03 | 8.31  | 41.03 | 47.63   |
| Middle income class (%)     | 2.06 | 7.85  | 42.71 | 47.33   |
| Rich income class (%)       | 2.99 | 9.58  | 34.73 | 52.69   |
| Social class (score)        | 1.98 | 2.34  | 2.42  | 2.58*** |
| Geographic Characteristics  |      |       |       |         |
| Urban (%)                   | 2.41 | 4.82  | 41.57 | 51.20** |
| Rural (%)                   | 2.55 | 9.84  | 41.32 | 46.28** |
| Punjab (%)                  | 2.37 | 7.81  | 40.91 | 48.9    |
| Sindh (%)                   | 2.43 | 9.53  | 44.22 | 43.81   |
| KP (%)                      | 3.68 | 8.46  | 36.4  | 51.47   |
| Balochistan (%)             | 1.1  | 4.4   | 47.25 | 47.25   |
| Confidence in court (%)     | 1.69 | 6.59  | 39.44 | 52.29** |
| Confidence in parliament    | 1.95 | 8.08  | 41.92 | 48.05*  |
| Confidence in civil service | 2.31 | 7.15  | 39.45 | 51.09** |
| Confidence in press         | 2.47 | 7.42  | 40.97 | 49.14** |
| Gender equality (%)         | 2.79 | 7.23  | 40.47 | 49.50*  |
| Crime victim (%)            | 2.7  | 11.49 | 43.92 | 41.89** |

Source: The calculations are based on the data from World Values Survey (2022)

Note: T-test is used for continuous variables, whereas Chi-squared test is used for categorical variables to recognize the differences in mean values. \*\* and \*\*\* represent the level of significance at 5% and 1%, respectively.

Generally, those who are confident in institutional setups have a higher share in "very happy". For example, those who are confident in courts have

more "very happy" (52.29%) and this holds for confidence in government, civil service and press. This result is consistent with related studies that indicate trust or institutional quality increases well-being because it decreases uncertainty, increases feelings of equity and social cooperation (Helliwell & Putnam, 2004; Frey & Stutzer, 2002).

Happiness is related negatively with shocks and shortage. Crime victims are under-represented in "very happy" (41.89%) and over-represented in "not very happy" (11.49%). Similarly, individuals with moderate food insecurity are over-represented in "not very happy" (12.02%) and under-represented in "very happy" (38.71%). These results are quite important: they confirm insecurity and unmet needs are major impediments to happiness in Pakistan, as in the argument that deprivation and danger depletion results in significant well-being losses (Dolan et al., 2008; Sen, 1999).

The share of "very happy" is greater in cities (51.20%) than in villages (46.28%). This may be due to cities offering more amenities, but the gains from urbanization can be negated by the stress of city life; hence, the difference should not be construed as causal (Easterlin & Angelescu, 2009). The shares for the provinces differ but not always substantially (the highest is in KP: 51.47%; the lowest in Sindh: 43.81%), so local features (local governance, security, norms, services, etc.) may also play a role.

**Econometric Analysis**

Table 3.4.2 reports two-level mixed-effects ordered logit estimates. Multilevel models are required due to clustering: The intra-class correlation in the null model indicates that a substantial proportion of variance of happiness is between communities and multi-level analysis is required to prevent under-estimating standard errors and over-estimating precision (Rabe-Hesketh & Skrondal, 2008).

The Autonomy is a large independent predictor.

Perceived "free choice and control over life" is an important predictor of happiness (OR = 1.5705,  $p < 0.10$ ). This could mean that, all else being equal, we would expect the odds of belonging to a higher (than the reference) happiness category to increase by one-unit (this is assuming proportional odds). It is in line with the idea of agency as important to human well-being, and accords with other evidence that autonomy and control over life are strong predictors of happiness (see Diener et al., 1999; Frey & Stutzer, 2002; Sen, 1999).

Health has the biggest impact. It has the largest effect (OR = 2.4947,  $p < 0.10$ ) in the estimated model, implying much higher chances of reporting higher levels of happiness for good health. This is consistent with evidence that health is important for SWB, and may hold the larger significance than marginal growth in economic output (Dolan et al., 2008; Diener et al., 1999).

Trust in institutions matters - but some more than others. Trust in government (OR = 1.2559), courts (OR = 1.3478), civil service (OR = 1.2314) and the press (OR = 1.8749) is positively associated with happiness (most at conventional significance levels). This accords with the "institutional quality" evidence: "better" institutions can help enhance well-being by increasing perceived fairness, trustworthiness and effectiveness (Helliwell & Putnam, 2004).

*Table 2: Happiness with personal autonomy and political Trust*

| Happiness            | Model 0 | Model 1               |
|----------------------|---------|-----------------------|
| <b>Fixed Effects</b> |         |                       |
| Female               | -       | 0.9917<br>-0.1469     |
| Age                  | -       | 0.98445***<br>-0.0047 |
| Primary education    | -       | 1.1371<br>-0.1819     |

|                                   |    |                      |
|-----------------------------------|----|----------------------|
| Secondary education               | -  | 1.01847<br>-0.1304   |
| Tertiary education                | -  | 0.6672<br>-0.1302    |
| Marital status                    | -  | 1.2849*<br>-0.1749   |
| Hard work                         | -  | 1.2917**<br>-0.1408  |
| Free choice and control over life | -  | 1.5705***<br>-0.1823 |
| Good health                       | -  | 2.4947***<br>-0.51   |
| Confidence in government          | -  | 1.2559*<br>-0.1454   |
| Confidence in court               | -  | 1.3478**<br>-0.1537  |
| Confidence in parliament          | -  | 0.7790*<br>-0.0894   |
| Confidence in civil service       | -  | 1.2314*<br>-0.1367   |
| Confidence in press               | -  | 1.8749***<br>-0.3611 |
| Gender equality                   | -- | 1.2458*<br>-0.143    |
| Crime victim                      | -  | 0.8251*<br>-0.0998   |
| Household size                    | -  | 0.9699*<br>-0.0181   |
| Poor income class                 |    |                      |
| Middle income class               | -  | 0.9891<br>-0.111     |
| Rich income class                 | -  | 1.1836**<br>-0.2433  |
| Social class                      | -  | 1.2786***<br>-0.0735 |

|   |                       |                       |
|---|-----------------------|-----------------------|
| Moderate food insecurity                    | -                     | 0.5699***<br>-0.0622  |
| Urban                                       | -                     | 1.2155**<br>-0.1921   |
| Punjab                                      | -                     | 1.1176*<br>-0.3952    |
| Sindh                                       | -                     | 1.0958<br>-0.405      |
| KP  | -                     | 1.0926<br>-0.426      |
| Balochistan                                 | -                     | -                     |
| Cut 1                                       | -4.0264<br>-0.1623    | -1.2454***<br>-0.597  |
| Cut 2                                       | -2.4253<br>-0.1025    | 0.4309***<br>-0.587   |
| Cut 3                                       | 0.0817*<br>-0.0286    | 3.1079*<br>-0.5921    |
| <b>Random Effects</b>                       |                       |                       |
| Cluster-level variance                      | 0.7460***<br>-0.1275  | 0.6209 ***<br>-0.1176 |
| Residual intracluster correlation (ICC) (%) | 18.4866***<br>-2.5768 | 15.7048***<br>-0.0251 |
| Wald Chi2                                   | 1.1275***             | 182.14***             |
| Observations                                | 1995                  | 1995                  |

**Source:** World Values Survey (2022)

Odds-ratios are reported with standard errors in parentheses. Note: \*, \*\*, and \*\*\* represent the level of significance at 10%, 5% and 1%, respectively. A modest point is the negative effect for confidence in parliament (OR = 0.7790,  $p < 0.10$ ). This result should be qualified and not over-interpreted. That may be due to political salience/politicization: citizens or respondents who are politicized or sensitive to parliament are unhappy when their expectations are not met, which will result in a negative effect for happiness (happiness is the

outcome variable in the econometric analysis), although they are overall confident. Or, measurement artefacts: the "confidence in parliament" item may measure interest or stakes as well as trust. This result - positive effect for courts/administration/press, negative for parliament - appears to support the theory that people may feel their subjective well-being (SWB) depends more on institutions that provide service or are perceived as impartial such as courts/administration/press than political bodies such as parliament (Helliwell & Putnam, 2004; Frey & Stutzer, 2002). Importantly, this is a hypothesis. Insecurity and deprivation are high SWB costs. Being victim to crime is negatively associated (OR = 0.8251,  $p < 0.10$ ). Going without food has a large negative association (OR = 0.5699,  $p < 0.10$ ) indicating a substantial decrease in the odds of belonging to the higher well-being categories. This result is consistent with the capabilities approach, where insecure situations or having needs unmet restrict functioning's and well-being (Sen, 1999), and with SWB studies that find that negative events are associated with large decreases in happiness (Dolan et al., 2008).

Socioeconomic status: status is more important than category income. The highest-income class positively affects happiness (OR = 1.1836) but the middle class is not. In contrast, social status is substantially and positive (OR = 1.2786;  $p < 0.10$ ). This combination is certainly consistent with the view that social class plays a key role in the income-utility association (Clark et al., 2008; Frank, 2005). It is also compatible with Easterlin-style arguments that once a certain level of consumption is reached, relative social class (aspirations and comparisons) has more of an impact on well-being than does increasing income (Easterlin, 1974; Clark et al., 2008).

Other controls. There is a negative association between age and happiness (OR = 0.984), implying

a slight decrease in the odds of increased happiness with age in this sample. This does not support a U-shape (requires age-squared) but simply a monotonic association in this specification. Urban residence is positively related to happiness (OR = 1.2155), consistent with the descriptive results above, and may reflect amenities (Easterlin & Angelescu, 2009). Sex is non-significant: males and females are not different in terms of happiness when controlling for other variables.

## CONCLUSION

This paper demonstrates that happiness in Pakistan is a complex and multi-dimensional concept, and does not reduce to income or class. Our results are aligned with the broader literature on subjective wellbeing and the Easterlin Paradox, in showing that economic factors matter to happiness, but only to a certain extent. Instead, other non-economic factors and especially, freedom of choice, health, trust and socio-economic security emerge as important and robust well-being predictors. Those who feel like they have the freedom to choose and exercise control over their lives, who are healthy, and who trust neutral institutions (such as the courts, the public service and the media) tend to be happier.

Conversely, findings reveal there are also some institutions with which people are not completely symmetrical in terms of trust. Happiness is positively associated with trust in rules-based, accountable institutions, while negatively associated with trust in parliament, likely because of people's distrust in political waste and corruption, and politicians' broken promises. This result shows that while formal democratic institutions are important, even more important is how people perceive the institutions' effectiveness, fairness and legitimacy. In addition, deprivation, risk and exposure to victimization (food insecurity and

victimization) also reduce happiness, confirming the importance of satisfying fundamental needs as a predictor of happiness in the developing world. Perceptions of social class and status also matter for happiness, suggesting the significance of relative status and comparisons.

These associations reflect the main lesson of the Easterlin Paradox for Pakistan: it is not just basic human needs, but increasing consumption does not necessarily increase happiness. Rather, security, autonomy, health and trust is key. In Pakistan, it is not a bundle of stuff, but good governance, freedom and security that make people happy. This again has important policy implications, with a caution that narrow policy approaches focused only on economic growth might overlook the true sources of well-being.

This collectively suggests a policy shift towards a well-being-focused approach to development policy. Trust in institutions should be fostered, particularly through efforts to enhance the speed, effectiveness and independence of the justice system and public administration. Measures that tackle corruption and improve governance and accountability using digital technologies can increase feelings of fairness and trust, aiding happiness. Another critical factor is promoting individual autonomy. Government policy measures that reduce gender inequality enhance civil rights and foster citizen participation can boost individual feelings of autonomy, a strong predictor of happiness as found in this study.

It is also important to minimise socio-economic uncertainty. Access to means-tested food security, improving social insurance and security, at the level of community organisation can also reduce the negative impact of deprivation and fear on

happiness. Elevating health policy as a priority for happiness-enhancing development: greater investment in primary, preventive and mental health policy, especially for the poor and rural populations can have substantial gains in well-being. Finally, the negative association between trust in the parliament and happiness implies that reforms in political responsiveness, participation and transparency and responsiveness of political institutions to social preferences about development policy can lead to increased happiness.

In conclusion, this essay demonstrates that capacity for well-being in Pakistan comes from a mix of autonomy, health, institutional effectiveness and security, as well as income. This has significant implications for economic policy. The promotion of subjective well-being supplementing other traditional measures of development such as Gross Domestic Product (GDP) will provide a benchmark for policy makers to examine development and to develop policies that ensure economic, social and psychological efficiency. The priorities of freedom trust and security would steer Pakistan on a development path that enhances the well-being of ordinary people.

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