

Abstract

This thesis examines relationships between average national subjective well-being and three economic factors—income (expressed as gross domestic product [GDP] per capita), unemployment, and economic freedom—applying fixed effects, random effects, and correlated random effects methods on panel data for countries worldwide, which are divided into three groups based on their level of development. Two measures of subjective well-being—feeling of happiness, and life satisfaction—are used, and the outputs are then compared for both. The results indicate that all three factors have a significant impact on subjective well-being, and GDP per capita seems to be the strongest determinant thereof. Moreover, the findings differ depending on whether life satisfaction or happiness is used as the measure of subjective well-being. The effects of GDP per capita and economic freedom are higher on the former than the latter.