

# Does capitalism disfavor women? Evidence from life satisfaction

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## Abstract

There is concern, especially in certain feminist circles, that capitalism disfavors women. This could take many forms, for example, lower wages for the same work, reduced career opportunities, disparities in ownership, and the upholding of traditional gender roles, and it could result in capitalism conferring more life satisfaction on men than on women. We test empirically whether this concern is justified. Using the epidemiological approach to rule out reverse causality, we first confirm previous findings that most areas of economic freedom (legal quality in particular, but also monetary stability, openness, and regulation) are beneficial for general life satisfaction. When looking at women and men separately, we find virtually no statistically significant differences, and in the cases we do, the estimates reveal a *more beneficial* outcome for women. Hence, we conclude that capitalism does not seem to favor men more than women in terms of life satisfaction.

## KEYWORDS

capitalism, economic freedom, gender differences, life satisfaction, market economy

## JEL CLASSIFICATION

B52, D02, D63, F13, H11, I31, K20, K38, P16

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## 1 | INTRODUCTION

Capitalism has been a topic of intense debate for centuries.<sup>1</sup> Its proponents, such as Friedman (1962) and Baumol (2002), tend to praise its ability to generate wealth while retaining individual freedom, whereas its detractors, such as Piketty (2014) and Stiglitz (2015), often point to its tendency to create inequalities in income, wealth, power, and so forth. One area of contention concerns the situation of women, which is the focus of this paper: are they less favored or more disfavored than men by a capitalist system? Quite a few people, not least a number of feminist scholars, seem to think so. For example, Fraser (2019), a leading feminist theoretician, writes:

[A]ny feminism aimed at liberating *all* women must itself be anti-capitalist — liberal, pro-capitalist feminisms can at best empower a small, privileged stratum of professional-managerial women, while leaving the vast majority vulnerable to abuses of every stripe.

The claim is that capitalism, as it manifests itself in the real world, is not advantageous, at a very basic level, for the quality of life of women.<sup>2</sup> Still, there are some, such as Cudd (2015), who argue that women benefit from capitalism (at least from a form she calls “controlled capitalism,” which entails political measures to reduce economic, social, and political inequalities).<sup>3</sup> She brings forth two main arguments (p. 762):

First, capitalism promotes innovation: it promotes technical innovation that tends to improve quality and length of life for everyone, but particularly for women. But, more importantly for the feminist defense of capitalism, it promotes social innovation, in particular the destruction of harmful, patriarchal traditions. Thus, the second defense I will make of capitalism is that it opposes tradition fetishism and reduces the oppression of traditional societies that impose hierarchies of gender and caste.

We propose that this heated debate needs to be informed by more empirical analysis and therefore offer an attempt to clarify whether critical feminists have a point: Do women fare worse (or benefit less) than men in capitalist systems? We try to answer this question by relating the degree to which an economy is capitalist, as operationalized by the Economic Freedom of the World index by Gwartney et al. (2022) and its five constituent areas, to the individual life satisfaction of women and men, with the latter data provided by the European Social Survey

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<sup>1</sup>Encyclopedia Britannica offers the following definition, which conforms to our understanding of the term: “Capitalism is a widely adopted economic system in which there is private ownership of the means of production. Modern capitalist systems usually include a market-oriented economy, in which the production and pricing of goods, as well as the income of individuals, are dictated to a greater extent by market forces resulting from interactions between private businesses and individuals than by central planning undertaken by a government or local institution. Capitalism is built on the concepts of private property, profit motive, and market competition.” (Boettke & Heilbroner, 2023).

<sup>2</sup>For similar critiques, see, for example, Ashcoff (2019), Bargu and Bottici (2017), Comanre (2020), Fraser and Jaeggli (2018), Gimenez (2005: 11), Khoury (2022), Shukla (2021), and Song (2014).

<sup>3</sup>Ann Cudd does seem to be a bit of an exception among feminist writers in embracing a form of capitalism. Also see Cudd and Holmstrom (2011), who debate capitalism from feminist perspectives.

(ESS) for the time period 2004–2020.<sup>4</sup> We use life satisfaction as our outcome variable because it reflects the cognitive evaluation of women (and men) themselves of how they experience their lives, taking “everything” into account.<sup>5</sup> The use, as is more common, of various objective indicators of how women (and men) fare, for example, in terms of income, wealth, health, or rights, does not really capture how those aspects of life are evaluated and prioritized by the people who experience them – and one especially misses unobserved or unobservable aspects. When evaluating a system like an economy as a whole, it therefore makes *particular* sense to use a comprehensive indicator of well-being, as there is a multitude of factors within the system that arguably affects people (see Dluhosch, 2021 for an argument along these lines).

To investigate the impact of economic freedom on life satisfaction, we use the epidemiological method (Fernández, 2011) with a sample of first- and second-generation immigrants in 33 mostly European countries, stemming from around 200 countries all over the world. We relate the level of economic freedom at the time of migration in their countries of origin to the current individual life satisfaction of the immigrants, the key advantage of which is to avoid a problem plaguing previous studies on economic freedom and life satisfaction: the risk of reverse causality. If people in a country are satisfied with their lives, it is conceivable that this constitutes a kind of social capital that facilitates the implementation of capitalist economic-legal institutions (cf. Kenny, 1999). This methodological problem is avoided by using an immigrant sample, since the individual life satisfaction of a relatively small group of people living in another country arguably cannot determine the institutions in the country of origin.<sup>6</sup>

Our findings largely confirm previous results in studies relating economic freedom to life satisfaction, as summarized in Berggren and Bjørnskov (2020), by identifying positive, but small, point estimates for economic freedom. When dividing the sample into women and men and running all regressions separately, we find almost no statistically significant differences. In the few cases where such differences appear – when using a measure of legal quality that is adjusted for the degree to which women are legally discriminated against and when removing respondents from a suspected outlier country of residence (Israel) – women fare *better* than men. As our methodological approach is likely to yield conservative estimates, we also note that they are similar to estimates obtained with a sample of native (non-migrant) inhabitants of Europe. We therefore conclude that capitalism, as operationalized by the Economic Freedom of the World index, does not benefit men more than women in terms of life satisfaction. Both genders appear to be more satisfied with life the more economic freedom there was in their countries of origin when they or their parents migrated.

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<sup>4</sup>For an overview of the vast research literature using the Economic Freedom of the World index and its areas to study determinants and consequences of capitalism, see Lawson (2022) and Berggren (2024). The conceptual underpinnings of this index, as outlined in Gwartney and Lawson (2003), are in close affinity with those of capitalism, as defined in footnote 1. While capitalism is admittedly a multifaceted phenomenon, aspects of which can be measured in different ways, we are not aware of any comprehensive indicator that captures this kind of system better than the index we use.

<sup>5</sup>Following Diener et al. (2002), subjective well-being is the more general term, and it encompasses “a person’s cognitive and affective evaluations of his or her life” (p. 63). The former component is called life satisfaction, while the latter is called happiness. As illustrated by the findings of, for example, Deaton et al. (2010), these two measures are quite distinct, and we consider it particularly apt to use life satisfaction when studying effects of institutions and policies (as in the case of economic freedom), which shape conditions of life over the longer term.

<sup>6</sup>More generally, the literature investigating whether immigration leads to changes in economic freedom shows mostly insignificant or very small effects (see Padilla, 2024, for an overview). This lends credence to the idea that immigrants do not affect institutions in their countries of origin either, where they previously constituted a minority (in the case of first-generation immigrants) or did not live at all (second-generation immigrants).

Our work mostly relates and contributes to two research fields. The clearest connection is to the field studying the association between economic freedom and life satisfaction (see Berggren & Bjørnskov, 2020, and Graafland, 2024, for overviews). For example, Rode (2013) finds that sound money and the freedom to trade internationally are positively related to average life satisfaction in developing countries, while legal quality exhibits such a relation in developed countries. Gehring (2013) reports similar results, also using the national average of life satisfaction. He finds that legal quality, sound money, and freedom from regulation are positively related to the outcome measure, with the legal indicator being more important in developed, and the regulatory indicator being more important in developing, countries.

However, most of these studies do not have a gender perspective. As far as we know, Gehring (2013) is the only one with such a perspective using the full Economic Freedom of the World index. He reports only one gender difference, for freedom to trade internationally, which is only positive and statistically significant for men. Bjørnskov et al. (2008) find a gender difference for legal quality: it is statistically significant for men but not for women.<sup>7</sup> We contribute to this field by being one of the few focusing on gender, by using individual-level life-satisfaction data and by being the only one applying the epidemiological method.

The second field is the one relating economic freedom to objective gender differences (for an overview, see Fike, 2024). As examples, there is Peksen's (2019) finding that economic freedom is associated with higher female employment but also with less respect for women's economic rights. Apergis and Lynch (2022) show a positive relation between economic freedom (especially smaller government and freer trade) in the United Kingdom and the gender pay gap, while Zweimüller et al. (2008) find that more economic freedom leads to lower gender wage gaps across countries and time periods. Grier (2023) concludes, from an analysis of large and sustained increases in economic freedom, that it benefits women's labor force opportunities and female primary education.<sup>8</sup> As argued above, we contribute by instead using a comprehensive subjective outcome variable, which, even though it is most probably affected by the studied objective gender differences in outcomes, also encompasses many other unobserved and unobservable factors. In addition, it entails an internalization of trade-offs of this kind of objective indicators. It is thus, in our view, a very suitable basis on which to assess gendered effects of capitalism. This is not to say that the identification of areas in which women are disfavored in capitalist systems is not valuable – arguably, by combatting such unfavorable treatment, women's life satisfaction could increase.<sup>9</sup>

## 2 | IDEAS ABOUT INSTITUTIONS AND LIFE SATISFACTION

This section presents our expectations about how economic freedom influences the life satisfaction of women and men, an argument for why institutions can have long-term effects on life

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<sup>7</sup>Cf. Stroup (2008), who relates economic freedom to quality-of-life indicators for women and finds positive relations overall, Nikolaev (2014), who relates economic freedom to the OECD's Better Life index and finds small or no gender differences, and Potrafke and Ursprung (2008), who relate the KOF index of globalization to an indicator of gender equality and finds a positive connection.

<sup>8</sup>On the more general analysis of gender inequality, see, for example, Pontheiux and Meurs (2015). There are also studies of how competition, *enabled by* economic freedom, affects the gender wage gap (negatively; Weichselbaumer & Winter-Ebmer, 2007) and the relative top incomes of women (positively; Heyman et al., 2017).

<sup>9</sup>Another related field contains studies of how gender equality as such is associated with life satisfaction (Audette et al., 2019; Guo et al., 2024).

satisfaction, and an argument for why life satisfaction makes sense as an object of study, especially in light of critiques that it is unreliable as an indicator of “true” well-being due to adaptation, and so forth.

## 2.1 | How might capitalism affect life satisfaction?

We start with economic-legal institutions and policies as defining characteristics of the economic system. As argued by North (1990), economic institutions affect human behavior by providing incentives, through the content of the rules, stipulating whether certain courses of action are allowed (e.g., trade across borders) or prohibited (e.g., the taking of the property of others) and whether they come with “rewards” (e.g., government support) or “costs” (e.g., a tax or a regulation). Legal institutions, defining the character and quality of the legal system, in turn provide predictability by upholding and enforcing economic institutions through courts, prosecutors, a police force, and so forth. The economic-legal institutions and the incentives they entail in turn affect various socioeconomic outcomes. The rules themselves (through normative procedural considerations) as well as the outcomes (through normative consequentialist considerations) in turn affect life satisfaction.

In our case, the starting point is the degree of capitalism, as indicated by a set of economic-legal institutions and policies (size of government, legal quality, sound money, freedom to trade internationally, and regulation). Following Gehring (2013, p. 77), there are competing hypotheses about the character of the link between economic freedom and life satisfaction:

- The relation is positive: because people value the ability to make economic decisions freely and the ensuing feeling of control over their lives (Pitlik & Rode, 2016; Verme, 2009); because people value the outcomes that a competitive market process give rise to (Hall & Lawson, 2014); because people do not appreciate high taxation or strict regulations; because people experience predictability and certainty through the rule of law.
- The relation is negative: because people value the activities and expenditures of a large government; because people are not satisfied with how markets work, for example, due to “market failures”, distributive outcomes or the pressure of competition and risk-taking.
- There is no relation. This could be either if there is no relation between life satisfaction and any of the five areas, or if there are countervailing effects that on average cancel each other out.

For our purposes, there is the further question why the link between economic freedom and life satisfaction can look different for women and men. Many of the feminist scholars we cited in the introduction suggest that women derive less life satisfaction than men from a more capitalist system. In terms of the factors we just listed, some reasons might be that women value freedom of choice less, for example, by associating it with a weaker locus of control (Nikolaev & Bennett, 2016); they may value materialist benefits less (Teague et al., 2020); they may associate the gender wage gap with economic freedom (Apergis & Lynch, 2022); they may dislike competition more and be more risk-averse (Eckel & Grossman, 2008; Jung et al., 2018); they may be more pro-government (especially favoring the welfare state and protectionism; Gidengil, 1995; Guisinger, 2016; Hessami & Lopes da Fonseca, 2020); from an economics-of-care perspective, they may feel under pressure to not only make a career but to also take the main responsibility for caring for others (Folbre, 2001); and it may be that basic capabilities, ensuring dignity to

women in key areas of life, are provided for less in market-oriented societies (e.g., Nussbaum, 2000). However, there are also some reasons to expect women's life satisfaction to be higher under capitalism, for example, a lower gender wage gap (Zweimüller et al., 2008), more measures against trafficking (Heller et al., 2018), fewer violations of human rights (Bjørnskov, 2024), less gender inequality through a strong rule of law (Barajas-Sandoval et al., 2023), and the generation of technical and social innovations that particularly improve the lives of women (Cudd, 2015).

In addition to differences in the signs of the relationship for women and men, it could also be that the strength of the relationship differs. For example, Joshanloo (2018) finds that women and men tend to derive satisfaction from different types of influences. Notably, for men, socio-political, employment-related, and education-related variables are more important in determining life satisfaction, while women are more influenced by marital status and interpersonal relationships. Economic freedom could thus be of more concern (in either a positive or negative direction) for men.

## 2.2 | Can institutions influence future life satisfaction?

So far, we have discussed possible reasons for economic freedom to influence life satisfaction. Our main empirical strategy relies on using immigrant samples, where we relate life satisfaction to economic freedom in the countries of origin around the time of migration (of first-generation immigrants and of the parents of second-generation immigrants). However, could the type of effects discussed above appear in this kind of setting, where the influence of economic freedom in some cases is quite far back in time and where it, in the case of second-generation immigrants, is transmitted from the migrant parents to their children? We believe it can. Institutions and policies (such as those captured by the concept of economic freedom) are powerful in shaping the economic and legal environment in which people grow up, observe and interact with others, and form attitudes and expectations. In line with the idea of formative years (Krosnick & Alwin, 1989), experiences during late childhood and early adulthood tend to have long-lasting effects on a person's beliefs and preferences.

Building on the theorizing by Berggren and Jordahl (2006), institutional impacts can come about in a direct and in an indirect way. The direct way concerns the evaluation of the rules *as such*. For example, if people grow up under rules, they consider procedurally unfair or oppressive, this can negatively influence how they experience life in the future; and this "gloomy" outlook could be conveyed to offspring. Growing up with procedurally unfair institutions may also cause people not to use formal institutions such as the police or judiciary later in life, even though those institutions have improved or they have moved to places with better institutions. The indirect way concerns the evaluations of *the outcomes* of the rules – whether they result in the type of society that people appreciate or not. For example, if they grow up under rules that give rise to higher incomes, this can likewise affect them (and quite differently than if they experienced declining incomes). There is evidence that economic freedom relates positively to income and income growth (Bergh & Bjørnskov, 2021; Callais & Young, 2023; de Haan & Sturm, 2024; Grier & Grier, 2021), and there is, moreover, evidence that higher incomes relate positively to subjective well-being (Killingsworth et al., 2023; Stevenson & Wolfers, 2013). Thus, it is reasonable to theorize that there is a link from institutions to life satisfaction via income development, with potentially long-lasting effects, and in turn on the attitudes towards life transmitted to one's offspring.



To lend further credence to our approach, there are studies showing long-lasting effects of institutions or economic-political regimes on preferences and beliefs (e.g., Alesina & Fuchs-Schündeln, 2007; Fuchs-Schündeln & Schündeln, 2015; Li et al., 2023; Nikolova et al., 2022) and studies using the epidemiological method to demonstrate a relationship between institutions in countries of origin and cultural outcomes at the individual level among immigrants (e.g., Ljunge, 2014b, relating democracy to trust; Berggren et al., 2019, relating impartial institutions to tolerance; Berggren & Bjørnskov, 2023, relating globalization to trust). These support our contention that institutions can have effects on factors that are arguably relevant for life satisfaction over the longer term, which can also be transmitted vertically in the family.

Still, whether there is a long-term relationship between economic freedom and life satisfaction, and whether there is a gender gap, ultimately remains an empirical question, which we try to answer in the empirical part.

### 2.3 | Is life satisfaction a reliable indicator of women's well-being?

We argued, in the Introduction (Section 1), that life satisfaction has distinct advantages as an outcome variable when studying how capitalism impacts women and men, for example, by covering “all” aspects of life. There might, however, be a concern that it is unreliable as a measure of “true” well-being – if, for example, people adapt to adverse life circumstances and claim to be satisfied with their lives even though objective and uncontroversial indicators tell a different story (see, e.g., Burns, 2016, for an overview of Amartya Sen's critique of happiness research). While we cannot solve this debate among philosophers and psychologists, we do want to advance a few arguments in favor of using life satisfaction in light of the Sen type of critique.

First, there is an ongoing discussion about the extent and nature of adaptation, and the claim that the phenomenon is universally pervasive has been questioned in recent years. Diener et al. (2018: 21), for example, assess that “... adaptation to life events and circumstances is not as inevitable as once thought. Although SWB [subjective well-being] is moderately stable over time, and although stable personality characteristics certainly play a role in people's happiness, life events and life circumstances also matter.”<sup>10</sup>

Second, our study is about differences in how economic freedom relates to the life satisfaction of women and men. Adaptation would only be a problem for our analysis if one gender adapts more to policy changes than the other, and we are not aware of any such evidence in relation to institutional differences. Indeed, Clark et al. (2008: F222) write: “... in general the patterns of anticipation and adaptation are remarkably similar by sex”. Moreover, Dluhosch's (2021) finding that women are more negatively affected in terms of subjective well-being by a marginal increase in import penetration in countries that rank comparatively low in import penetration, indicates that women do not “automatically” adapt (more than men) but that they can experience welfare losses because of policy change. Lastly, our own findings show that people who originate from a country where women are not much discriminated against in the law experience greater life satisfaction than people who originate from countries with high discrimination of women. This especially holds for women, suggesting that women do not necessarily adapt their statements of life satisfaction in an objectively dismal situation.

<sup>10</sup>There is also the related idea of a hedonic treadmill, according to which there is a given level of happiness to which people adapt back after they experience good and bad things. That model needs modification, as argued forcefully by Diener et al. (2006), and it may, in any case, not apply as strongly to life satisfaction, which we use.

Third, if we assume that economic freedom is “truly” a good thing for women *and* that there is more adaptation among women, the adaptation would go in the direction of making women state *less* satisfaction than they actually “should” experience (cf. Stevenson & Wolfers, 2009). Hence, our estimates would *underestimate* the well-being effects for women of economic freedom.

Fourth, it seems to us that this debate, to a large extent, hinges on one’s subjective view as to how to regard subjective normative evaluations. Some take the position that such evaluations are only to be trusted if they conform to what is considered objective evidence or objectively desirable patterns. This can be considered a kind of paternalist view, which not only assumes that it is possible to identify what evidence is objective but also that it is possible to identify *all* the objective evidence relevant for “true” life satisfaction. It thus hinges on rather stark epistemic presuppositions, as well as on the view that the “insights” of the outside observer should override the individual’s own assessment of life satisfaction. If one instead takes the view that subjective normative evaluations can generally be trusted, or at least that they should be respected, one should have no problem with adaptation. On such a view, if people do experience their lives as satisfactory even under conditions some consider objectionable, there *is* life satisfaction, which is a good thing. This does not mean that improvements in life conditions cannot be argued for. For these four reasons, we consider our study a valuable contribution to the analysis of how economic freedom impacts the well-being of women and men.

### 3 | EMPIRICAL STRATEGY AND DATA

#### 3.1 | Empirical strategy

We use the epidemiological approach (Fernández, 2011) to analyze the link between economic freedom and life satisfaction. By using a sample of first- and second-generation immigrants, we can relate the degree to which the economic system was capitalist in their countries of origin around the time of their migration to their present-day life individual life satisfaction, when they live in another country (the country of residence for first-generation immigrants; the country of birth and residence for second-generation immigrants). Thereby, we can substantially alleviate problems of reverse causality, although our estimates will be conservative by relying on lasting effects during a past phase of migrants’ lives instead of contemporaneous effects of institutions in their present-day country of residence. The method is illustrated in Figure 1,

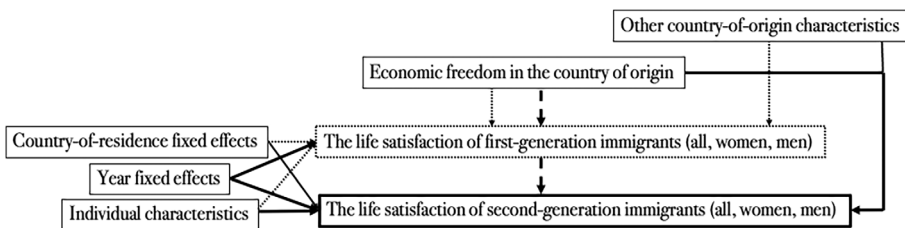


FIGURE 1 The epidemiological method. Dotted arrows and boxes refer to first-generation immigrants and bold, solid arrows and boxes to second-generation immigrants. The bold, dashed arrows illustrate the supposed vertical transmission of life satisfaction variables from parents to children (not part of the empirical analysis). The non-bold solid boxes are explanatory variables.



where dotted lines/arrows refer to first-generation immigrants and bold, solid lines/arrows refer to second-generation immigrants.

Thus, we begin with economic freedom in the country of origin, from where the first-generation immigrants migrated and from where the parents of the second-generation immigrants migrated. These migrants grew up and lived with the economic-legal institutions and policies of their country of origin, and in accordance with our reasoning in Section 2, their attitudes to life, their beliefs and their preferences, were arguably influenced by them. These factors in turn affect life satisfaction; and as migrants bring them with them to the new country of residence, their life satisfaction is still influenced by these factors, which were shaped, in part, by the economic freedom they experienced before. Life satisfaction is of course also a function of features of the new country. We therefore apply country-of-residence fixed effects to account for time-invariant aspects, such as culture and institutions; moreover, we use year fixed effects to account for joint European time trends, along with individual controls.<sup>11</sup> To try to combat omitted-variable bias and to explore whether economic freedom has an effect on life satisfaction when other country-of-origin characteristics are controlled for, we add a number of such variables as well. When it comes to the second-generation immigrants, we assume vertical transmission of life satisfaction in the family (Augustijn, 2022; Bisin & Verdier, 2011).<sup>12</sup> Vertical transmission is indicated by the bold dashed lines, which indicate that we do not explicitly test whether this transmission occurs for two reasons. First, there are no data on the life satisfaction of the parents of our second-generation immigrants. Second, using the life satisfaction of parents to predict the life satisfaction of children would introduce a clear risk of reverse causality, since the life satisfaction of parents can be influenced by the life satisfaction of their children. Instead, in line with the right-most arrow, we directly link economic freedom in the country from which their parents migrated to their life satisfaction.

While there are advantages to the epidemiological method, one potential problem is selection – for instance, those who migrate might have different degrees of life satisfaction than those staying behind. We do not have a decisive way to investigate this, except to (i) include a battery of individual control variables in our regression models and (ii) to compare the average life satisfaction of first-generation immigrants with the life satisfaction of those who stayed behind, and to relate the ratio between these to the level of economic freedom in the country of origin (limiting ourselves to the ESS sample of countries). In an extended analysis, we complement the analysis using immigrant samples with an analysis of natives. While this increases the risk of the results reflecting reverse causality, it avoids certain problems, such as potential selection effects and the assumption of vertical transmission of life satisfaction in the family (in the case of second-generation immigrants). In any case, since the main purpose of this paper is to study whether there is a gender gap in how economic freedom influences life satisfaction, selection is only a problem if it is substantially gender-specific.

To test whether the effects of economic freedom on life satisfaction are different for women and men, we conduct two exercises. First, we use an interaction between economic freedom

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<sup>11</sup>Through these fixed effects, what we are comparing are immigrants in the same country of residence (*c*) from different countries of origin (*a*). To exemplify with our sample of second-generation immigrants, we are comparing respondents whose parents migrated to, say, Denmark from, say, Turkey with respondents whose parents also migrated to Denmark, but from, say, Canada, and the respondents were all born in and reside in Denmark.

<sup>12</sup>Such transmission has, for example, been documented for female labor force participation (Fernández et al., 2004), religion (Bradshaw & Ellison, 2008), cognitive and non-cognitive skills (Coneus et al., 2012), risk attitudes (Dohmen et al., 2012), and social trust (Ljunge, 2014a).

and being a woman. Second, we split the sample and conduct the regressions for separate samples by gender.

In line with Figure 1, we use Equation (1) to estimate multilevel mixed-effects ordered probit regressions<sup>13</sup>:

$$\text{Life satisfaction}_{i\text{cat}} = \beta_0 + \beta_1 F_a + \beta_2 Q_a + \beta_3 Z_{i\text{cat}} + \gamma_c + \delta_t + \varepsilon_{i\text{cat}}, \quad (1)$$

where  $\text{Life satisfaction}_{i\text{cat}}$  is the level of life satisfaction in period  $t$  of first- or second-generation immigrant  $i$  and where, in the case of first-generation immigrants,  $c$  is the country of residence and  $a$  the country of birth; in the case of second-generation immigrants,  $c$  is the country of birth and residence and  $a$  is the country of birth of the parents;  $a \neq c$ . If the parents come from different countries, we use average values for the two countries. The variable  $F_a$  is the Economic Freedom of the World index value in country  $a$  at around the time of migration.  $Q_a$  is a vector of control variables for country  $a$  from around the time of migration,  $Z_{i\text{cat}}$  is a vector of individual controls,  $\gamma_c$  is immigrant  $i$ 's country-of-residence fixed effects (which control for culture, institutions and other stable, unobserved characteristics of country  $c$ ), where  $\delta_t$  are year-fixed effects, and  $\varepsilon_{i\text{cat}}$  is the error term. Standard errors are clustered at the country level  $a$  to allow for arbitrary correlations of the error terms among immigrants from that country. In the case of the interaction, we add  $F_a \times \text{Woman}$  to Equation (1).

### 3.2 | Data

The total sample consists of 48,854 individuals, 37,508 of whom are first-generation immigrants residing in 33 primarily European countries (Austria, Belgium, Bulgaria, Croatia, Cyprus, Czechia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Latvia, Lithuania, Luxembourg, the Netherlands, Norway, Poland, Portugal, the Russian Federation, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, Ukraine, and the United Kingdom) and 11,346 of whom are second-generation immigrants born and residing in the same countries. They or their parents originate from about 200 different countries.<sup>14</sup> We nevertheless cannot use the full sample in the regressions, due to a lack of data availability for the variables used from all 200 countries.

*The dependent variable* is the individual life satisfaction of the first- or second-generation immigrants. It is the number given in response to this question: "All things considered, how satisfied are you with your life as a whole nowadays? Please answer using this card, where 0 means extremely dissatisfied and 10 means extremely satisfied." It comes from the European Social Survey (ESS), from which we used merged data from waves 2–10 (from 2004 until 2020).

*The main explanatory variable* is economic freedom, or the degree to which an economy is capitalist, as measured by the Economic Freedom of the World index and its five constituent areas (size of government, legal quality, sound money, freedom to trade internationally and regulation) from Gwartney et al. (2022). Each of the areas is denoted on a scale from 0 to 10, where the overall index is the average of the five areas and the areas are the averages of 42 constituent

<sup>13</sup>We use *Meoprobit* in Stata, which expresses point estimates as marginal effects at means.

<sup>14</sup>Our definition of a first-generation immigrant is that both parents and the respondent were born in a country different from the one to which the respondent migrated and resides in, while a second-generation immigrant is defined as having two parents born in a different country than the one in which he or she was born and resides in.

variables. We have, however, made a change to the published version of the index in our baseline analysis by using the non-gender-adjusted score for legal freedom and property rights (and thus the overall economic-freedom score containing the non-adjusted legal freedom and property rights). We return to the gender-adjusted version in an extended analysis below, in which the score of legal freedom and property rights (and thus the overall index score) is reduced if women are legally discriminated against. The values derive from the countries of origin of our immigrant sample from around the time they, or their parents, migrated to the present country of residence.

*The individual-level control variables* are from the ESS. We use three exogenous individual controls: age, age squared, and woman (a dummy variable). In some specifications, we add further (potentially endogenous) individual controls: political confidence, institutional confidence, social trust, income decile dummies, occupational dummies, employment-status dummies, education-level dummies, subjective health, children living at home, living with partner, and self-assessed religiosity. All of these individual-level variables reflect what we see as an emerging consensus in the empirical literature (e.g., Berggren et al., 2020; Gehring, 2013; Knoll & Pitlik, 2016).

*The country-level control variables* pertain to the countries of origin, measured as close as possible to the time of migration. We include log real GDP per capita, a dummy variable for electoral democracy, the trade share, and the relative investment price.<sup>15</sup> In a robustness test, we also include the average life satisfaction in the country of origin and two indicators of globalization from the KOF index (Gygli et al., 2019): social globalization and political globalization, measured on a scale from 0 to 100.<sup>16</sup> The values derive from the countries of origin of our immigrant sample from around the time they, or their parents, migrated to the present country of residence. We also here follow previous literature, although we note that there is less consensus on which control variables one ought to include (cf. Bjørnskov et al., 2008).

Table A1 in the Online Appendix presents definitions of all variables, data sources, and descriptive information.

## 4 | MAIN RESULTS

Our baseline results for the overall Economic Freedom of the World index are presented in Table 1. It includes both first- and second-generation immigrants. The first four columns are for both women and men and thus capture the “general” relationship between economic freedom and life satisfaction. The difference between the columns is that column (1) has no control variables except for the fixed effects; column (2) adds the three exogenous individual controls; column (3) adds the additional country-of-origin controls; and column (4) adds the additional individual controls.

<sup>15</sup>A particular problem sometimes arises in life satisfaction research when individual income and national income are added to the same specification. However, this problem is unlikely in our setting, as our individual income variable is a 1–10 categorical variable capturing the income decile an individual belongs to. As such, national income simply scales these dummies and captures effects above the individual level.

<sup>16</sup>The KOF index also contains a third indicator of globalization, economic globalization, but we do not use it here since it overlaps with the fourth area of the Economic Freedom of the World index. Social globalization captures interpersonal, informational and cultural globalization, while political globalization is based on the prevalence of international treaties and political forms of cooperation. Potrafke (2015) provides an overview of research on the consequences of globalization, indicating that, among other things, it promotes gender equality.

TABLE 1 Baseline results relating life satisfaction of women and men to economic freedom, first- and second-generation immigrants.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	
Life satisfaction 1st and 2nd gen.	Life satisfaction 1st and 2nd gen.	Life satisfaction 1st and 2nd gen.	Life satisfaction 1st and 2nd gen.	Life satisfaction 1st and 2nd gen.	Life satisfaction 1st and 2nd gen.	Life satisfaction 1st and 2nd gen.	
Women and men	Women and men	Women and men	Women and men	Women model of column (4)	Men model of column (4)	Women and men interaction with woman model of column (4)	
Economic freedom (country of origin)	0.0782*** (9.97)	0.0771*** (10.17)	0.0692*** (5.85)	0.0387*** (4.06)	0.0448*** (4.23)	0.0320 (1.59)	0.0338* (2.41)
Age	-0.0206*** (-8.90)	-0.0219*** (-7.07)	-0.0282*** (-7.97)	-0.0237*** (-4.89)	-0.0329*** (-8.25)	-0.0281*** (-7.97)	-0.0281*** (-7.97)
Age squared	0.000199*** (6.71)	0.000217*** (5.50)	0.000323*** (7.56)	0.000266*** (4.36)	0.000380*** (9.15)	0.000323*** (7.58)	0.000323*** (7.58)
Woman	0.0359** (2.69)	0.0359** (2.69)	0.0684** (2.85)				0.0132 (0.18)
Log real GDP/capita (country of origin)		0.000487 (0.04)	0.0125 (0.98)	0.00386 (0.29)	0.0180 (0.81)	0.0128 (0.99)	0.0128 (0.99)
Trade share (country of origin)		0.0381 (1.30)	0.0547* (1.99)	0.00666** (2.68)	0.0487 (1.06)	0.0548* (1.99)	0.0548* (1.99)
Real investment price (country of origin)		-0.00319 (-0.54)	-0.00619 (-0.95)	-0.00494 (-0.82)	-0.0201 (-0.79)	-0.00608 (-0.92)	-0.00608 (-0.92)
Democracy (country of origin)		0.0190 (0.89)	0.0107 (0.43)	-0.00127 (-0.04)	0.0214 (0.61)	0.0106 (0.043)	0.0106 (0.043)
Employment: education			0.0726* (1.97)	-0.0480 (-1.37)	0.209*** (3.59)	0.0724* (1.97)	0.0724* (1.97)

TABLE 1 (Continued)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Life satisfaction 1st and 2nd gen.		Life satisfaction 1st and 2nd gen.	Life satisfaction 1st and 2nd gen.	Life satisfaction 1st and 2nd gen.	Life satisfaction 1st and 2nd gen.	Life satisfaction 1st and 2nd gen.	Life satisfaction 1st and 2nd gen.
<b>Dependent variable</b>	<b>Women and men</b>	<b>Women and men</b>	<b>Women and men</b>	<b>Women and men</b>	<b>Women model of column (4)</b>	<b>Men model of column (4)</b>	<b>Women and men interaction with woman model of column (4)</b>
Employment: unemployed				-0.313*** (-9.70)	-0.291*** (-7.16)	-0.334*** (-7.22)	-0.313*** (-9.68)
Employment: permanently sick or disabled				-0.130*** (-3.61)	-0.233*** (-5.57)	-0.0386 (-0.55)	-0.130*** (-3.62)
Employment: retired				0.0871** (3.03)	0.0765 (1.30)	0.0988* (2.27)	0.0875** (3.05)
Employment: housework				0.0564 (1.20)	0.0554 (1.29)	0.0540 (0.030)	0.0557 (1.17)
Employment: community/ military service				0.101 (1.13)	0.00344 (0.03)	0.209* (1.99)	0.101 (1.12)
Education: lower secondary				0.0170 (0.37)	0.0319 (0.42)	0.00979 (0.17)	0.0169 (0.37)
Education: upper secondary				0.0296 (0.67)	-0.0277 (-0.51)	0.0935 (1.45)	0.0295 (0.67)
Education: advanced vocational				0.0268 (0.69)	-0.0301 (-0.46)	0.0854 (1.71)	0.0271 (0.070)
Education: tertiary				-0.0728* (-2.13)	-0.113 (-1.81)	-0.0521 (-0.97)	-0.0732* (-2.14)

(Continues)

TABLE 1 (Continued)

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Life satisfaction 1st and 2nd gen.	Life satisfaction 1st and 2nd gen.	Life satisfaction 1st and 2nd gen.	Life satisfaction 1st and 2nd gen.	Life satisfaction 1st and 2nd gen.	Life satisfaction 1st and 2nd gen.	Life satisfaction 1st and 2nd gen.
<b>Women and men</b>	<b>Women and men</b>	<b>Women and men</b>	<b>Women and men</b>	<b>Women model of column (4)</b>	<b>Men model of column (4)</b>	<b>Women and men interaction with woman model of column (4)</b>
Education: other	0.0282 (0.68)		0.0282 (0.68)	-0.0506 (-0.73)	0.105 (1.79)	0.0284 (0.68)
Children living at home	-0.0506** (-2.93)		-0.0506** (-2.93)	-0.0965*** (-5.29)	-0.00278 (-0.08)	-0.0506** (-2.95)
Living with partner	0.238*** (10.75)		0.238*** (10.75)	0.233*** (8.41)	0.223*** (7.61)	0.238*** (10.66)
Religion	0.0259*** (4.18)		0.0259*** (4.18)	0.264*** (3.63)	0.0258*** (4.33)	0.0259*** (4.16)
Political confidence	0.0155 (1.89)		0.0155 (1.89)	0.0232*** (3.41)	0.0101 (0.83)	0.0155 (1.89)
Institutional confidence	0.0729*** (11.15)		0.0729*** (11.15)	0.0616*** (6.28)	0.0853*** (14.33)	0.0729*** (11.10)
Social trust	0.0506*** (14.02)		0.0506*** (14.02)	0.0468*** (10.50)	0.0550*** (11.35)	0.0506*** (14.04)
Subjective health	0.287*** (19.34)		0.287*** (19.34)	0.293*** (17.63)	0.285*** (15.64)	0.287*** (19.34)
Income: decile 2	0.0567 (1.54)		0.0567 (1.54)	0.0993** (2.67)	0.0137 (0.24)	0.0569 (1.54)



TABLE 1 (Continued)

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Life satisfaction 1st and 2nd gen.	Life satisfaction 1st and 2nd gen.	Life satisfaction 1st and 2nd gen.	Life satisfaction 1st and 2nd gen.	Life satisfaction 1st and 2nd gen.	Life satisfaction 1st and 2nd gen.	Life satisfaction 1st and 2nd gen.
<b>Dependent variable</b>	<b>Women and men</b>	<b>Women and men</b>	<b>Women and men</b>	<b>Women model of column (4)</b>	<b>Men model of column (4)</b>	<b>Women and men interaction with woman model of column (4)</b>
Income: decile 3			0.0772 (1.73)	0.0978 (1.92)	0.0784 (1.28)	0.0774 (1.73)
Income: decile 4			0.0983* (2.16)	0.107 (1.69)	0.0998 (1.76)	0.0984* (2.16)
Income: decile 5			0.159*** (4.47)	0.190*** (4.81)	0.141* (2.55)	0.159*** (4.46)
Income: decile 6			0.172*** (4.15)	0.210*** (4.22)	0.152* (2.50)	0.172*** (4.15)
Income: decile 7			0.243*** (6.01)	0.274*** (4.69)	0.232*** (4.92)	0.243*** (6.00)
Income: decile 8			0.245*** (5.58)	0.251*** (5.51)	0.263** (3.26)	0.245*** (5.58)
Income: decile 9			0.366*** (6.77)	0.347*** (5.90)	0.412*** (5.61)	0.366*** (6.76)
Income: decile 10			0.410*** (8.02)	0.404*** (9.94)	0.440*** (5.53)	0.411*** (8.02)
Economic freedom × woman						0.00916 (0.71)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes

(Continues)

TABLE 1 (Continued)

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Life satisfaction 1st and 2nd gen.	Life satisfaction 1st and 2nd gen.	Life satisfaction 1st and 2nd gen.	Life satisfaction 1st and 2nd gen.	Life satisfaction 1st and 2nd gen.	Life satisfaction 1st and 2nd gen.	Life satisfaction 1st and 2nd gen.
<b>Women and men</b>	<b>Women and men</b>	<b>Women and men</b>	<b>Women and men</b>	<b>Women model of column (4)</b>	<b>Men model of column (4)</b>	<b>Women and men interaction with woman model of column (4)</b>
Country-of-residence FE	Yes	Yes	Yes	Yes	Yes	Yes
Occupational dummies	No	No	Yes	Yes	Yes	Yes
Log likelihood	-71,770	-71,295	-64,746	-20,311	-19,118	-39,698
Chi-square	4607; $p = 0$	4768; $p = 0$	3165; $p = 0$	6039; $p = 0$	3201; $p = 0$	6040; $p = 0$
Observations	35,239	35,063	32,101	10,678	10,140	20,818

Note: Economic freedom contains values from non-gender-adjusted legal quality. The parentheses contain t-statistics. The standard errors are clustered at the country-of-residence level. The excluded category for employment is paid work. The excluded category for education is less than lower secondary education. The excluded category for income is the decile 1. Occupational dummies control for occupation but are not reported for reasons of space (results including those are available on request). For the Chi-square calculation only, we could not cluster the standard errors.

\* $p < .05$ ; \*\* $p < .01$ ; \*\*\* $p < .001$ .

Starting with our individual-level control variables, the estimates suggest that being a woman is positively related to life satisfaction (cf. Hessami, 2011; Knoll & Pitlik, 2016; Nikolova, 2016). The effect of age follows the well-known U-shaped association (Blanchflower, 2021). Compared to paid work, being in education and being retired brings more life satisfaction, while the reverse holds true for being unemployed, permanently sick, or disabled. Education is no panacea: compared to less than lower secondary education, tertiary education is associated with less life satisfaction. Having children living at home is negative, and living with a partner, positive. Being religious, having institutional confidence, having social trust, and considering oneself to be in good health is positive. Having more income, lastly, brings more life satisfaction. As for the country-level control variables, only the trade share is related to our outcome variable in a statistically significant way.

Turning to effects of economic freedom, the point estimates are statistically significant at the 0.1% level in all the first four columns, but the size is about cut in half when all controls have been added.<sup>17</sup> These results confirm previous findings in the literature using other approaches, which might have been prone to display reverse causality, and suggest they were not: Economic freedom does seem to stand in a positive relation to individual life satisfaction – the more capitalist a society is, the more satisfied people appear to be with their lives.

The next step in the analysis introduces the gender perspective. Columns (5) and (6) use the same model as column (4), except for dropping the individual dummy variable indicating whether the respondent is a woman, and applies it to samples of women and men separately. The results indicate that economic freedom is only related to the life satisfaction of women, and that the point estimate is larger than for men. However, this difference is not statistically significant, as the point estimate for women is well within the 95% confidence interval for men. This is illustrated in Figure 2, furthest to the left, which shows the point estimates for women and men and the 95% confidence interval for men. As such, there is no reason to think that capitalism benefits men more than women. This conclusion is reinforced when considering column (7), with an interaction effect between economic freedom and being a woman, where the interaction effect is far from statistical significance, indicating no support for a gender difference.

Regarding the size of the effect, one way to illustrate it is to see what happens if (assuming causality) one goes from a country with low economic freedom, say, Russia with a score of 6.3 (ranked 104th in 2021), to a country with high economic freedom, say, Denmark with a score of 8.1 (ranked 7th). The estimates indicate that such a change comes with an increase in life satisfaction of about 0.075 on the 11-point scale (using the point estimate of Table 1, column (4)). This approximately corresponds to a one-decile increase in individual income, and thus indicates a sizeable effect. However, considering that actual reforms typically bring about increases in economic freedom that are substantially more limited than the move from Russian to Danish levels, the effect size appears moderate. We must also caution against placing too much weight on the size of the effect for two further reasons. First, one might suspect that the “real” effect size is larger than the coefficient of column (4) indicates, since economic freedom can be expected to influence a number of control variables such that there is an indirect effect as well.

<sup>17</sup>In a separate analysis, we keep the sample fixed in the first four columns to see whether the changes between the columns in Tables 1 and 2 really are a result of adding more control variables or if they reflect a gradually reduced sample. The results are shown in Table A2 in the Online Appendix and indicate that the changes appear with a fixed sample as well and that they are quite similar (the point estimates are slightly larger with the smaller sample). Hence, the addition of controls seems to be the main driver of the changes.

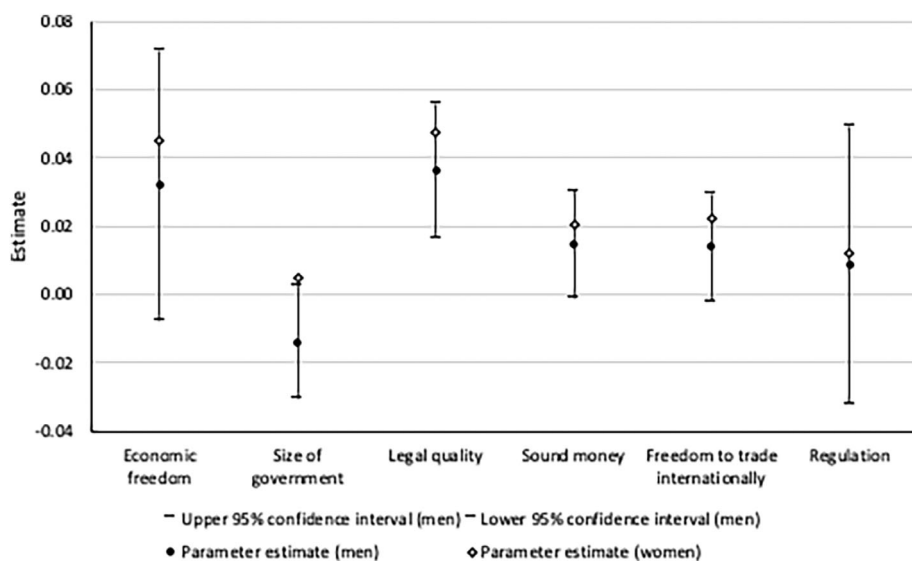


FIGURE 2 Comparing the point estimates for women and men (first- and second generation immigrants). The dots denote the male (black) and female (white) point estimates from Tables 1 and 2. The lines denote the 95% confidence intervals for the male point estimates. If the female point estimate is within the confidence interval, we interpret this as there being no statistically significant difference between women and men.

Second, as we noted above, our approach only allows us to get a causal estimate of the effect of economic freedom *prior* to migration, that is, mostly an effect of the level of economic freedom one grows up with. We are therefore unable to assess any effects of contemporaneous changes in economic freedom throughout the rest of our respondents' lives.<sup>18</sup>

We next move to an analysis of the five areas of economic freedom to see what underlies the positive association with life satisfaction and whether gender differences can be detected for particular areas. Table 2 presents the findings, with results from separate regressions for each of the five constituent areas of the index, where we replace “economic freedom” in Table 1 with these areas, one at a time. All point estimates in Table 2 are derived from the full model of Table 1, column (4); full results are given in Tables A5–A9 in the Online Appendix.

Column (1) of Table 2 indicates that size of government is not related to life satisfaction at all; the same non-result holds for regulation. Although much political conflict derives from different views about how big the state should be – supposedly because pundits *believe* in a connection with life satisfaction – these results do not confirm such beliefs. Legal quality (which has not been gender-adjusted), in contrast, stands in a positive relation to life satisfaction. The remaining two areas of economic freedom display weaker statistical significance and smaller point estimates, but are both positively related to the outcome variable. Moving to columns (2)–(4), we see that there seems to be some gender differences, in terms of coefficient size for legal quality and in terms of both significance and size for sound money and freedom to trade internationally, all pointing towards greater benefits for women than for men. However, formal testing reveals that these differences are themselves not statistically significant; see Figure 2,

<sup>18</sup>For analyses of first- and second-generation immigrants separately, see Tables A3 and A4 in the Online Appendix.

TABLE 2 Baseline results relating life satisfaction of women and men to the five areas of economic freedom (in separate regressions), first- and second-generation immigrants.

	(1)	(2)	(3)	(4)
	Life satisfaction 1st and 2nd gen.	Life satisfaction 1st and 2nd gen.	Life satisfaction 1st and 2nd gen.	Life satisfaction 1st and 2nd gen.
Dependent variable (right)/Area of economic freedom (below)	Women and men model of Table 1, column (4)	Women model of Table 1, column (5)	Men model of Table 1, column (6)	Women and men interaction with woman model of Table 1, column (7)
Size of government (country of origin)	-0.00311 (-0.60)	0.00504 (0.90)	-0.0139 (-1.66)	-0.0107 (-1.24)
Legal quality (country of origin)	0.0409*** (5.33)	0.0475*** (5.15)	0.0364*** (3.64)	0.0406*** (4.67)
Sound money (country of origin)	0.0171*** (3.84)	0.0203*** (3.57)	0.0147 (1.82)	0.0145* (2.08)
Freedom to trade internationally (country of origin)	0.0176** (2.97)	0.0222*** (3.84)	0.0139 (1.74)	0.0140 (1.87)
Regulation (country of origin)	0.0119 (1.76)	0.0123 (1.14)	0.00875 (0.42)	0.00793 (0.67)

Note: The point estimates for the five areas of economic freedom are derived from regressions using models of Table 1, with economic freedom having been replaced by one area at a time. Thus, they were not included together. Here, only the point estimates for the areas of economic freedom are reported for reasons of space. The parentheses contain t-statistics. The standard errors are clustered at the country-of-residence level. The full results are available as Tables A5–A9 in the Online Appendix.

\* $p < .05$ ; \*\* $p < .01$ ; \*\*\* $p < .001$ .

illustrating the point estimates for women and men.<sup>19</sup> As indicated by the interaction results as well, we thus conclude that women do not fare worse than men in terms of life satisfaction from any of the areas of economic freedom.<sup>20</sup>

## 5 | EXTENDED ANALYSES

In order to check the robustness of the findings and to derive some further insights, we have undertaken a set of extended analyses.

In a first test, we make use of a gender-adjusted version of the area capturing legal quality (and hence also of a gender-adjusted version of the overall economic freedom index, since it contains all five areas).<sup>21</sup> If women are treated worse than men in the law, the score is adjusted downwards.<sup>22</sup> The results using the gender adjustment can be seen in Table A12 in the Online Appendix. While there is no statistically significant difference between any adjusted and non-adjusted point estimate (neither for economic freedom nor for legal quality), we do identify a clear gender difference when using the gender-adjusted legal quality only, with a larger point estimate for women: Women seem to derive more life satisfaction from the rule of law than men when it is measured in a way that directly accounts for the discrimination of women.

Second, we conduct two tests addressing the risk for omitted variable bias. Even though we control for a number of potential determinants of individual life satisfaction – both at the individual and at the country-of-origin level – we have not so far added the average level of life satisfaction in the country of origin. We do so, using additional global data from the World Values Survey, which includes an identical question, in Table A12 in the Online Appendix. In columns (1)–(4) we run our baseline model of Table 1, but adding the new life-satisfaction measure. However, the country-of-origin controls were chosen as potential determinants of individual life satisfaction (our outcome variable), and by adding the average life satisfaction in the country of origin to these other controls, we most probably over control. Therefore, in columns (5)–(8), we only add log real GDP per capita as the country-of-origin control, in addition to economic freedom and average life satisfaction. When comparing the baseline results with those of the last four columns of Table A13, it is reassuring to see that the differences are very small. Economic freedom continues to relate positively to individual life satisfaction, also when the average life satisfaction of the countries of origin is controlled for. We interpret that as indicating that we do not experience omitted variable bias in the baseline estimates.<sup>23</sup> Two further things are noteworthy.

<sup>19</sup>The only statistically significant difference is for the size of government (with a larger estimate for women), but none of the estimates for size of government – neither for women, nor for men – are themselves statistically significant.

<sup>20</sup>For analyses of first- and second-generation immigrants separately, see Tables A10 and A11 in the Appendix.

<sup>21</sup>The gender adjustment of this area is nowadays included in the main version of the Economic Freedom of the World index, but elsewhere in this paper, we use the *non-adjusted* version of this area and of the overall index in order to be able to see if different results, in particular with reference to effects for women and men, arise when performing the gender adjustment.

<sup>22</sup>The basis for the adjustment is the gender disparity index (GDI) produced by the World Bank. If a country treats men and women equally in the written law in all ways considered, there is no adjustment. If women are treated worse legally, the score is reduced through multiplication with GDI, ranging from 0 to 1; see Fike (2017) for details.

<sup>23</sup>Berggren et al. (2020) find, with a similar methodological set-up, that for first-generation immigrants, the effect of the average life satisfaction of the country of origin is strong for migrants from developed countries, smaller for migrants from developing countries, and zero for migrants from post-communist countries. Moreover, it is zero for second-generation immigrants. In the latter cases, this concern about life satisfaction in the country of origin influencing the life satisfaction of migrants via economic freedom should therefore be limited.



Again, we find no statistical difference between the point estimates for women and men (but individually, only that for women attains statistical significance, which at least goes against the idea that capitalism has a negative impact on the life satisfaction of women). Moreover, the point estimates for average life satisfaction are, in all cases, strongly statistically significant, indicating that migrants' life satisfaction is positively related to the average life satisfaction around the time of migration in the countries they or their parents migrated from.

The other test addressing potential omitted variable bias introduces another type of institutional measure from the KOF index of globalization (Gygli et al., 2019): social and political globalization in the countries of origin from around the time of migration. We add them as control variables, separately and jointly, as shown in Table A14 in the Online Appendix. The results show that the baseline findings remain robust – economic freedom retains its statistical significance for women (and not for men), and there is no statistically significant difference between the genders. The two globalization measures as such seem more or less unrelated to life satisfaction in our model specification.

A third set of tests looks at different groups of countries in order to try to discern heterogeneous effects. We first distinguish between democracies and non-democracies around the estimated time of migration to see whether the political system affects how economic freedom influences life satisfaction among women and men; see Table A15 in the Online Appendix for results. The point estimates are slightly larger and more precisely estimated for democracies, but the difference is not large. As for gender effects, we cannot identify any statistically significant differences for either country type; see Figure A1 in the Online Appendix.

Another distinction is between high- and low-income countries (as classified by the World Bank, 2023), where we merge the two categories “low income” and “lower middle income” and call them developing countries, and the categories “upper middle income” and “high income” and call them developed countries. Table A15 in the Online Appendix shows that there is only a positive relation between economic freedom and life satisfaction in developed countries, but there, as well as in developing countries, none of the gender-specific point estimates are statistically significant. Our test of a difference between the point estimates of women and men indicates no gender difference (see Figure A1 in the Online Appendix), just like the insignificant interaction estimate. We also check whether a similar difference between developed and developing countries applies when using legal quality; see Table A15 in the Online Appendix. We find that it does: the positive relationship with life satisfaction is only present in developed countries. While there is a gender difference between men and women among developing countries (favoring women), the individual point estimates are not statistically significant.

Yet another distinction is between post-communist and other countries, since the former seem to have shaped their citizens in distinct ways (Necker & Voskort, 2014) and since Berggren et al. (2020) find no transmission of average life satisfaction from post-communist countries of origin to the individual life satisfaction of migrants. As can be seen in Table A15 in the Online Appendix, economic freedom does not stand in a statistically significant relationship to life satisfaction across the 28 post-communist countries in our sample, and with no statistically significant difference between women and men. However, for the non-post-communist countries, the results are very similar to the baseline findings and again with no statistically significant difference between women and men (see Figure A1 in the Online Appendix).

A final distinction is between countries with a high gender legal rights adjustment (indicating substantial *de jure* discrimination of women) of legal quality from countries with low or no such adjustment (cf. our first extended analysis in this section). The cutoff we apply is a gender disparity index (GDI) of 0.85 (with 1 indicating no legal discrimination of women and 0 legal

discrimination of women); see Figure A2 for the distribution of the index across countries in 1995. The findings, which we report in Table A15 in the Online Appendix, suggest that there is no direct gender difference for either economic freedom or legal quality when comparing point estimates for women and men in countries of origin with a low GDI to each other, and the same holds for countries of origin with a high GDI. The conclusion is the same whether we use the non-GDI-adjusted or GDI-adjusted versions of economic freedom and legal quality; see Figure A3 in the Online Appendix.<sup>24</sup>

A fourth test is an outlier test in the form of a jackknife analysis, testing what happens to the point estimate of economic freedom in column (4) of Table 1 when removing one country of residence at a time. In Figure A4, graph (a), in the Online Appendix, we show that the point estimate is very stable, with the possible exception of excluding Israel. When first- and second-generation immigrants residing in that country are removed from the sample, the point estimate drops from 0.0387 to slightly above 0.03. When looking at women and men separately, in Figure A4 in the Online Appendix, excluding migrants to Israel does not affect the estimate for women (graph (b)). We therefore do not consider this test sufficiently conclusive for calling Israel an outlier. In the rest of the tests for women, the variation is small with a slight dip in the point estimate, from 0.0448 to around 0.04 when removing France, Great Britain or Greece (one at a time). One may interpret this as indicating that the economic freedom/life satisfaction relationship is stronger than average in these countries, and sufficiently so to affect the overall point estimate. For men (graph (c)), the “Israel effect” is more noticeable, but otherwise there are no clear signs of outliers. Removing immigrants in Israel reduces the point estimate of economic freedom from 0.0320 to a bit above 0.01. Here, Israel could be regarded as an outlier that boosts the average point estimate for the male sample. Importantly, when comparing women and men without the Israeli sample, we now find a statistically significant difference between women and men, such that the relationship between economic freedom and life satisfaction is clearly stronger for women. This provides a final ground for rejecting the hypothesis that capitalism is detrimental for women in particular. We conclude that the relationship between economic freedom and life satisfaction is more robust for women than for men, as the results for women are not affected by the removal of the Israeli sample.

Fifth, to check for selection, we relate the ratio of the average life satisfaction of those first-generation immigrants who migrated from one country in the ESS to another (“movers”) and the average life satisfaction of the people from the same country who remained (“stayers”) to the level of economic freedom in the original country around the time of the migration of the movers.<sup>25</sup> The relationship is shown in Figure A5a in the Online Appendix, and for two reasons we think it indicates no reason for concern regarding selection. First, a necessary reason for concern would be that movers from countries with high economic freedom were more satisfied with their lives than stayers and if movers from countries with low economic freedom were less satisfied than movers. This implies that a positive slope would be potentially troubling since it mimics our regression results, but instead, we have a negative slope. If anything, this suggests

<sup>24</sup>The only instance where we find statistical differences is when comparing point estimates for legal quality for high-GDI and low-GDI countries of origin. The results indicate, in the case of the GDI-adjusted indicator, higher point estimates under high GDI than under low GDI. In the case of the non-GDI-adjusted indicator, the same result holds for the full sample and for women, implying that stemming from a country with little legal discrimination of women makes the effect of the rule of law on life satisfaction greater.

<sup>25</sup>This is an imperfect test, as we must limit ourselves to the European sample and as the life satisfaction of movers is recorded after they moved (Berggren et al., 2020, found a strong influence on life satisfaction from the new country). Still, it is the best we can do and provides an approximate indication of whether selection is at work.

that our estimates are biased downwards. Second, since we are not primarily concerned with the relationship between economic freedom and life satisfaction as such but with how it differs between women and men, a second necessary reason for concern would be that there are distinct differences between the genders. Reassuringly, that is not the case: for both women and men, there is a negative (and very similar) relationship. In all, this speaks against selection playing a key role in our findings.<sup>26</sup> Let us finally add that an exercise, where we look at non-immigrants, avoids problems of selection altogether.

We examine whether it matters for the results if first-generation migrants moved to higher or lower economic freedom compared to their countries of origin. There could be a positive effect on how economic freedom in the country of origin affects life satisfaction if economic freedom is higher in the new country (as it reveals a preference for economic freedom), while there could be a negative effect if the migrant chose to go to a country with lower economic freedom (revealing a dissatisfaction with the initial level of economic freedom). In our sample, 26% moved to countries with lower and 74% moved to countries with higher economic freedom. When re-estimating Table A3 for both subsamples separately and comparing the results, shown in Table A16 in the Online Appendix, economic freedom does not attain statistical significance, arguably because of very small sample sizes and because the variation in economic freedom across the countries of origin in the subsamples is strongly reduced. Importantly, there is no indication of a gender gap in how economic freedom relates to life satisfaction for either subsample.<sup>27</sup>

A last exercise consists of using native rather than immigrant samples. The question is whether economic freedom in the countries of the ESS is related to the life satisfaction of natives (i.e., non-immigrant respondents) and whether there is a gap between women and men. If one is concerned about using immigrant samples and the epidemiological method, for example, due to potential selection problems, this exercise provides a way to see if the baseline findings generalize to non-migrants. It also brings this study closer to previous ones on economic freedom and life satisfaction, for example those of Gehring (2013) and Rode (2013). However, it should be pointed out that the reverse-causality problem is potentially present in the case of native samples, as the life satisfaction of natives could influence how they form their economic-legal institutions and policies. To try to mitigate this problem, we relate economic freedom (and the country-level control variables) during the formative years of the respondents (the closest value of economic freedom to the year they were 20) to their life satisfaction at the time of the ESS data collection, the idea being that one's attitude towards life and how one experiences it is largely determined by factors during late childhood/early adulthood.<sup>28</sup> We present descriptive statistics and the results in Tables A17–A19 in the Online Appendix. For this fully European sample, the economic freedom variables do not attain statistical significance when including GDP per capita, but when excluding it, they do, rather in line with the findings for the immigrant samples. We interpret this as indicating that for natives, economic freedom and its areas are primarily related to life satisfaction *through* GDP per capita (in line with Bergh & Bjørnskov, 2021; Callais & Young, 2023; de Haan & Sturm, 2024; Grier & Grier, 2021; Killingsworth et al., 2023; Stevenson & Wolfers, 2013). The similar findings indicate that the

<sup>26</sup>While movers in many cases have higher life satisfaction than stayers (especially clear for the two countries with a ratio of about 1.4, Bulgaria and Ukraine), it bears noting that there are very small differences between women and men, as can be seen in Figure A5b. The correlation coefficients between movers and stayers are 0.71 for women and 0.69 for men.

<sup>27</sup>Note that we do not include economic freedom in the country of residence in the regressions.

<sup>28</sup>On the relevance of formative years, see, for example, Bergh and Öhrvall (2018) and Krosnick and Alwin (1989).

previous results do not depend on using the immigrant samples. As for the five areas of economic freedom, three areas (legal quality, freedom to trade internationally and regulation) stand in a consistent positive relation to life satisfaction. Importantly, as shown in Figure A6 (to be compared to Figure 2), there are no statistically significant gender differences in how economic freedom relates to life satisfaction among natives. Using a native sample reinforces our previous conclusion of a lack of evidence for capitalism disfavoring women.<sup>29</sup>

## 6 | DISCUSSION AND CONCLUSIONS

We began this paper by highlighting a prominent feminist strand of critique of capitalism, to the effect that it incorporates various forms of structural maltreatment of women. While recognizing that some objective indicators do imply such maltreatment, our idea was to investigate whether one of the most important subjective indicators of well-being, namely, life satisfaction, is affected differently for women and men by capitalist systems.

To that effect, we connect to an existing literature showing a positive relation between economic freedom and general life satisfaction. Unlike previous studies, most of which potentially suffer from bias due to reverse causality, we apply the epidemiological approach by relating the life satisfaction of first- and second-generation immigrants residing in Europe to the economic freedom of their countries of origin. This is a first in the literature relating economic institutions to life satisfaction.

We confirm a general positive relationship between the degree to which an economy is capitalist and life satisfaction, although the effect size is modest. We furthermore show that the area of economic freedom most robustly related to life satisfaction is legal quality, even though stable money, freedom to trade internationally and, to some extent, freedom from regulation also contribute. The size of government is not related to life satisfaction.

Almost without exception, we find no statistically significant difference between the point estimates for women and men. In a couple of cases, we do find a difference: for legal quality when adjusting for discrimination of women and for economic freedom when removing a potential outlier (Israel). These results point in the direction of women experiencing *more* life satisfaction from legal quality and economic freedom than men. A number of robustness checks show that the general finding of a non-difference is solid.

We conclude that capitalism is not generally subjectively experienced as detrimental either by women or men. We find the opposite, as the relationship between economic freedom and life satisfaction is generally positive. Moreover, women do not benefit less than men – if anything, more. This makes certain feminist attempts to portray capitalism as an enemy of the welfare of women questionable, at least if one takes subjective indicators of well-being seriously. That being said, there are objective indicators of features in capitalist economies that other studies have shown disfavor women (e.g., Apergis & Lynch, 2022; Peksen, 2019). Our results in no way imply that such features should not be dealt with. Indeed, if they are rectified, we expect the experienced life satisfaction from capitalism among women to become even stronger.

<sup>29</sup>As an additional exercise with the sample of natives, we have dated the economic freedom variables (and the country-level control variables) to the year before the surveys on life satisfaction. We then find larger point estimates (available on request) but otherwise small differences. The risk of reverse causality is, however, greater.

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## SUPPORTING INFORMATION

Additional supporting information can be found online in the Supporting Information section at the end of this article.

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