

# SHOULD HAPPINESS INDICATORS BE USED TO INFLUENCE PUBLIC POLICY?

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**Abstract:** Happiness indicators profess to capture the well-being of a nation by asking individuals how happy they are with their life. The aim of this thesis is to understand: (a) what definition of happiness can be represented and is represented in happiness indicators? (b) What are the problems and information gaps with current indicators of well-being of (i) social and (ii) economic indicators, and (iii) contingency valuation surveys? and (c) are happiness indicators reliable and valid enough to be integrated amongst social and economic indicators?

These three lines of enquiry will form an answer to the question ‘should happiness indicators be used to influence public policy?’ I argue that happiness indicators offer valuable information about well-being that cannot be found in current indicators. I conclude by claiming that happiness indicators are at least both reliable and valid enough to be counted upon in the public policymaking arena.

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# 1: Introduction

That the pursuit of happiness should be an unalienable right to all men and women is something engrained, not only in the United States Declaration of Independence, but in the rhetoric and goals of governments around the world. Therefore asking a population how happy they are and moulding policy according to fluctuations in a nation's happiness would seem at first glance a no-brainer. But of course happiness is not that simple. Whether we can measure it at all, and whether we should even attempt to define it beforehand, are questions that threaten to derail the endeavour altogether. Even more so, whether happiness should be understood in objective terms like GDP measurements or quality of life indexes, or whether it should be understood subjectively by asking people how happy they are is disputed. So too is the idea that governments could even improve happiness directly. If our levels of happiness are inherited and even after the greatest achievement or greatest loss we return to our preset point of happiness, then it may seem futile for governments to plough time and money into something that they ultimately cannot change. Surely, the argument goes, they'd do better to improve living standards, grow the economy, and spend more on education.

This thesis looks at all of these problems and asks whether they prove a hurdle too far for a new politics of happiness. What I propose is that, though the current goals of government, reflected in economic and social indicators, are justifiable ones and worthy of attention, happiness indicators are able add information that allows policymakers to make more effective decisions. Thus I refrain from Bentham's claim that happiness should be the *only* goal for public policy.

It is important to make clear at this stage that I am not equating subjective happiness with a sense of justice. Though much of the requirements of justice that writers like Sen<sup>1</sup> adopt correlate with subjective measures of well-being, I do not intend to defend happiness indicators by alluding to justice. Instead I propose that they are reliable enough, valid enough, and fit a gap in information given by current measures of well-being to be influential for many of the other goals of government.

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<sup>1</sup> Sen (1999)

## 2. Defining Happiness

The purpose of this section is to briefly map the different definitions of happiness and provide a brief overview of their differences and approbation. I will look at the questions: Why are deeper, ‘philosophical’ definitions of happiness inappropriate for measurement? How are the words happiness, well-being and welfarism understood and how are they to be demarcated? And finally what are the two dominant methods of measuring happiness directly, and what are their differences?<sup>2</sup>

### ***2.1 ‘Philosophical’ measures of happiness***

There aren’t many words that are used so frequently and yet hold as much ambiguity the word happiness. In its most common form we use the word in everyday language to refer to our current state of being, a state which may fluctuate from hour to hour and day to day depending on a number of immediate and contextual circumstances. But whilst this may be its predominant use, and whilst advertisers and pop culture might use the word to push products, services, and certain temporal lifestyles, philosophical and religious traditions can lay claim to its broadest use when they use it to refer to the search for the good in life.

Charles Taylor refers to happiness as happening at two levels. “Lower flourishing” he uses to define thriving in everyday life – having healthy relationships, getting on at work and having time to relax. This is the type of happiness that we see in current self-help formats, advising us to build up a reservoir of friends, savings, and peace of mind, that we can draw on in hard times,

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<sup>2</sup> Differences between economic and social indicators of well-being and happiness indicators will be looked at in more detail in section 4, whilst the implications of differences between happiness indicators will be examined further in section 7.



and that will steer us through difficulties in life. Where the philosophical and religious reflections add to the debate is what Taylor calls “higher flourishing”. This is what shapes someone’s perspective on life, what gives meaning and provides a ‘narrative’ to everyday life. In a sense it exists outside the sum of the parts of a good life, being of prior and ultimate importance to it.<sup>3</sup>

Though this may be a most rounded and encompassing definition of happiness, it is not one that can be employed for the purposes of this thesis. For one thing it is partisan. It values a transcendent awareness that it claims lies at the heart of happiness. Whether or not that commitment actually does bring about happiness (and researchers claim that it does)<sup>4</sup> is less important than the need for a definition of happiness that all groups of society whether they are religious, philosophical, or not, can agree to. On top of that, higher flourishing, in Taylor’s use of the phrase, is something that he believes people require for a good life. Ultimately this means that Taylor is pushing an objective definition of happiness. A feeling of the transcendent is of course subjective because it originates internally from the person. But by defining happiness as consisting of higher/lower flourishing Taylor limits the space for an individual’s own pursuit or choices. To be happy according to Taylor, one must have a life made up of certain things whether that person wants them or not.

For these reasons we need a narrower, more basic, but also more measurable, understanding of happiness. Happiness is defined by a person being satisfied with their life. As such no prescriptions are advocated to achieve that. Though it is highly probable that things like health,

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<sup>3</sup> Taylor (2007)

<sup>4</sup> James, O. (1997)

good relationships, and meaning are key elements for human happiness, they are not presumed to be so. Thus we have a subjective definition of happiness that takes the individual's rating of their own life as the base for measurement, rather than someone else's. Later I will discuss objective definitions of happiness, used by Sen and others, in relation to their use in influencing public policy making.

If we are to rely on subjective definitions of happiness then we must be assured that people's theory of happiness doesn't differ so wildly as to render the word useless. As Richard Layard reminds us, there are countless sources of happiness, and countless sources of pain. But this doesn't negate the idea that happiness is something that is too vague for us to comment upon. In fact, Layard attests that "most people find it easy to say how good they are feeling, and in social surveys such questions get very high response rates, much higher than the average survey question. The scarcity of "Don't knows" shows that people do know how they feel, and recognise the validity of the question."<sup>5</sup>

## ***2.2 Happiness, Well-Being, and Welfarism***

Much of the recent research on happiness makes a point of referring to well-being rather than happiness. However writers often use the word differently. Sumner uses the word synonymously with welfare, which he argues is 'more or less the same as... well-being or interest or... good.'<sup>6</sup> Moore and Crisp use the word in a broader way: 'a life of well-being is a life going well. The numerous near-equivalents to well-being include a person's good, benefit, advantage, interest,

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<sup>5</sup> Layard (2005: 13)

<sup>6</sup> Sumner (1999: 1)

prudential value, welfare, happiness, flourishing, *eudemonia*, and utility.’<sup>7</sup> In this thesis, the word should be defined so as to be separate from its use in the concepts of economic welfare and welfare in a broader sense. The former is one understood by economists in terms of how much wealth one has, enabling a wider set of options by which to satisfy their preferences. The latter can be distinguished from well-being because it has a narrower scope: “welfare relates to the basic requirements of a man’s well-being in general, but most prominently includes those basic concerns with health and economic adequacy.”<sup>8</sup>

Finally, well-being also needs to be distinguished from happiness. A life going well, as Moore and Crisp describe it, is usually a happy one. But happiness is not the *only* constituent of well-being. One need only consider, for example, the duties that an individual might voluntarily take on board. Looking after an ill family member might not make everyone ‘happy’, but, needless to say, is it not out of happiness that people do it. Behaviour that doesn’t result in a net improvement in happiness can often better be understood in the context of Moore and Crisp’s well-being. To reiterate, well-being is a life going well, whilst happiness is, in a sense under the umbrella of well-being but not wholly constituent of well-being.

### ***2.3 Two types of happiness***

In the literature on happiness measurements there is a marked demarcation between what is commonly referred to as ‘everyday happiness’ and ‘global happiness’. The former can be roughly defined as the type of happiness that I mentioned at the beginning of this section – the happiness felt from hour to hour which fluctuates according to what activity a person is doing.

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<sup>7</sup> Moore & Crisp (1996: 599)

<sup>8</sup> Rescher (1972: 3-4)

For instance, we are usually happier eating lunch with friends than we are when waiting for the train in the morning that will take us to work. Thus everyday happiness is attached to moods and emotion.

Relatedly, global happiness testifies to a wider-ranging understanding of the happiness of a person's life in general. It allows for an answer to the question 'how satisfied are you with your life *overall*?'. As such, global happiness is a closer match to Moore and Crisp's definition of well-being. Whereas everyday happiness can be paired with the idea of happiness as a transient feeling, global happiness rests on a person's evaluation of their life. As we will see, the difference between global and everyday happiness is a complex and often contradictory one, but one that I will argue does not interfere with their validity.

How one goes about measuring happiness reflects how they define it. Therefore the differences between the two categories can be better understood in an examination of their methodology. Here I will outline those methodologies, refraining from a full critique which will come in section seven.

## ***2.4 Experience Sampling***

The idea that happiness should be measured has been around since Bentham declared in 1871 that pleasure and pain should be estimated and weighed against one another.<sup>9</sup> For a society to maximise happiness and decrease misery, an index would be needed to inform what the best decisions were in order to achieve that aim.

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<sup>9</sup> Bentham (1871, 2000 ed.)

Ten years later, Edgeworth proposed what he deemed a ‘hedonimeter’ to take up Bentham’s challenge of measuring the degree of pleasure or pain that a person was feeling at that exact moment. He imagined that such measurements could then be subsequently plotted on a time continuum. Thus In the 19<sup>th</sup> Century the concept of utility was bound to the concept of happiness as positive feelings. This type of ‘experienced utility’, as Kahneman terms it, is witnessing a resurgence amongst recent economic research literature .<sup>10</sup>

It’s most visible incarnation, experience sampling, was first implemented by Hungarian-born Mihalyi Csikszentmihalyi.<sup>11</sup> His method consisted of giving participants a device that beeps throughout the day. After each beep participants write down what they are doing at that specific time of day and how happy they feel. Unsurprisingly this is usually a costly process, especially since most people are unwilling to give up so much of their time being constantly asked ‘how do you feel?’ every time they undertake a new daily activity in their routine. Nevertheless, Csikszentmihalyi found that being interrupted by telephone calls during meal times was a particular pet hatred of many, something which the beeper itself was presumably culpable of too.

#### **2.4.1 What definition of happiness is being measured?**

Theories of emotion in psychology assert that any given situation elicits emotions that come about in response to a person’s subjective evaluation of their environment.<sup>12</sup> Situations we like elicit positive emotions and situations we don’t like elicit negative emotions. Accordingly emotions reveal whether a situation matches a person’s preferences. This assertion lies in

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<sup>10</sup> Kahneman & Sugden (2005)

<sup>11</sup> Csikszentmihalyi (1990)

<sup>12</sup> Frijda (1986: 207)

contrast to the theory of revealed preferences, in which preferences are revealed by an individual's *behaviour*, or in the case of the marketplace, by their purchasing habits, rather than by their emotions.

But of course emotions exist across a complex array of meanings. Happiness is not the same as excitement, nor is anger the same as misery. To reconcile these differences, emotions can be bracketed into what valence they have, as in whether they define a situation to be attractive (positive valence) or worthy of aversion (negative valence). Schimmack and Crites argue that valence is the most important qualitative distinction between emotions, and that emotions of the same valence (like happiness and excitement) will be more susceptible to being felt together than emotions with opposite valences (like happiness and anger).<sup>13</sup> Under these assumptions it would seem that measures of emotion offer a strong representation of someone's happiness.

Though this definition of happiness has had a chequered past. This has largely been due to the challenge provided by the emergence of behaviourism in the 1930s. In one particularly ominous article of the time by Robbins, it was claimed that distinctions amongst emotions were impossible to discuss scientifically.<sup>14</sup> In fact it was left to the psychologists in the 1980s to revisit the study of feelings as a scientific endeavour. Kahneman and Sugden observed that in twentieth century welfare economics, the basis for welfare as utility, combined with the assumption that people are rational utility-maximisers, makes for a theory that need not be concerned with the question of whether choices make people happy. In effect, opines Kahneman and Sugden "this allows economists to prove theorems about the welfare consequences of different economic

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<sup>13</sup> Schimmack & Crites (2005), Diener & Iran-Nejad (1986)

<sup>14</sup> Robbins (1938) in Diener et al. (2009: 16)

institutions without addressing the empirical question of how those institutions impact on human happiness.”<sup>15</sup> In short, the dearth of attention to feelings was not brought about by a lack of faith in their validity as measurable effects, but rather by a dominant method of measuring utility whereby the question of emotions was avoided altogether.

### **2.4.2 More than just pleasure?**

Diener et al looked into the possibility of linking everyday happiness to global happiness and came up with two concepts that theoretically link them.<sup>16</sup> The first is that affective feelings reflect how well a person’s life matches their preferences and desires. So positive feelings result from someone wanting certain things in their life and having them.

The distinction between emotions and moods help in this respect. Moods can be roughly defined as feeling happy/sad/elated in general. Whereas emotions are feelings that are directed towards something – you feel happy *about* your job, or angry *at* the press. In this understanding of feelings, emotions can be said to be equivalent of satisfying preferences, but moods not. Because everyday happiness doesn’t make the same distinction, they could be argued to be problematic in revealing a person’s well-being. If they happen to have at least some preferences that don’t attribute any priority to pleasure then experience sampling cannot fully capture that person’s well-being.

Such a person need not be a self-flagellating monk to calibrate his well-being in such a way. If one takes the example of a professional cyclist, who would no doubt feel much more pleasure if he didn’t cycle six hours a day, regularly pushing through the pain barrier in order to shave off a

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<sup>15</sup> Kahneman & Sugden (2005: 163)

<sup>16</sup> Diener et al (2009: 19)

few milliseconds of his previous best time, we come to one of the limitations of everyday happiness as a proxy to overall well-being. In this way some of our desires elicit a more positive emotional response than others. Similarly a drug addict with an abundant supply of heroin would, in theory experience high levels of everyday happiness, but still may feel that his life was one that wasn't going well. Thus if we focus solely on everyday experience we would still be enforcing some kind of objective definition of happiness – that happiness is having pleasurable experiences. Thus, a view of happiness is incomplete without recognising people's own evaluation of their lives. The cyclist may well feel a greater amount of pain being a cyclist than he would being a commentator, but he may still prefer to be a cyclist, vice-versa the drug addict. In fact when Csikszentmihalyi<sup>17</sup> conducted his research using experience sampling, he found that periods that involved the most pleasure were not necessarily the same ones that participants recorded as being of most enjoyment. When a person was engaged in an activity that was both challenging and that they needed a lot of skill for, they would often be in a state of 'flow'. These were the activities that participants would describe as being the things that made life worth living.<sup>18</sup> However 'flow' doesn't register as either positive or negative at the moment that it takes place. The feelings attached occur only in retrospect.<sup>19</sup> Thus activities that are often described as being most important and valuable to a person are not always ones which are highlighted as pleasurable.

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<sup>17</sup> Csikszentmihalyi (1990)

<sup>18</sup> [http://www.ted.com/talks/mihaly\\_csikszentmihalyi\\_on\\_flow.html](http://www.ted.com/talks/mihaly_csikszentmihalyi_on_flow.html) Csikszentmihalyi (2004)

<sup>19</sup> Seligman (2002: 116)



Clearly to take into account what makes people happy a broader measurement of happiness is required. It is in asking the individual herself how satisfied she is with her life that we hope to capture a broader picture of her happiness.

## ***2.5 Life satisfaction surveys***

Evaluative judgments that people make about their own lives have been used for longer and adopted much more than everyday indicators of happiness. Between the 1960s – 1970s studies by Bradburn, Cantril, Andrews and Whitney,<sup>20</sup> paved the way for hundreds of thousands of people being asked to consider their lives and evaluate them. Some of the most common questions used have been, ‘Taking all things together, how would you say things are these days – would you say that you were very happy, pretty happy, or not too happy?’ or ‘How satisfied are you with your life these days?.. very satisfied, satisfied, not very satisfied, not satisfied at all?’ One other common method is the Satisfaction with Life Scale, where participants place a number from 1 (strongly disagree) to 7 (strongly agree) in correspondence with satisfaction statements; ‘I am satisfied with my life’, and well as evaluative statements; “In most ways my life is close to my ideal.”<sup>21</sup>

### **2.5.1 How it’s different to everyday happiness**

Everyday happiness and global happiness throw up different answers when it comes to answering the question ‘what makes people happy?’ For instance one of the most common

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<sup>20</sup> Bradburn (1969) Cantril (1965) Andrews & Whitney (1976) in Diener et al (2009: 19)

<sup>21</sup> [http://www.healthscotland.com/uploads/documents/7573-MHI\\_Appendix\\_E\\_S-T.pdf](http://www.healthscotland.com/uploads/documents/7573-MHI_Appendix_E_S-T.pdf) (04/2011)

findings from experience sampling is that the happiest times of the day are almost always outside of working hours whilst the least pleasant time-period of a person's day is usually commuting.<sup>22</sup>

For most people this would make sense. However if we consider our overall happiness, it would make just as much sense to say being unemployed is a major contributor to lowering our well-being. Therefore a policymaker might deduce that work time should be made more enjoyable rather than shortened, as a result of looking at everyday happiness and global happiness measures together.

Furthermore global measurements of happiness overcome the problems of linking feelings to people's idea of well-being. As Diener argues "global evaluations are conceptually identical to the construct of well-being."<sup>23</sup> In other words, they allow for whatever idea a person might have about what happiness means for them.

### **2.5.2 Differences in subjectivity**

Frey and Stutzer simplify the differences between everyday and global accounts of happiness by reference to how subjective they are in measurement. The most subjective measure of happiness is a person's self evaluation of their lives (global happiness), because it doesn't rely on any predetermined notions of happiness. At the other end of the scale, everyday happiness is less subjective in the sense that it counts only positive feelings as contributing to a person's happiness. Thus experience sampling is less subjective because it measures happiness in

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<sup>22</sup> Bok (2010: 29)

<sup>23</sup> Diener et al (2009: 19)

accordance with a set of fixed rules – without at any moment taking into account a person’s attitude or opinion on how well their life is going *overall*.<sup>24</sup>

## **2.6 Conclusion**

Due to the nature of measurement and the requirement for a definition of well-being that doesn’t prescribe features or ideals, a subjective measurement of happiness is proposed. The construct of self-reported global happiness does away with definitions of welfare, economic welfare, and the idea of happiness itself being the only ingredient of well-being. On the other hand everyday happiness counts only pleasurable moments as constituent of well-being. Everyday happiness measures also claim to be less subjective and more reliable than global measures. That they rid measures of context and framing biases is important to consider. But, as we shall see in the final chapter, there are arguments that I will argue trump these advantages.

Needless to say, there are not only subjective measures of well-being. In fact, ‘objective’ measures of well-being are of far more importance to most developed nations across the world. To ask whether or not happiness indicators could and should be consulted we must first look at those indicators that have been used to measure the well-being of a nation for the best part of the twentieth century and decide if there exists an opportunity for subjective measures of happiness to at least provide answers to some of the gaps that may crop up amongst their uses.

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<sup>24</sup> Frey & Stutzer (2002), Of course this is not to say that immediate ratings of well-being are not used to construct that picture of well-being, only that an overall assessment is seen as unnecessary and, as I will discuss later, unreliable.

# 3. Objective Happiness: The case for Economic and Social Indicators

## 3.1 Their Philosophical Foundations

Economic, social, and subjective accounts of well-being all provide different attempts to measure well-being. It will be easier to understand why these accounts of well-being differ if they are first demarcated clearly from one another.

Derek Parfit offers a useful classification of the three approaches:

“What would be best for someone, or would be most in this person’s interests, or would make this person’s life go, for him, as well as possible? Answers to this question I call *theories of self-interest*. There are three kinds of theory. On *Hedonic Theories*, what would be best for someone is what would make his life happier. On *Desire Fulfilment Theories*, what would be best for someone is what, throughout his life, would best fulfil his desires. On *Objective List Theories*, certain things are good or bad for us, whether or not we want to have the good things, or to avoid the bad things”<sup>25</sup>

So, Parfit’s first classification equates being well-off by feeling well-off. Therefore our well-being is only accountable to those things that we experience, or rather to the mental state that we are in.

On the second theory, Desire fulfilment accounts, or preference satisfaction accounts, people are well off if their preferences are satisfied. As such if a person doesn’t feel happy, but their preferences are satisfied, then they would still be understood to having a life that is going well.

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<sup>25</sup> Parfit (1984: 493)

Such a scenario is not rare – we might often get what we want, but not like it, or rather feel no better than we did before.

Parfit's third classification – objective list accounts – makes no reference to either a person's mental state, or their preferences. For this reason they are defined as objective. Later I will evaluate this claim further. Objective list accounts presume that there exists certain features and circumstances of life that tell us how well a person's life is going.

In the following sections I will outline the strengths and limitations of the second and third accounts of well-being. I argue that they are questionable both in terms of what definition of happiness they reflect, and in the methodology they use to collect data. I will then make the case after each critique for the role of subjective indicators of well-being.

## 4. Social Indicators

In this section I will look to answer the questions ‘what type of well-being do lists of social indicators reflect?’, ‘what are their strengths and weaknesses?’ and ‘where can subjective measures of well-being fit into the picture?’ I will analyse the claim that objective list accounts of well-being are objective in their definition of well-being, their measurement of domains, and their compilation of lists. By examining how these measurements are formed and the differences amongst varying lists I argue that objective-list accounts have weaknesses that are different to the weaknesses that subjective accounts of well-being contain. As such there exists a clear case to include both in area of public policy decision-making.

To make clear, I recognise that objectives such as justice, freedom, and the reduction of poverty need not be validated by happiness measures to be seen as worthy goals for public policy, even if it may be seen that they do coincide.

### ***4.1 Sen’s Capabilities Argument and its strengths***

In one of the most widely respected forms of this account of well-being, Sen (1999) proposes a list of ‘capabilities’ that he believes allows individuals to pursue their own version of happiness. The capabilities approach sets about to lift people out of conditions in which they are unable to find happiness due to basic, objective obstacles such as not having adequate education, enough food, security, freedom or health insurance.<sup>26</sup> In other words, the purpose of politics should be to expand the amount of things that an individual can do. Sen’s work ultimately culminated in the United Nations creating the Human Development Index (HDI).

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<sup>26</sup> Sen (1999)

Sen's approach, as an objective list account, proposes to transcend preference satisfaction and experiential well-being. He does this by the simple claim that well-being has more to do with satisfying preferences and feeling happy. He argues that positive freedoms and certain rights are of just as much importance, and are so because of their intrinsic value.<sup>27</sup> As such happiness is seen as only one aspect of a good life. Importantly for this thesis, Sen dismisses the idea that reports of subjective well-being could take such freedoms and rights into account. He makes perhaps the most threatening criticism to subjective well-being yet:

“The most blatant forms of inequalities and exploitations survive in the world through making allies out of the deprived and exploited. The underdog learns to bear the burden so well that he or she overlooks the burden itself. Discontent is replaced by acceptance...suffering and anger by cheerful endurance. As people learn to adjust ...the horrors look less terrible in the metric of utilities”<sup>28</sup>

For Sen, happiness is an unreliable indicator of poverty because it is too easily distorted by the subjective mind in its ability to adapt to unjust circumstances. Using happiness as a measure of poverty has the inherent problem of representing the mental reaction to capabilities rather than measuring the capability itself. Thus for Sen the capabilities that a person should have are more important than the well-being that that person gets from those capabilities.

In sum, the argument for social indicators goes as such: that they are objective in measurement; that they define happiness as more than just preference satisfaction; that they encompass things

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<sup>27</sup> Sen (1984: 512)

<sup>28</sup> Sen (1984: 308-9)

that are important for a good life other than things that make a person happy; and finally, that they avoid the biases of adaptation and others found in subjective accounts of well-being.

However I argue next that there are reasons to hold back from seeing them as the panacea for capturing well-being.

## **4.2 Weaknesses**

### **4.2.1 Are they objective in definition?**

Objective list accounts are based on the presumption that it is possible to compile a comprehensive list of features that are needed for people to attain well-being. In Sen's case the critique could go in the opposite direction – that his emphasis on *basic* needs does not account for other needs that are required for well-being. Followers of Maslow would argue that basic needs like safety, education and food are necessary, but that for an individual to be able to really achieve well-being, higher needs like being in control of their circumstances, and having good social relations, must also be fulfilled.<sup>29</sup> Indeed some organisations have gone as far to include subjective indicators in their list to reflect a nation's well-being.<sup>30</sup> This is an action I fully support, for reasons that I outline below.

### **4.2.2 Dworkin's endorsement condition**

Dworkin sees

“two ways in which people's lives can go better or worse. Someone's *volitional well-being* is improved whether he has or achieves something he wants. But his *critical well-being* is

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<sup>29</sup> Maslow (1970)

<sup>30</sup> See Forum on Key National Indicators, 2003.



improved only by his having or achieving those things that he should want, that is, achievements or experiences that it would make his life a worse one or not to want.”<sup>31</sup> (italics added)

So, when I make it my interest to keep a close bond with my parents, I do so not because I simply want to, and satisfying my wants is important. I do so because, as Dworkin attests, “I believe a life without such relationships is impoverished.”<sup>32</sup> My interests come from my (critical) sense of well-being, rather than the other way around.

For Sen things like literacy, freedom of speech, and education are things that improve a person’s critical well-being – they improve a person’s lives whether the person wants them or not.<sup>33</sup> In a way the distinction is similar to that between intrinsic and instrumental values. Education is not just important because it can get you a job which can then open up more options for your preferences to be satisfied. Education is important for its own sake, whether or not it panders to a person’s preferences.

Of course this a complex and very debatable line of argument. We cannot prove that anything is in someone’s interest to well-being even if they don’t like it. But such criticisms need not be rested upon for arguing that people’s subjective well-being is important.

It is Dworkin’s subsequent distinction that paves the way. When asking how well someone’s life is going, we can choose between two approaches – the additive view, which adds up all the constituents of someone’s life and rate it according to our list of objective components of a good

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<sup>31</sup> Dworkin (2002: 216)

<sup>32</sup> Ibid.

<sup>33</sup> Though for some capabilities, inclusion may rest on instrumental rather than intrinsic value.

life, or, in the happiness indicator approach, we can simply ask someone how well they think their life is going.<sup>34</sup> The latter normatively states that nothing can contribute to someone's life without them believing it to.<sup>35</sup>

To take the example that Dworkin uses, a religious person may think that worship and prayer is a critical part of living well.<sup>36</sup> But to impose involuntary worship on others is something we would expect few religious leaders to propose. Similarly, that Sen believes education to be critically valuable does not mean that he shouldn't be interested in whether it is perceived by the individual to contribute to his own well-being. Critical features of well-being need the endorsement of the individuals they are presumed to aid.

Thus, objective-list approaches would do well to employ happiness indicators in discovering whether people believe that the things that make up their life are ones that they believe allow it to flourish.

#### **4.2.3 Are they objective in measurement?**

As I mentioned at the beginning of this section, one of the major strengths that social indicators are claimed to have comes from their objectivity in measurement. Indicators such as infant mortality or deforestation are said to be easily defined and quantifiable. In this sense objectivity refers to the idea that these things can be measured reliably and without error. This makes intuitive sense, however the process of actually gathering data and defining social indicators often run into so many problems that their title of objectivity is threatened. For instance,

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<sup>34</sup> Dworkin terms this the 'constitutive view'

<sup>35</sup> Dworkin (2002: 217)

<sup>36</sup> Dworkin (2002: 269)

measuring infant mortality in countries where most babies are born outside of the hospital makes it almost impossible to provide realistic estimates. Similarly, how conservative a country is can greatly affect the amount of rapes that are reported. In indicators where gathering data is less problematic, the subjectivity of definitions may get in the way. For example, Indexes of deforestation may or may not take into account the number of newly planted trees per year to offset those cut down.<sup>37</sup> The methodology of measuring deforestation is also a problem. A recent report regarding Brazil's use of satellite imagery found that depending on what technology they used they were often unable to count the cutting down of smaller areas of forest.<sup>38</sup> What constitutes as murder is also different for varying nations. Even the most seemingly straightforward of measures requires human subjectivity in deciding exactly *what* is measured, and *how* you measure it.

Apart from claims of objectivity, social indicators have difficulty in assigning exactly what is an optimal level of something. Presumably some deforestation is good if it creates farmland, provides jobs, and in dry climates reduces the risk of forest fires. But exactly where the balance lies is down to mostly the subjective decisions of policymakers. Even indicators that in theory have no optimal level, such as longevity, still spark debates as to whether huge amounts of money should be spent to increase life spans that are already higher than average. No doubt governments with limited resources would argue that much greater gains in other social areas

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<sup>37</sup> Diener & Suh(1995)

<sup>38</sup> *The Economist* (2008) [http://www.economist.com/node/11502241?Story\\_ID=E1\\_TTVDDNNQT](http://www.economist.com/node/11502241?Story_ID=E1_TTVDDNNQT) (accessed 05/2011)

take precedence when gains in life span become smaller and more expensive. What this optimal level is must be defined, subjectively, by policymakers and experts.<sup>39</sup>

### ***4.3 Using happiness indicators and social indicators together***

None of this is to say that social indicators should not be taken notice of by policymakers.

Happiness should not be the only goal of government. The observation that social indicators that measure pollution, education, freedom of speech may not reflect the well-being of a nation, is to some extent to miss their point. If we were only concerned with happiness then some of the things that are valued across society for their intrinsic value would be marginalised. Pollution may well hinder our levels of well-being, but that is not the sole reason that we hope to curb it. Which is further reason why I refrain from claiming that subjective happiness measures should provide the only, or even the ultimate, consideration for public policy.

The importance of having both subjective and objective measures of well-being can be understood further by the observation that objective-accounts allow policymakers to see where the most pressing needs are in a country or across the world. As Dolan and White rightly comment ‘because many citizens in the world do not currently have... [primary] needs met, it seems important to target these objective circumstances before worrying about things such as why increases in income are not associated with increases in well-being among the relatively well off.’<sup>40</sup>

It must also be kept in mind that objective and subjective indicators very often measure similar things. It is no exaggeration to say that virtually all objective-list accounts of well being rest on

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<sup>39</sup> Diener et al (2009: 31)

<sup>40</sup> Dolan & White (2007: 74)

the idea that the individual's liberty and sovereignty are at the core of well-being. Similarly, subjective accounts are partly argued for by the assertion that authority on what is important and to the individual should, at least in part, come from the individual themselves. Recognising these shared values of subjective and objective definitions of well-being paves the way for their integrated use.<sup>41</sup>

But just how is it that subjective indicators can complement objective ones? Where are the gaps that allow their entry? Intuitively the question can be answered by simply arguing that measuring what is good for people will always be incomplete unless you ask them what they think as well. Similarly, from an objective point of view, it is plausible to argue that having a happy population is not good enough if they live in unjust circumstances. This I believe is one of the strongest justifications for their interaction. But there are other reasons too to argue for their mutual coexistence.

#### **4.3.1 Happiness as an instrumental good**

Firstly, happiness is not only an affect. Most of us would agree that being happy can improve relationships as well as be the affect of good relationships. Yet more intriguingly than that, recent research has suggested that being happy is an effective safeguard against disease and illness, a significant predictor of succeeding in your career, and a predictor of finding a job quicker when unemployed. In a famous study by Snowdon in 2001, subsequently named the 'Nun study', Snowdon found that sisters who showed signs of depression before coming to the convent were the same women who later suffered more from ill health, and that those nuns who

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<sup>41</sup> Dolan & White (2007)

were observed to be happier lived, on average, longer than others.<sup>42</sup> Though it is fair to argue that the direction of cause is difficult to ascertain in longitudinal studies, similar evidence has cropped up amongst experimental research. In a study involving the random allocation of recovering patients, post-surgery, to rooms with attractive or unattractive views,<sup>43</sup> researchers observed that recovery occurred significantly quicker in rooms with attractive views.<sup>44</sup> And these are not just one off studies. In 2005 Sonja Lyubomirsky and her California colleagues set about to review hundreds of experimental studies in which researchers had manipulated participants' happiness and observed the effects. They eventually concluded that 'happiness is associated with and precedes numerous successful outcomes, as well as behaviors paralleling success.'<sup>45</sup> In brief, data from over 250,000 participants provided evidence that being happy makes people more sociable, more altruistic, more able to resolve conflict situations, more likely to like other people and themselves, and strengthens their immune systems.

In finding out why subjective happiness brings about such effects, Fredrickson posited that positive feelings are linked to broader behavioural repertoires which can be called upon in difficult times. This resilience she argues, accounts for much of the aforementioned positive outcomes.<sup>46</sup> Oswald and Graham contribute further by understanding happiness as a motivating device, in an evolutionary perspective. They term some of the important constituents of

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<sup>42</sup> Snowdon (2001)

<sup>43</sup> Beautiful views are apparently one of life's situations that we don't adapt to – views will make us happy for however long we have them (Kahneman & Sugden 2005).

<sup>44</sup> Ulrich (1984)

<sup>45</sup> Lyubomirsky et al. (2005)

<sup>46</sup> Fredrickson (2005)

happiness such as good relationships and self-esteem as stocks. In this sense the importance of being happy can be seen in its ability to create a kind of stock of ‘hedonic capital’ that is valuable in moments of danger and distress.

#### **4.3.2 Using happiness to achieve other ends**

So where does this fit into objective measures of well-being? By taking subjective happiness measures into account, policymakers can make increasing people’s happiness an important goal, even if they do so only because of its instrumental value to attain better levels of other domains. In attempting to decrease the levels of ill health and disease in a country, policymakers may find that targeting those areas where subjective happiness is low and undertaking policies to increase those levels of happiness may result in a healthier population.<sup>47</sup>

Sen’s emphasis on turning commodities into valuable states of being and doing is relevant in this respect. He argues that achieving a ‘functioning’ (for example being healthy) with a certain amount of resources (like money and food) depends on certain variable circumstantial factors (like your age, gender, access to health care, nutritional knowledge, etc).<sup>48</sup> Therefore the capability that someone has in turning goods into functionings is most important. I would argue that the research above shows that being happy is an integral part of that process; that it turns commodities into valuable states of being and doing, and should be recognised as such.

#### **4.3.3 Other reasons to consult happiness indicators**

it is premature to assume that considerations of positive freedoms and rights do not come to mind when you ask a person ‘how well is your life going overall?’ In fact observance of the rule of

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<sup>47</sup> Dolan & White (2007)

<sup>48</sup> Sen (1999)

law, high trust in public officials and efficient government agencies have all been found to be significant correlates to well-being.<sup>49</sup> Ronald Inglehart found that happiness both contributes to good government and is a result of good government, but that the former link was the more potent.<sup>50</sup> Indeed the use of multivariate analysis makes these kinds of discoveries possible. The worries that Sen and others have about some people being more cheery than others in unjust circumstances can, to some extent, be reduced by the ability to isolate particular determinants of well-being in statistical analysis.

Social indicators and subjective well-being correlates across societies. This gives some backing to the idea that happiness indicators can be used to justify much of the current thought about how well social indicators reflect well-being. In the same way if happiness measures diverge from social indicator lists, then policymakers should take a harder look at the objective-list accounts.

For example, it is evident that many Scandinavian countries have higher levels of reported well-being than is expected by their objective list accounts, whilst some Post-Soviet Eastern European countries have less well-being than their objective lists account for. By observing these disparities policymakers are able to try and discern why it is that their citizens are less, or more, happy with a similar amount of resources than another country. By only looking at social indicator surveys, Post-Soviet governments would have completely overlooked other important factors to people's sense of well-being. No doubt how a country's citizen's feel is important, and should be accounted for as much as possible. What might have an effect in one country may not in another.

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<sup>49</sup> Helliwell & Huang (2008)

<sup>50</sup> Inglehart (2006)



For this reason happiness measures are invaluable sources of insight into what are the most important determinants of well-being in any given country.

#### ***4.4 Conclusion***

In this section I have looked at the strengths and weaknesses of the objective-list approach and concluded that there are sufficient information gaps in their reflection of well-being for happiness indicators to be of use in informing and complementing their efforts. Social indicators are important because they are able to reflect Moore and Crisp's assertion that what is good for a life going well isn't only what is good for happiness – that other things matter too, like pollution and human rights. They also avoid problems to do with how good people are at knowing how happy they are and what makes them happy; problems which welfare polls and global happiness indicators cannot avoid. Evidence showing that feeling happy can result in an increase in many of the capabilities that Sen highlights, indicates that subjective measures can strengthen the ability of policymakers to look at where the most 'high risk' areas of a population are. Finally, I would argue that it is dangerous to only take into account a view of happiness that doesn't consult people's actual experience.

## 5. Economic Measures

Economic indicators are society's most invested in, and taken notice of, measurements. What they say about well-being is important in understanding what one of the dominant views of happiness is, and how subjective measures of happiness differ in those respects. In the following pages I will look at what definition of well-being economic indicators endorse, and what assumptions lie underneath. I will discuss whether the adage that more money means more well-being is a fair one, and what psychological factors inhibit that assertion. Finally I will discuss where the other holes are in economic indicators' attempt at reflecting well-being. To what extent happiness indicators fill those gaps will be discussed after a similar evaluation of welfare polls, which are held up as the answer to much of the limitations of economic indicators discussed here.

### ***5.1 What Definition of Well-Being They Reflect***

Economic theories of well-being equate well-being with utility. Focusing on GDP as an aggregate measure for well-being assumes that those who have more wealth than others also have more choices in which to satisfy their preferences. Assuming that we are rational beings, and this approach does so, then it follows that people will choose what best maximises their happiness. In a perfect marketplace the amount of options someone has inevitably increases in line with their disposable wealth. If someone with a lot of money chooses option A out of A, B, and C, they do so to maximise their happiness. If someone else with less money only has options B and C, then they are missing out on the further utility brought about by option A. Thus

happiness is equivalent to preference realisation. The more options, the more opportunity for preferences to be realised.<sup>51</sup>

Inevitably, however, it is never that simple. The model assumes certain answers to questions that do not necessarily hold. Firstly, it is important to observe that this is in fact a subjective definition of well-being. Money brings about an expansion of choices, not an expansion of well-being. As such wealth is used as an objective indicator for the subjective construct of well-being.<sup>52</sup> In other words, money is not well-being per se, but something that is presumed to bring about well-being. Secondly, the model assumes that people usually make the right choices. But in reality, choosing how to spend your money is not always an easy undertaking. As consumers, we may hold several preferences – to replace our aging car, to buy a house, or to feed our family. It would be ambitious to think that we always divide up the money correctly amongst our preferences to provide us with the greatest possible utility. Indeed if people are pretty bad at doing this – say, for example, the happiness they get from buying an extremely expensive car doesn't balance out the misery they get from living under a leaking roof – then we have reason to question well-being as an economic indicator. Criticisms along these lines opine that people aren't as rational as we think.

Though we are usually quite adept at making good choices, researcher have found that we consistently overestimate how long satisfaction will last.<sup>53</sup> There are a range of explanations for this, the most potent seeming to be that we underestimate our ability to adapt to any given

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<sup>51</sup> Diener et al. (2009)

<sup>52</sup> Ibid p.12

<sup>53</sup> Wilson & Gilbert (2003)

change in our circumstances, whether they be anything from earning more/less money to losing a limb or to winning the lottery. Another explanation accounts for irrational behaviour as a result of an individual's fixation on the *means* rather than the ends. In one study by Hsee, Yu, Zhang and Zhang, participants who preferred vanilla over pistachio ice-cream were offered 100 points to complete a 'high-effort task' and 60 points to complete a 'low effort task'.<sup>54</sup> 100 points could buy them the spurned pistachio ice-cream, and 60 points could buy them their preferred vanilla ice-cream, exclusively. Against their preference satisfaction, and at the sacrifice of exerting more effort, most people chose to complete the high-effort task and receive the ice-cream that they didn't prefer – they received more points but came out with their least preferred option. Needless to say the parallels to money are startling.

## ***5.2 The link from money to happiness?***

So, 'how strong is the link between money and well-being?' If you ask most people, they'd say that money can't buy you happiness. But if you ask the slightly different question 'what would most improve your quality of life?' most people say 'more money.'<sup>55</sup> Furthermore, the tendency to focus on earning more money as a source of well-being seems to have increased, at least in America, where those students entering college who considered it 'very important or essential' that they become 'very well off financially' rose from 39% in 1970 to 74% in 1998.<sup>56</sup>

In some respects their answers are justified. Evidence shows that people with higher incomes than others in their society are likely to be happier.<sup>57</sup> However longitudinal studies suggest that

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<sup>54</sup> Hsee, Yu, Zhang & Zhang (2004)

<sup>55</sup> Myers (2000)

<sup>56</sup> This was as opposed to 'developing a meaningful philosophy of life.' Ibid.

<sup>57</sup> Easterlin (1974; 1995)

people's global happiness does not correlate with their change in income.<sup>58</sup> In other words, rich people may be happier, but they'll be happier because they're richer. It is not the absolute level of income that makes a person happy, rather it is the individual's relative position to those around them.<sup>59</sup> In fact the respective percentage of Americans who label themselves as 'very happy', 'pretty happy' or 'not too happy' are almost exactly the same as they were 50 years ago, despite massive growth in GDP during the past half a century.<sup>60</sup> It seems then, that higher social ranking is what is being alluded to when people say that money brings happiness.

The results mentioned above are based on global happiness data, measuring how people feel about their lives overall. However if you measure individual's everyday happiness the results become more complicated. Krueger et al discovered that "people with above-average income are relatively satisfied with their lives but are barely happier than others in moment-to-moment experience, tend to be more tense, and do not spend more time in particularly enjoyable activities."<sup>61</sup> Their findings suggest that people systematically overrate the effects of income on their everyday happiness, so that the correlation between income and happiness is significantly weaker when measured using the experience sampling method. Therefore, when people say that they are satisfied with their life overall, they may be inducing a kind of focusing illusion, whereby they draw their mind's attention to how much financial and material wealth they have

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<sup>58</sup> Diener et al. (1999)

<sup>59</sup> Stutzer (2003)

<sup>60</sup> Easterlin (1995)

<sup>61</sup> <http://www.princeton.edu/main/news/archive/S15/15/09S18/index.xml?section=topstories> (06/2006, accessed in 05/2011)

in relation to others.<sup>62</sup> Kahneman claims that experience sampling may show the actual affects of an increased income:

“When someone reflects on how more income would change subjective well-being, they are probably tempted to think about spending more time in leisurely pursuits such as watching a large-screen plasma TV or playing golf, but in reality they should think of spending a lot more time working and commuting and a lot less time engaged in passive leisure.”<sup>63</sup>

Indeed the number of studies whose findings fly in the face of perceived wisdom that more growth, beyond a point that has already been reached amongst the G8 nations, has any positive effect on a nation’s well-being is grown in abundance. One of the most startling of these findings comes from the world Gallup survey of 2009. By plotting income against happiness, they found that, in America, household incomes that rose above \$60,000 per annum had absolutely no further impact on a person’s happiness. It is perhaps just as important to note that happiness was shown to be significantly affected *below* that number.

Why is it that though richer people within a society are happier, in industrialised countries economic growth is not making people happier?<sup>64</sup> It is has been found that individuals’ aspirations grow in harmony with their income, which in turn is an outcome of adaptation and social comparison. Therefore, when people gain more income, they quickly become accustomed to the improvement in conditions (*adaptation*). At the same time, they look around themselves at people in their community and see that they themselves are not better off than those around them

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<sup>62</sup> Krueger et al (2006)

<sup>63</sup> Ibid.

<sup>64</sup> See Blanchflower & Oswald (2000), Easterlin R.A. (1995)

(because everyone's income has risen somewhat – *social comparison*).<sup>65</sup> These combined features of income gains create higher aspirations, because once you're both used to your current income and you realise it's the same as everyone else's, you aspire to a higher salary. The last piece of the jigsaw is the link between aspirations and well-being: Aspiration level theory posits that happiness is determined by the difference between what you have and what you want.<sup>66</sup> In effect, wanting more makes you unhappy. This mix of rising average incomes, adaptation, social comparison, and the increase in aspirations that is always one step ahead of average incomes, is what constitutes the Easterlin Paradox: that rises in GDP in developed nations have no effect on happiness.<sup>67</sup>

### ***5.3 Other problems with Economic measures of WB***

Not only is the link between choosing an option and gaining satisfaction problematic, but the prerequisite link between income and one's range of options is too. Some people require different amounts of money to attain the options that would give them average satisfaction. This is not only the case for a person with a disability, but also for anyone who lives somewhere where it is more expensive to satisfy their preferences than elsewhere.

Another glaring omission from economic indicators is that of work. According to the economic model of well-being, work is useful in gaining money which can buy a greater range of options. However work in itself takes up a large proportion of any person's waking life. For it to be overlooked when it comes to an assessment of well-being is enough to claim any measure of

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<sup>65</sup> Stutzer (2003)

<sup>66</sup> See Michalos (1991)

<sup>67</sup> Easterlin (1974)

well-being erroneous. Preferences such as a good working environment, feeling valued, and having control over your labour all contribute to a person's well-being but are ignored in favour of a view of people as consumers above all else.

Furthermore some of the most important concerns of government and people are not accounted for in economic indicators. Widely agreed upon determinants of a good society such as low pollution, social capital, fair and effective government, and social cohesion are not incorporated into economic measures.<sup>68</sup>

Even some activities that have economic value cannot be taken into consideration by economic measures. Volunteering and housework, that both have economic value, are only considered part of the economy if they become monetised. Whilst the expansion of what is known as the 'gift economy' is also uncountable. It must be emphasised that these are not petty omissions – for example the explosion of free peer-to-peer software development which is free to download, as well as the expansion of timebanks, whereby people swap their time and skills without payment, and free services like couchsurfing all go some way to effectively narrowing the ability of economic indicators to claim that money is the only form of realising one's preferences.

## ***5.4 Conclusion***

In summary, economic indicators profess to convey well-being by using money as a proxy to realising preferences in the marketplace. The assumptions that are required for this link are shaky ones. People do not always make choices that give themselves the greatest happiness. Neither are people completely 'rational' in this respect. Studies have shown that we consistently overestimate how much happiness / unhappiness we might gain from any given situation – due to

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<sup>68</sup> Diener & Seligman (2004)



the psychological mechanisms at work such as adaptation, social comparison, the focusing illusion, and having ever higher aspirations. Economic indicators also overlook unmonetised aspects of life such as work life, fair and effective government, social cohesion, and the gift economy.

However recognition of these limitations is not new. Welfare polls were designed in part to rectify many of the problems of objective indicators. Thus to argue that subjective indicators are able to remedy the shortfalls of the current crop of economic and social indicators they must be seen to be qualitatively superior to welfare polls in gathering information about how certain policy decisions can be made, as well as be seen to offer information that objective indicators cannot.

## 6. Contingency Valuation as a solution

Matthew Adler brackets contingency valuation surveys and happiness surveys together as welfare polls. Both are devices used by government officials to measure the impact of governmental decisions in the context of human well-being.<sup>69</sup> Contingency valuation surveys are of particular interest because they pose competition to happiness surveys. If governments can legitimately rely on the results of those surveys more than they can of happiness surveys, then it can be assumed that happiness surveys need not be consulted when it comes to answering the question ‘what policy choice would bring about the best result in terms of well-being?’

Contingency valuation surveys were developed in the 1960s to study the value of ecological goods. Since then their remit has been extended to measure almost any aspect of well-being: health, leisure, psychological effects etc. They use a value of well-being that corresponds to money. In most methodologies participants are asked to imagine something that will affect their well-being (say, having a runway built near your home that results in loud airplane noise), and then to determine how much they would be willing to accept in payment as compensation. If it was a positive change – like having a new metro line built near their home – then they would be asked how much they would be willing to pay for it.

### ***6.1 Distinctions: Decision Utility and Experience Utility***

Kahneman and Sugden observe that what is being measured in contingency surveys is not well-being per se, but rather decision well-being, or what he calls ‘decision utility’, as opposed to

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<sup>69</sup> Adler (2006)

‘experience utility’.<sup>70</sup> Experience utility he defines as the classical, Benthamite interpretation of utility – as a measure of instant pleasure and pain. The former he refers to as a representation of preferences, “and the concept of preference is understood in terms of choice: a person’s preferences are the mental entities that explain his choices, and are revealed in those choices.”<sup>71</sup>

As a follower of preference satisfaction, you need not make such a distinction. If you believe people are rational, have enough information, and nearly always make the best possible decision for their well-being, then decision utility is a perfectly acceptable measure of experience utility. Thus Kahneman and Sugden’s argument that the two are different rests on providing enough evidence to reasonably doubt that link; ‘if an individual’s behaviour does not reveal coherent preferences, we cannot define a measure of decision utility for her.’<sup>72</sup> As such a measure of experience utility would have to take its place – in the form of happiness indicators.

The theory that people are boundedly rational is not new. For 25 years, behavioural economics has proposed that decision making is limited by the cognitive limitations of our minds, the limited amount of time available for making decisions, and the lack of full information at hand. What Kahneman and Sugden add to the debate is the argument that (a) contingency surveys often measure attitudes rather than preferences, and (b) that even if measurements of preferences are really able to rid themselves of unknowingly measuring attitudes, that the difference between decision and experience utility makes their efforts redundant.

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<sup>70</sup> Kahneman & Sugden (2005)

<sup>71</sup> Ibid p.162

<sup>72</sup> Ibid p.163

### 6.1.1 Contingency surveys often measures attitudes rather than preferences

The authors first point to the difference between preference and attitudes. Attitudes are understood as almost instant emotional responses to a stimuli. Some people like Motley Crue, other people like Vivaldi, their response does not have to take into account any set of options. Preferences on the other hand are extensional: ‘they are comparisons between different states of the world’.<sup>73</sup> Kahneman and Sugden posit that a response to a question like ‘how much would you be willing to accept for (however much) deforestation in (whatever location)?’ often elicit attitudes rather than preferences. Willingness to pay/accept (WTP/WTa) questions are highly correlated with measures of attitudes, and suggest that they are measuring exactly the same thing.<sup>74</sup> In other words the question might as well be ‘How much do you *dislike* deforestation?’ The authors theorise that this is due to contingency valuation survey’s nature of being hypothetical. Respondents usually have no expectation or experience of actually buying/selling such things.

This becomes a problem because attitude formation, as an internal emotional response, happening in a fraction of second, is susceptible to framing effects and other manipulations in ways that preference formation, as a more considered thought process, is not. A study by William Desvouses illustrates such biases. He informed three different groups of participants that a certain number (either 2,000, 20,000, or 200,000) of birds die each year by drowning in waste oil ponds. He then asked how much the participants would be WTP to put covers on the ponds to save them. When 2,000 birds could be saved the mean amount was \$80, when 20,000,

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<sup>73</sup> Kahneman and Sugden p.165

<sup>74</sup> Ibid.

\$78 and when 200,000 it was \$88.<sup>75</sup> Such insensitivity to ten-fold disparities in the numbers of birds should not occur if the respondents were really reporting decision utility.

Adler claims that what contingency surveys often reflect are people's moral views, opinions and beliefs, rather than concern for their own utility.<sup>76</sup> On top of this, it must be recognised that the question being asked may be understood by the respondent as asking about their willingness to make a charitable contribution, eliciting a warm feeling of doing something nice. In that case WTP becomes WTP for the warm feeling, rather than the actual commodity itself.<sup>77</sup>

However it could be argued that moral views and attitudes could be screened out by asking only those who have a welfare stake in the commodity or project under evaluation. Furthermore, it has been found that supplying information prior to questioning does effect the amounts that respondents are WTP/WTB. Though these solution are somewhat hazy ones. The former assumes that boundaries can be drawn about what new thing effects certain people most, but does, say, pollution affect people that much less if they live further away? Information too cannot avoid the subjectivity of people choosing what data to convey, in what order in is written, and how much respondents may or not read it.

### **6.1.2 The difference between decision and experience utility is too great**

But the more fundamental reason why contingency surveys may not be a reliable measure of utility concerns Kahneman and Sugden's second distinction; between 'decision utility' (that reflects thoughts that determine the decision) and 'experience utility' (that reflects the ex post

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<sup>75</sup> Desvousges et al (1993)

<sup>76</sup> Adler (2006: 22)

<sup>77</sup> Adler (2006: 23)

hedonic experience that results from the act of choice). The distinction, as I mentioned before, falls down if people are good at making accurate predictions of the pleasure they'll receive from certain choices – termed accurate affective forecasting. So the question becomes:

## ***6.2 How Good are People at Affective Forecasting?***

There are two things that trip up our efforts at affective forecasting: (1) adaptation, and (2) the focusing illusion. Adaptation, as has already been dealt with in earlier sections, concerns the ability for people to bounce back to their previous level of happiness from any negative or positive life events. The focusing illusion, is very much related, in the fact that it describes the mental process by which people overestimate any given change in their life. This, it has been evidenced, is due to the idea that, as Schkade and Kahneman summed it up, 'Nothing that you focus on will make as much difference as you think'.<sup>78</sup>

### **6.2.1 Adaptation**

In this first instance, the problem is not adaptation itself, but the idea that people are unaware of it. Gilbert et al account for this by the idea of a durability bias: that people are over-estimate how *long* the gain or loss in happiness will result from changes in their circumstances.<sup>79</sup>

One particular study illustrates the durability bias very simply. Participants were given their favourite ice-cream and music for a limited time on eight consecutive days. After the first occasion they wrote down how much they would enjoy the experience in the days after. Their predicted ratings and actual ratings showed no correlation after being compared. Apparently the participants had almost no predictive capabilities when it came to knowing how much pleasure

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<sup>78</sup> Schkade & Kahneman (1998: 345)

<sup>79</sup> Gilbert et al. (1998)

they would gain from such a commonplace event like eating ice-cream and listening to music. Studies asking how happy people would be a month after their candidate for presidency won or lost the election, or how happy academics would be if tenure decisions went in their favour, came out with the same conclusion.<sup>80</sup>

So why are people so bad at affective forecasting? Kahneman and Sugden offer two suggestions. Firstly, there is a difference between a state (of, for instance, *having* lots of money) and a transition (of, for instance, *winning/gaining* lots of money). It is assumed, by expected utility theory, that people usually value states, rather than value the changes or processes in themselves. However when people are asked to judge the utility gain from one state over the other, what they are actually doing is considering their emotional response to the change itself. Thus asking someone how miserable they would be if they *were* blind, instead elicits an answer to the question; how would you feel if you *became* blind. By making the transition the focus of evaluation any conscious consideration of adaptation is thrown completely out the window.<sup>81</sup>

### 6.2.2 Focusing illusion

The second reason comes down to the focusing illusion. The question ‘imagine how you would feel being blind?’ may suffer from the bias of simply focusing on that aspect and no other in determining how generally happy a person would be. As such you imagine a blind person who is thinking about the fact that they are blind, rather than imagining a blind person who is talking with his friends, falling in love, going out to restaurants and doing all the other things that any blind person may do.

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<sup>80</sup> Ibid.

<sup>81</sup> Kahneman & Sugden (2005: 171)

Contingency valuation surveys are particularly prone to the focusing illusion. If a person is asked about environmental issues, there follows a substantial redeployment of attention which creates an increase in its perceived importance, which then biases the person's answer. In everyday life environmental issues don't readily effect most people's well-being. However when asked to think about it before factoring in how important it is results in the individual imagining it to hold far greater importance for their well-being that it actually does.

Additionally, questions to do with preferences of one thing over the other may actually be capturing people's loss aversion. When asked whether you would prefer a thing you already have over something that would have to replace it, the feeling of loss is usually more potent than the gain. However the purpose of the question is to find out whether one thing is better than the other, rather than whether losing one thing is a worse feeling than gaining another thing. In this sense WTP and WTA questions elicit inflated answers when they refer to loss.

So welfare polls may be seen to be hindered by the tendency of participants to wrongly judge the utility that they would get from a certain circumstance over another. But it can be just as much argued that it is in the interests of a person to inflate their answers in order to influence a decision as much as they can that will inevitably be paid for equally by all. If contingency valuation surveys are presumed by the respondents to have any influence in public policy then it makes sense to report the most extreme but credible WTP / WTA that they can. In Sugden's words "The truth... is that *any* CV study which elicits preferences for a public good offers respondents a costless way to make a point"<sup>82</sup> If a person would quite like to have a new park in

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<sup>82</sup> Sugden (1996: 136)



their neighbourhood, then it would be the rational thing to do to exaggerate about how much she is willing to pay for it.

Though this exaggeration makes sense rationally, further discrepancies have also been found between hypothetical and more realistic valuations of goods when it wasn't in the person's interest to inflate their judgments. For instance one study by Bishop and Heberlein drew two samples from people who were applying for hunting permits. In one condition they asked how much the applicants would be WTP, hypothetically, for the permit. In the other, the applicants were offered real chances to buy the permit. In one of the experiments the hypothetical mean WTP was \$32 while the real mean payment was \$24. In another the mean hypothetical WTA (i.e. to sell the permit) was \$101 while the real mean selling price came out at \$63.<sup>83</sup> Thus it seems that the very nature of a question being hypothetical is enough to elicit biases, whether deliberately or psychologically induced.

### ***6.3 Incomparability***

The assumption that there is a price on every good, even unmarketable ones, is a difficult one. For many it would simply seem absurd to ask someone how much they would be willing to pay for more green space in their city, or less airport noise, or any number of non-marketplace contributors to our well-being. The reason this may be the case is that money is not always comparable to other things. The concept of incomparability is summed up by Joseph Raz:

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<sup>83</sup> Bishop & Heberlein (1979) in Sugden (1996: 138)

“A and B are incommensurate<sup>84</sup> if it is neither true that one is better than the other nor true that they are of equal value.”<sup>85</sup>

It is not great leap to say that money and, say, less pollution, could be placed where A and B are in Raz’ definition. Where it makes sense to compare such things are when they are things that can be chosen between. For an individual resident of a busy city, choosing between more money and less pollution is something would be very unlikely to happen. Indeed, the reason contingency valuation surveys were created was to put a price on commodities that couldn’t be bought or sold.

## **6.4 Conclusion**

In sum, contingency surveys suffer at the hands of engrained biases that make their case for reflecting well-being gains and losses a limited one. Because they reflect decision utility, they are grounded on the disputable assumption that behaviour reflects coherent preferences. That people voices attitudes rather than preferences, as well as the inherent incentive to inflate answers in order to have as much influence on policy, are reason to doubt their validity.

Psychological biases like the focusing illusions and adaptation mean that even without the latter problems, the very nature of hypothetical questions elicits a tendency for respondents to wrongly judge gains or losses in utility.

By pointing to these problems with contingency surveys I hope to warrant considerable doubt to the claim that they do a better job at judging people’s utility of certain contingencies than happiness indicators. It should be noted that this is a different contention than the ones that I

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<sup>84</sup> Raz uses the words incommensurate and incomparable interchangeably (1988: 322)

<sup>85</sup> Raz (1988: 322)

made for economic and social indicators: that contingency surveys should be displaced by the more valid and accurate measures of subjective well-being, rather than integrated and used together. I turn now to backing up that point in an evaluation of those indicators.

## 7. Subjective measures of well-being

Economists have traditionally rejected the idea that well-being can be legitimately measured in subjective terms. It was seen as too diffuse and multi-faceted a concept to be reduced to statistics. Even Bentham himself later doubted the whole endeavour, when he said “you might as well pretend to add 20 apples to 20 pears.”<sup>86</sup>

However these were rejections based on intuition rather than empirical evidence. Ironically, GDP, as the predominant measure of well-being, attempts to gain much legitimacy itself from intuitive arguments. Which is what, in part, made such studies as Easterlin’s (1974) so impactful. The two measures have thus recently come face to face in offering different accounts for the well-being of a country such as the United States. As Diener observes: “If we assume GDP is a valid measure [of well-being], well-being in the United States increased over the past decades. If we assume happiness ratings are valid, it did not.”<sup>87</sup> Clearly then, the stakes are high if it can be shown that measures of subjective well-being are both valid and reliable.

Questions of reliability and validity differ. The former concerns whether data is consistent. If repeated collections of data are taken in similar circumstances but result in significantly differing data sets then we have reason to question the data’s reliability. Validity is a claim that must be evaluated and judged. It is not a simple comparison of data but rather an answer to the question ‘does what we are measuring measure what we want to measure?’ Thus results may be reliable in that they are consistent, but may in fact be measuring something completely different, and would

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<sup>86</sup> Bentham, in Bok (2010: 32)

<sup>87</sup> Diener et al (2009: 75)

therefore be invalid. The case of GDP illustrates this perfectly – though their results may be very reliable, we can argue from a qualitative perspective that GDP is not a valid measure of well-being because it isn't well enough connected to that construct. That happiness indicators fit these requirements is far from a foregone conclusion. I will argue here that though they face problems from both, they are at least reliable enough and valid enough to be taken into account.

## **7.1 Reliability**

Life satisfaction is what Kahneman and Kruger describe as “a global retrospective judgment, which in most cases is constructed only when asked, and is determined in part by the respondent's current mood and memory, and by the immediate context.”<sup>88</sup>

The apparently unstable nature of the answer is evidenced in a series of studies where small changes are seen to have a large effect. For example, Schwarz showed that participants in a study who found a coin shortly before answering a question about their overall well-being were significantly more likely to report themselves as happy in general.<sup>89</sup> The power of certain preceding questions have been even more impactful in showing the bias of context. When asked how many dates students had been on right before being asked about their general life satisfaction, researchers found that happiness scores were much lower than the control group.<sup>90</sup> Finally, the weather seems to have similar effects, whereby sunnier days elicit higher scores in certain countries.<sup>91</sup>

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<sup>88</sup> Kahneman & Kruger (2006: 6)

<sup>89</sup> Schwarz (1987) in Kahneman and Kruger (2006)

<sup>90</sup> Schwarz and Clore (1983) in *ibid.*

<sup>91</sup> *Ibid.*

However it could be argued that many of these problems could be ironed out via more controlled methodology. Schwarz and Clore found that by explicitly asking about the weather before questioning the participants, its effect could be reduced to zero. Similarly, making sure that questions about life satisfaction are not simply ‘tagged onto’ the end of current surveys is no doubt something that should be kept in mind in light of the influence of preceding questions. But this is not to say that other factors such as mood, time of day, or whatever, will still play a significant role in biasing answers to questions of well-being.

But is their influence so much that they make happiness indicators unusable? Empirical evidence on this point is mixed and needs further research. But what has been found so far points to an encouraging conclusion. By comparing measures of subjective well-being across methodologies we can see whether any major anomalies crop up. Studies show in this respect that almost every indicator correlates with each other.<sup>92</sup> Moreover, even measures of global happiness and everyday happiness fit this observation.<sup>93</sup> Thus Diener surmises that “the content of well-being measures has surprisingly little influence on the reliability of well-being measures.”<sup>94</sup>

## **7.2 Validity**

Because there is much variety about how answers to global well-being are achieved, validity can only strictly be argued for by each individual measure. However I think there are enough similarities between most measures to warrant an argument for their validity as a whole. This is what I will do here.

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<sup>92</sup> Andrews & Whitney (1976), Lucas, Diener, & Suh (1996), Watson (1988)

<sup>93</sup> Diener et al. (2009: 80)

<sup>94</sup> Diener et al. (2009: 73)

One of the simplest ways of arguing for validity comes from the process of ‘informant ratings’ whereby each individual’s self-reports of well-being are compared with reports from a person who knows that individual well. If you say you’re happy but your friend or relative says otherwise then there is cause for doubt. The interesting thing about this way of evidencing validity is that correlation between the friend/relative and the individual, shows not only that the person’s views of her well-being conforms to other’s views of her well-being, but that the significant other is likely to be able to perceive what their friend’s conception of well-being is. This correlation has been found to be significant, and further noted that people answer similarly about themselves whether they are replying to an interviewer or responding to a survey – showing little evidence for interviewer bias.<sup>95</sup>

This is an argument of convergent validity.<sup>96</sup> Convergent validity uses how well one measure of well-being correlates to another. Linking data from brain scans to measures of reportive validity is perhaps the most scientific way to achieve convergent validity. Researchers have consistently found that subjects who describe themselves as being satisfied with life activate the left side of their brain more often than subjects who don’t. However neuroscience is never quite as simple as saying the left side of the brain reflects more happiness – other studies have shown that anger also activates the same part of the brain.<sup>97</sup> As such this field of enquiry is still quite crude, but is nevertheless a line of argument that will only become more valuable as methods and understandings become more developed. Similar claims of convergent validity have been made on the basis that self-reported happy people smile more often and more sincerely, and are more

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<sup>95</sup> Layard (2005)

<sup>96</sup> Diener et al. (2010)

<sup>97</sup> Harmon-Jones & Seligman (2001) in Diener et al. (2009: 82)

likely to encounter desirable outcomes in life, and less likely to experience psychiatric problems.<sup>98</sup> Of course these results mustn't be confused with claiming a specific direction of causation – happiness may be the result, the cause, or both, of such phenomena.

It must be noted here too, that convergent validity is limited in its use. With happiness there is no gold standard measure by which all other measures can claim validity from. Happiness is not necessarily defined by how often we smile, or how few psychiatric problems we have, or how much activity we experience on the left side of the brain. Indeed, returning to previous comments, life satisfaction is subjective and therefore ultimately depends on what that person values as important. But in attempting to indicate some validity to the measures, researchers have resorted to showing how the most common assumptions to do with the nature of satisfaction, like smiling, and being free from depression, do correlate to subjective well-being indicators. Indeed if they did not then they would no doubt lose some sense of legitimacy.

### ***7.3 How changeable is subjective well-being?***

One of the most instinctive doubts regarding the whole endeavour of collecting happiness reports, is that even if we can collect data accurately enough, we can't do anything to alter levels of happiness. This theory has much to do with two observations – the influence of genes, and the effect of adaptation.

#### **7.3.1 Genes**

Happiness is inherited. Lykken and Tellegen, observing twins over a 10 year period, reckoned that 80% of the stable part of happiness is down to your genes. “Trying to be happier” they

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<sup>98</sup> Bok (2010: footnotes 12 & 15 chpt 2)



concluded, may be “as futile as trying to be taller”.<sup>99</sup> Such findings have led some to discard the idea that happiness is something that can be improved at all. But their hastiness is unjustified.

Firstly, heritability coefficients do not reflect the percentage of something that cannot be changed. As Diener eloquently points out, genes are simply code for proteins, which in turn guide the structure of the body, while “specific differences in these structures have wide-ranging effects on the behaviour of the organism. But the effects of genes on well-being must flow through some mediating process, and these mediating processes may vary in the extent to which they are amenable to change.” Some genes determine whether people are likely to marry or not, but that is not to say that policy decisions can make marriage more or less likely too.<sup>100</sup> To say that happiness is 80% heritable, is not to say that only 20% can be influenced by other means. Other scholars reduce the percentages further, with Derek Bok claiming a 50% accountability of heredity.

A useful example of this point can be seen in the way that IQ is determined. It has been found that IQ is around 75% heritable. Yet IQ rates have increased drastically over the last century.<sup>101</sup> Higher levels of education along with less disease and better diets have presumably all contributed. It is no large jump to say that well-being may be similarly heritable and similarly amenable to change. In fact, there is evidence suggesting that the percentage of Danes who considered themselves ‘very happy’ with their lives increased significantly within 20 years,

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<sup>99</sup> Lykken & Tellegen (1996: 189)

<sup>100</sup> Diener et al (2009: 100)

<sup>101</sup> Dickens & Flynn (2001) in Diener et al. (2009: 101)

while the percentage of Belgians who reported the same level of happiness actually dropped.<sup>102</sup> Such changes allude to predictors other than heritability.

Secondly, Diener et al. makes the point that however much heritability influences happiness, what is really important for policymakers is the stability of well-being itself. If well-being is perfectly stable then it cannot change whether or not it originates from circumstantial or genetic factors. Studies looking at well-being over decade and two decade long periods seem to be in agreement that between 30% and 40% of the variance of in life satisfaction measures is stable and doesn't change. Year-to-year stability is higher (60%) but indicates that there is significant room for change.<sup>103</sup>

### 7.3.2 Adaptation

Attempts at altering levels of happiness inevitably face the problem of adaptation, something I have described already in this thesis. Suffice to say that its argument relating to subjective well-being is that those who show up in social indicators as being much worse off than others, may not show up in subjective well-being measures, due to their capacity to get used to the surroundings around them. There are a few initial points to this critique. Firstly it only applies to situations where happiness indicators are used in isolation. Presuming that policymakers pay as much attention to social indicators as they do happiness indicators is to presume that such people will not pass under the radar when it comes to welfare provision. Secondly, adaptation not only works in one direction. Richard Layard argues that adaptation works best when it concerns getting richer, rather than getting poorer. If an extra pound is adapted to more by a rich person

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<sup>102</sup> Bok (2010: 52)

<sup>103</sup> Diener et al. (2009: 102)

that it is by a someone with less money, then policymakers have more reason for redistributive policies.<sup>104</sup>

Finally, it is not wholly true to say we simply ping back to our predestined levels of subjective happiness. There are some things that we simply do not adapt to – like noise, and chronic pain. Whilst other contingencies like divorce and unemployment have been observed to be very slow at achieving adaptation. Taking divorce as an example, it has been discovered that life satisfaction generally follows what we expect it to do. Levels of happiness are low prior to divorce, fitting with the assumption that being unhappy would lead up to that outcome. Just after the divorce was complete happiness levels increase, following the idea that divorce was the solution to a problem.<sup>105</sup> As such, though adaptation may occur, in profound instances like these, marked differences in happiness can still be clearly observed. Where economic indicators may hastily term divorce irrational, due to its loss of earnings, happiness indicators provide a measure by which to view it in its rational sense – of addressing low levels of well-being.

#### ***7.4 Do they tell us anything new?***

Apart from turning economically irrational preferences rational, like in the case of divorce, subjective measures of well-being do well to highlight areas that policymakers would otherwise overlook. Indeed to base policy on empirical evidence that backs up intuitive thoughts is far more justifiable than simply to base policy on intuition alone. Looking at suicide, it is possible to see findings that might otherwise not have been discovered without subjective well-being indicators. In a study following participants for 20 years, researchers found that how happy a

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<sup>104</sup> Layard (2005)

<sup>105</sup> Gardner and Oswald (2006)

person is predicts how likely they are to commit suicide in the near future more than it does in the distant future. Therefore if someone is very unhappy but survives that period of their life and becomes happy, then that original period of depression has no impact on the likelihood that they might end their life in the future. This tells us something important – i.e. that there is something beyond being vulnerable to depression that predicts the likelihood of a person committing suicide.

Another use of life satisfaction information is that they are a significant predictor of future behaviour. Business has known this and implemented it far more than government has. If a company wants to reduce staff turnover they often consult employee satisfaction surveys to see how far those efforts may be rewarded. Similarly customer satisfaction comes perhaps only below financial turnover in a list of most important statistics for any company. As discussed already, satisfaction of citizens should not be considered the only goal of government, but it can serve as an indicator of what a population might be likely to do in the future.

### ***7.5 Everyday Happiness or Global Happiness?***

Some happiness scholars claim that many of the validity and reliability problems of asking people ‘all things considered how happy are you in life?’ are eliminated by asking people to rate their happiness levels at intervals their day instead. Their differences in definitions of happiness are explained in section two of this paper. I agree with most thinkers on this issue: that there is room for both indicators to be accommodated into evaluative discussions about happiness. But the question I deal with here concerns the claim that experience sampling can replace life satisfaction surveys by claiming that an aggregate measure of everyday happiness is a more accurate and valid measures of general happiness.

The argument follows that a person's own judgment about their life is unreliable. This is accounted for by the context and framing effects I mentioned when addressing the reliability problems of few pages ago. Because global subjective well-being measures rely on memory, Kahneman argues that taking an aggregate score of *experienced* happiness (as opposed to remembered, or general, happiness) allows for a truer picture of a person's happiness. If these scores differ from the ones of global remembered happiness then the latter should be viewed as incorrect.<sup>106</sup>

Kahneman bases his argument on the observation that everyday happiness is less prone to the focusing illusion. He argues that when people answer global happiness questions, they instantly bring to mind comparisons between themselves and others. So, rather than arduously sifting through all of one's hedonic pleasures and pains over the last year, a person will use a shortcut, like her relative position in society, or the job or material things she has. The aspects that come to mind are never as influential to a person's happiness as they think. Consequently their answers are biased.

In Kahneman's everyday happiness indicator, the more reliable task of sifting through pleasurable and painful experiences to form an aggregate score is achieved by researchers, and not the individual.<sup>107</sup> Therefore things like spending time with friends, or having a long commute become strong variables of happiness, where before they would have had less effect. For this reason everyday happiness scores are far less stable than life evaluations. Positive experiences are far more prevalent during the weekend than during weekdays, for example. Global life

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<sup>106</sup> Kahneman (1999)

<sup>107</sup> Ibid.

evaluations conducted on a daily basis have no such fluctuations.<sup>108</sup> Furthermore life circumstances play a much greater role in life evaluations than emotions – perhaps because of the focusing illusion. Needless to say this doesn't dispute the accuracy of either indicator – rather it reflects their reliability.

I refute Kahneman's argument that because we focus on life circumstances in order to answer life satisfaction questions they become invalid. In fact the focusing illusion helps to diminish the claim made by adaptation, that we can be happy whatever our circumstances. By focusing on circumstances when asked about general well-being, answers become much more connected to the context of objective circumstances. Indeed someone who does this would be less prone to being deemed happy in unfavourable circumstances than if we simply took their aggregate everyday happiness. Furthermore, if the results reflect how a person feels, then for some, that is enough to achieve validity, regardless of whether their memory draws attention to features of their life that aren't the greatest predictors of their hedonic experience.<sup>109</sup>

But there are other reasons why global happiness measures offer more useful data.. Firstly, as I have already referred to, subjective measures are useful in predicting the future behaviour of individuals, more so than everyday happiness indicators.<sup>110</sup> Therefore policymakers have a better picture of contributors to things like unemployment, or divorce. Secondly certain experiences that people report to be great contributors to their well-being , often show up as being unpleasurable ones at the time. The nuanced valuation of experience that can happen *after* an

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<sup>108</sup> Helliwell & Wang (2011) in Helliwell (2011)

<sup>109</sup> For example, Bok (2010: 37)

<sup>110</sup> Helliwell (2011), Bok (2010)

event can be lost in experience sampling. Climbing a mountain may not necessarily show up as pleasurable at the time, but it would be difficult to argue that the value a person achieves from it is not a contributor to their well-being. Thus, as a measure of general well-being Kahneman's method has serious limitations. Which is not to say that everyday happiness indicators are not useful. Their value in highlighting which parts of the day and which experiences give us the most pleasure should not be disputed. But the claim that an aggregate of those scores reflects general well-being is flawed by its omission of retrospective valuations of experiences, its broken connection between life circumstances and well-being, and its decision not to take into account the views of the people that it hopes to represent. This latter point is one that I feel is the most important in defending the use of subjective measures of life satisfaction.

### ***7.6 Self-judgments matter***

I agree with Kahneman to the extent that biases should be addressed in self-reports of global well-being. However I would not go as far to say that the validity of those measures is made or broken by the extent to which those biases can be solved. The fact that differences emerge between indicators of experience sampling and from life satisfaction surveys should not mean that we must choose one over the other. In attempts to reflect the well-being of the economy, economists consult a plethora of indicators, some of which tell a positive story and others not. That inflation indicators may tell a different story than employment levels, or purchasing power measures, is not to say that one is a more valid indicator of the health of the economy over the other. It is simply understood that there are many sides to the economy, and when gaining a picture of complicated domain like the economy, it is useful to have as full a set of indicators as possible. I see no reason why the same argument could not be made for combining both happiness indicators to give a more complete understanding of happiness.

## **7.7 Conclusion**

Global happiness measures are void of many of the problems inherent with other indicators of well-being. They don't rest on a link between a measure of something as a proxy for well-being. Neither do they rest on an external conception of well-being, whether it be preference satisfaction, or attaining certain capabilities. But they do run into some of the problems that other indicators have. They are prone to the focusing illusion. They are biased by context and framing effects like mood and the weather. Even though experience sampling offers the solution to these problems, they create their own fallacies, the greatest of which being that they equate well-being with immediate pleasurable experiences, and rid people the opportunity of rating how well their life is going. For these reasons I believe it is right to use both indicators. It is no great task for policymakers to interpret the differing data as offering information about different sides of happiness, rather than as contradicting each other. Indeed this is something we take for granted when looking at crime statistics, or economic statistics. Those who say that happiness measures are unreliable and invalid should be interested by evidence from correlations between informant ratings and brain scans to happiness indicators. Those who say that happiness is something beyond our capacity to change need look no further than decades of results that show marked increases or drops within countries, and examples of increases of other heritable traits like IQ and height.



## 8. Conclusion

In showing that happiness indicators are worthy of attention in the realm of public policy I have looked at three main questions – (a) what definition of happiness can be represented and is represented in happiness indicators? (b) What are the problems and information gaps with current indicators of well-being of (i) social and (ii) economic indicators, and (iii) contingency valuation surveys? (c) And are happiness indicators reliable and valid enough to be integrated amongst social and economic indicators? In order I shall reflect on what the answers to those questions have involved, and how well they support my conclusion that happiness indicators are worthy of considered attention in public policy decision-making.

(a) The very nature of reporting how satisfied you are with life does away with external definitions of well-being. Someone who lives the life that someone else would find undesirable is able to report how happy they are based on their own judgment of what a life going well involves. On the other hand, everyday happiness measures only measure the extent to which people have positive and negative experiences. As such everyday happiness' scope as a representation of people's general well-being is reduced. Though it maintains some use when it comes to looking at exactly which activities of a person's day are the most enjoyable and which the least enjoyable. Combined together they form a more complete picture of the nature of happiness than they would on their own. Everyday happiness is also useful in that it may show individuals the difference between their perceived judgment of certain contingencies, and the more likely outcome of contingencies. Whether such indicators are useful can only be answered by looking at whether they can fill an information gap that might exist within the current

landscape of well-being measures, and whether they can claim more reliability or validity in capturing well-being.

(b) (i) Social indicators suffer from false claims that they are objective in both measurement and definition. Deciding which domains such be included in lists that reflect well-being clearly involves subjective decisions. So too does the process of measuring certain areas of interest. Where happiness indicators are important is in providing information about which areas of life cause the most misery and the most enjoyment. As such, the compilation of social indicator lists could do well to consult such information. Happiness can be viewed as in instrumental good in that if governments view health and education to be their top priorities, they would be justified in aiming to increase general happiness because of its positive effect it has on keeping people healthy and motivating children in schools. But the greater claim to be made is that decisions about what is important for a certain population shouldn't be taken without consulting what the population actually perceives to be important.

(b) (ii) That money is a proxy for well-being has two distinctive problems. Firstly, people make many choices that do not give themselves the greatest amount of utility, due to limitations caused by bounded rationality, and the psychological influences of adaptation, social comparison, the focusing illusion, and having ever higher aspirations. Secondly, money cannot realise all of our preferences, such as those of human relationships, how fulfilling our working life is, and living in a desirable, safe, and cohesive community. But again, economic indicators are important not because they represent a full picture of a nations well-being, but because they tell us about the health of the economy, which can have an enormous impact on a nation's well-being, especially in unemployment terms. As such, when used in the right way, the combination of subjective

measures of well-being, and social and economic indicators allow public policy to direct itself to the aim of increasing the general well-being of a nation.

(b) (iii) By claiming to represent how certain policies would affect people's well-being, contingency valuation surveys offer a direct alternative to consulting happiness indicators. But the latter, I believe, are more reliable than that the former. Not only is it in the interests of respondents to inflate their answers, in the knowledge that those answers might influence policy decisions, but the very nature of hypothetical questions is enough to bias answers beyond being a good reflection of what changes would actually occur in levels of well-being. Surveys often elicit attitudes, rather than preferences, which are far more susceptible to context and framing effects. Furthermore, respondents are usually ignorant of the effects of adaptation, and biased by the focusing illusion, so that their answers become inaccurate predictions of what are the likely effects of a certain contingency on their well-being. As such happiness indicators offer a more reliable account of possible gains and losses in well-being.

(c) Though global happiness indicators circumvent many of the problems inherent in economic and social indicators, and contingency valuation surveys, they are prone to context and framing biases, and the focusing illusion. That everyday happiness indicators are not is reason to encourage attention on their data. But it is not reason to dismiss the former in favour of them. The most important reason for this can be summed up by the omnipresent assertion that what is good for people cannot be determined without asking them. But that is not all. Evidence that shows global happiness answers are more sensitive to life circumstances means that they are useful for knowing how life circumstances influence a person's sense of well-being.

Additionally, they allow for retrospective valuations of experiences that may at the time not have shown up as being positive, but latter were deemed so by the individual.

In conclusion, global happiness indicators are reliable enough and valid enough as a measure of well-being to be worthy of consultation by policymakers. Though they should not replace economic and social indicators in judging how well a society is doing, they offer essential information that may influence policy, and cooperate with those other indicators. The question of what kind of impact their recognition could have in socio and economic policymaking is a whole other paper in itself. Richard Layard lists the things that should be done differently if governments made happiness a top priority. Amongst other things he recommends introducing more family-friendly practices, spending more on psychiatry, eliminating performance-related pay and unemployment, and teaching the systematic practice of empathy in schools.<sup>111</sup> But perhaps the most radical change could be in a shift in emphasis away from the importance of income towards to importance of social ranking. A study by Wilkinson and Pickett has already shown that the larger the gap from the richest to the poorest, the lower the well-being of society as a whole is.<sup>112</sup> But ultimately, what subjective measures of well-being should provide is an input channel by which people are able to highlight those domains of life which cause the greatest distress or misery. As Diener and Suh sum up perfectly “objective inputs are transformed by individuals and cultures to produce what is perceived by people as desirable or undesirable. Subjective well-being measures assess people’s actual reactions that are involved in

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<sup>111</sup> Layard (2005: 234-233)

<sup>112</sup> Wilkinson & Pickett (2009)

such a transactional process. What is good for people cannot be determined without taking their views into account.”<sup>113</sup>

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<sup>113</sup> Diener & Suh (1997: 207)

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