

## Working Paper Number 201

### Against Happiness:

### A critical appraisal of the use of measures of happiness for evaluating progress in development

Frances Stewart\*

*The idea that measures of happiness, or subjective wellbeing, should be used as the sole (or a dominant) measure of country progress has been advocated by a number of scholars over the past decades. The paper traces the origins of the approach in the works of 18<sup>th</sup> and 19<sup>th</sup> century utilitarians. Their thinking ultimately led to a justification of income maximisation as the measure of progress, equating income and utility. In contrast, the revived approach by neo-utilitarians intends to replace income as the objective by measures of happiness derived from surveys. This paper assesses happiness as the objective of development and measure of progress, contrasting it with Human Right and capabilities approaches and the promotion of justice, which also question the income measure. The paper considers problems with the happiness approach arising from difficulties in measurement, peoples' tendency to adapt to their circumstances, and its inability to capture the wellbeing of future generations. It also provides a weak basis for distributional judgements. The author argues that human progress involves promoting human fulfilment or flourishing (including meeting agency goals), securing a just distribution, and ensuring that this is sustained over generations. This extends well beyond any indicator of subjective wellbeing. Cross-country surveys of human wellbeing can come nowhere near to measuring this extensive array of objectives. The happiness approach can consequently offer misguided policy conclusions. The paper considers four ways that authors have advocated using happiness measures as a supplement to objective human indicators. It argues that the happiness measure may have a role in pointing to the need for investigation of conditions, if the evidence shows that there has been a major deterioration in measures of happiness despite improvement in human indicators. But proposals to amalgamate measures of capabilities and happiness indicators to assess progress are not satisfactory*

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\*Oxford Department of International Development.

*‘Happiness is the meaning and the purpose of life, the whole aim and end of human existence’.*

Aristotle (2004: Book I, 1095a)

*‘The utilitarian doctrine is that **happiness** is desirable, and the only thing desirable, as an end; all other things being only desirable as means to that end’.*

Mill (1998: p. 95).

*‘It is thus self-evident that the best society is the **happiest**’.*

Layard (2011: p. 224)

## 1. Introduction

The idea that measures of happiness, or subjective wellbeing, should be used as the sole (or a dominant) measure of country progress has been advocated by a number of scholars over the past decades (Easterlin 2001, Kahneman 2003, Graham 2011, Layard 2011, Helliwell, Layard et al. 2012, Helliwell, Layard et al. 2013). It has also been taken up officially – for example by the Sarkozy Commission (Stiglitz, Sen et al. 2010); and most famously by the Bhutan government, which has replaced Gross National Product as the measure of the country’s progress by a measure of Gross National Happiness. This paper provides a critical appraisal of the idea of happiness as the major metric of progress in development. Much of the motivation behind the happiness agenda is to argue that subjective measures of wellbeing are superior to GNP, which is a poor measure of wellbeing. While I agree with criticisms of GNP as a measure of progress, I argue that subjective measures of happiness should not displace objective measures, such as those embodied in the Human Development approach, in which progress is assessed as the expansion of capabilities or freedoms (UNDP 1990, Sen 1999), or a Human Rights approach, which gives precedence to the realisation of universal human rights.

The paper is organised as follows: I start with an account of the origins, evolution and motivations of the happiness approach, going back to the nineteenth-century utilitarians and then discussing modern happiness gurus, or neo-utilitarians. A critical question that inevitably arises in discussing happiness as an objective is how it to be defined and measured. Section 3 discusses some definitions that have been suggested and ways it has been measured. Section 4 briefly describes some alternative ‘objective’ measures of development progress, and proceeds to discuss a number of problems with the happiness approach which arise, especially in contrast to these alternatives. Section 5 considers policy implications of the happiness approach and argues that these policies can be perverse from several perspectives. Finally, the last section considers whether there is any role for subjective measures in assessments of development progress, and if so what.

## 2. Who favours happiness?

### a. Classical utilitarians

Aristotle is foundational in his conceptualisation of and focus on happiness.<sup>1</sup> His views are embodied in the statement that ‘happiness is the meaning and purpose of life’. Yet, as we shall see below, his views can be interpreted as the foundation of the capability approach as much as of the subjective measures of happiness that form the focus of the happiness approach today. The human-centred approach of Aristotle and other Greeks was largely displaced by religious views about the meaning and purpose of existence for many centuries. However, in the eighteenth century a new humanism emerged and the pursuit of happiness was recognised by Thomas Jefferson as a fundamental human right and objective (along with others, including life and liberty), a view which was embodied in the US constitution. However, given that Jefferson (and the Constitution) included multiple rights, a simple measure of happiness would not be sufficient to assess national progress.

In contrast to this pluralistic approach, Jeremy Bentham (following Hutcheson 1726) who introduced the phrase ‘the greatest good for the greatest number’ as the way to assess morality of actions, and Gay<sup>2</sup>, Hume and Priestley (Hume 1751, Priestley 1768, King and Gay 1978)) proposed that ‘it is the greatest happiness of the greatest number that is the measure of right and wrong’ (Bentham 1776, preface second para.; in some places he replaced this with ‘the greatest total sum of happiness’). He followed this up with detailed recommendations for a ‘felicific calculus’ and his philosophy became the basis for progressive reforms, for example of sanitation by Chadwick in England in the early nineteenth century. Adopted (with some qualifications) by John Stuart Mill and Edgeworth, Sidgwick and others, the approach provided the foundations for welfare economics. For each individual, it was assumed that welfare maximisation would be achieved by individual consumer choice, in which the ‘rational’ individual would equate her marginal utility from the purchase of any good with that obtained by buying any other good. Hence prices were equated with the marginal utility every consumer got from every good, so prices times quantities consumed could be assumed to be a measure of welfare. Adding up all purchases in the economy one arrives at national income, and thus the initial utilitarian ethics provides the foundation for regarding national income as a measure of national wellbeing.

There are, however, many heroic assumptions behind this simple argument. First is the issue of the distribution of income or utility. If we assume there is diminishing marginal utility to extra consumption (or income), then the marginal utility of richer individuals, for any given additional income, will be less than for poorer individuals, and utility maximisation would require redistribution of income. Without such redistribution, maximising national income would not maximise national utility. This was the conclusion of Bentham, Mill (to some extent) and Pigou. For example, Bentham stated: ‘But the quantity of happiness will not go on increasing in anything near the same proportion as the quantity of wealth...The effect of wealth in the production of happiness goes on diminishing as the quantity by which the

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<sup>1</sup> Precursors include hedonists such as Aristippus and Epicurus.

<sup>2</sup> In 1731, Gay argued that: ‘happiness, private happiness, is the proper or ultimate end of all our actions...’ (Gay, 1731, cited in Schneewind, 2003: p. 404).

wealth of one man exceeds that of another goes on increasing' (Bentham and Bowring 1838, *Panomial Fragments*, Chapter IV, p 229).<sup>3</sup> The implication of this is that GNP as such cannot be interpreted as a measure of societal utility, but it must be weighted according to the level of income of the recipients (as proposed by Chenery, Ahluwalia et al. 1979). But this assumes that one can compare utility across individuals. Robbins denied this was so, stating: 'in our hearts we do not regard different men's satisfactions from similar means as equally valuable'. (Robbins, 1945: p. 140-1). Once the view that interpersonal comparisons of utility were not valid was accepted, economists could say nothing about distributional issues, and were left to argue that maximising national income - the efficiency maximum - by reaching a Pareto optimal position would maximise welfare, any redistribution of income from this income could then be brought about through political decisions.

There are other powerful objections to the view that national income is a measure of national wellbeing, including the existence of externalities, social interactions and values (including people valuing other people's wellbeing), a neglect of people's actual physical (or mental) condition, and a consequential assumption – that all that matters are outcomes and not how one gets there. These objections have been powerfully articulated by (Sen 1977) and formed the major impetus behind his development of the capability approach. GNP may increase while income distribution is worsening, maternal mortality and child malnutrition are high and show no improvement, the government is repressive and human rights are being violated. Despite these powerful objections to GNP as the measure of progress, it remains the dominant way in which economic development is assessed, although alternatives have been suggested and are gaining ground – for example the UNDP's Human Development Index. It is in this context that the neo-utilitarians developed the case for happiness as an alternative to income in assessing progress.

## **b. The neo-utilitarians**

In strong contrast to the classical utilitarians, the new advocates of happiness as a measure of progress are intending not to justify the use of income but to provide a replacement or supplement to it. The new advocates started with Richard Easterlin at the beginning of the 1970s – at around the same time that development economists were struggling to find an alternative to GNP (Seers 1972, Easterlin 1974). The approach was taken up by others, mainly in relation to developed countries (e.g. (Clark and Oswald 1994 , Frey and Stutzer 2002, Kahneman 2003), most enthusiastically by (Layard 2011), who argued, unlike most others, that happiness should be the only objective and all other aspects of life were only valuable if instrumental to the promotion of happiness. Less attention was initially paid to developing countries, but Carol Graham and others have initiated a large amount of empirical work on the extent and correlates of happiness in developing countries (Graham and Pettinato 2002, Graham 2009). Moreover, Bhutan has instituted a measure of Gross National Happiness as a replacement for GNP. No other country has done so, but some governments are introducing subjective wellbeing measures alongside measure of income (e.g. the UK government).

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<sup>3</sup> According to Pigou: 'it is evident that any transference of income from a relatively rich man to a relatively poor man of similar temperament, since it enables more intense wants, to be satisfied at the expense of less intense wants, must increase the aggregate sum of satisfaction. The old "law of diminishing utility" thus leads securely to the proposition: Any cause which increases the absolute share of real income in the hands of the poor, provided that it does not lead to a contraction in the size of the national dividend from any point of view, will, in general, increase economic welfare.' Pigou (1932: Part 1, Chapter VIII, para. 3).

Mill and Layard provide very similar justifications for adopting happiness as the goal and metric. Both argue that every person seeks happiness and this gives it supremacy as a measure of progress.

Mill states:

No reason can be given why the general happiness is desirable, except that each person, so far as he believes it to be attainable, desires his own happiness... we have not only all the proof which the case admits of, but all which it is possible to require, that happiness is a good: that each person's happiness is a good to that person, and the general happiness, therefore, a good to the aggregate of all persons (Mill, Crisp et al. 1998: p 81).

And Layard states:

'It is thus self-evident that the best society is the happiest' (Layard 2011: p. 224)

'it [happiness] is... supremely important because it is our overall motivational device' (p. 24); 'we are programmed to seek happiness' (p. 224).

This justification is not convincing for several reasons – which we will develop further later in the paper. It assumes that what we want (our overall motivational device) is what ought to happen, yet we also have motives (such as jealousy, hatred of others, love of others) which can override the happiness motive, the fulfilment of which would clearly not provide a satisfactory measure of societal progress. Moreover to state that something is 'self-evident' is not a reason at all, but simply an assertion of belief by the author.

### 3. Definitions and measurement

There are many interpretations of what is meant by the 'happiness' objective. According to Layard it is a 'subjective feeling'; it is 'feeling good, enjoying life'. For Graham, it is 'subjective wellbeing'. Aristotle's *eudaimonia* is far from simply a feeling: it is associated with human flourishing, living well, having a virtuous life, fulfilment of human potential. Indeed, it comes closer to the capabilities approach – discussed below – than that of neo-utilitarians, which is also how happiness is interpreted by (Franklin 2010).

There are also differences among those who stick to a subjective measure of happiness: for example, J.S. Mill differentiated different types of pleasure, famously saying that poetry was more desirable than pushpin. But this would make it very difficult (and arbitrary) to measure. Psychologists have differentiated between an affective or emotional component and a cognitive or judgemental component of wellbeing. In addition, there is the issue of *time*: subjective measures of wellbeing have been shown to vary according to age (Blanchflower and Oswald 2004, Graham 2009) and according to the time of day (Kahneman, Krueger et al. 2004). Hence any reported measure will vary according to the time of day of the survey and the age of the respondent (and for some the season of the year), especially for affective measures. Layard proposes that the objective should be to maximise life-time happiness for any individual, which deals with the problem of time in some ways, but obviously raises major (and almost certainly insuperable) problems of measurement.

Empirical work on happiness uses surveys of people's perceptions of their lives, but the questions vary – some relate closely to feelings and others to a considered evaluation of more

objective conditions. Questions include: ‘Did you smile or laugh a lot yesterday?’ and ‘generally speaking how happy are you with your life?’. These two are both primarily directed at the affective component. Other questions are more cognitive: for example, ‘generally speaking how satisfied are you with your life?’ and ‘imagine a ladder from 0-10 with 10 the best possible life: on which step do you stand?’ These last two questions may not be answered with reference to feelings at all, but may represent a considered judgement of a person’s objective condition in relation (especially for the last question) to what a person knows about other possible lives. The interpretation of any measure of societal (or personal) happiness then depends on the precise question which forms the basis for the measure.<sup>4</sup> Generally speaking, empirical studies find much higher correlations between objective conditions – such as incomes – and answers to ladder of life questions than with answers to the more affective questions on how happy a person is. Moreover, interpretations of the questions may differ across cultures and according to the precise translation adopted. These ambiguities, in themselves, make happiness an unsatisfactory measure of societal progress.

### a. Adding up and distributional issues

Measures of happiness used in cross-country comparisons are based on an average of answers by a representative sample of the population in just the same way as for GNP, despite the fact that in general the questions are answered ordinally so it is not appropriate to add up and compare answers. Distributional issues are then dealt with, in principle, by identifying how inequality of *incomes* affects happiness. Most evidence suggests that people compare their position to a reference group (often the average situation), which means that the rich get additional happiness from inequality while the happiness levels of the poor, for a given income level, are likely to be worse the greater the inequality (Kingdon and Knight 2004, Graham and Felton 2006, Knight and Gunatilaka 2011). There is virtually no correlation between measures of life satisfaction and inequality across countries and in econometric exercises across countries, levels of income per capita and HDI show a significant positive relationship with life satisfaction, but distribution of income, as measured by the Gini coefficient, adds nothing.<sup>5</sup> (Alesina, Di Tella et al. 2000) find that inequality does not affect happiness in the US but has a strong negative impact on the poor in Europe. (Graham 2009), comparing Honduras and Chile, finds that inequality in Latin America makes the poor three percentage points less happy, but the rich five percentage points happier. It is difficult to come to firm conclusions on redistribution on this basis since the scoring is ordinal. If one did interpret them cardinally, these findings would only justify redistribution if a decision was taken to weight the feelings of the poor more heavily than those of the rich. Doing so requires one to move outside the happiness metric and call on other values.

To summarise so far, using happiness as a way of evaluating progress involves many problems arising from disagreements about definitions, differences in how people answer questions according to the nature of the question, age and even time of day, as well as culture; problems of adding up answers across people to arrive at a national figure; and the weak basis for distributional judgements. Yet it might still be better than alternatives. According to Layard, one must have a single metric, and happiness is the best one on offer –

<sup>4</sup> Research shows correlations of approximately 0.5 between answers to the second and third questions (Blanchflower and Oswald, 2004).

<sup>5</sup>  $LS = 2.3352^{***} + 0.747HDI^{***} - 0.071G$ ; and  $LS = 5.246^{***} + 0.574GNI^{***} - 0.032G$  where LS is a measure of life satisfaction, HDI is the Human Development Index, GNI is national income per head and G is the Gini coefficient, all for 2011 or the latest available year for the Gini. \*\*\* indicates significant at 1% level.

indeed who can be against happiness? It is then necessary to consider alternatives before coming to conclusions. The next section will briefly discuss some alternatives for defining and measuring progress offered by the human development and capability approaches, a Human Rights approach, and, for distributional issues, theories of justice.

#### 4. Alternative approaches

A number of ways of defining development objectives have been suggested by those seeking alternatives to the use of income (particularly GNP) as a measure of societal progress. Some involve using income as the metric, but modifying it to allow for distributional concerns (Chenery, Ahluwalia et al. 1979). But others have rejected incomes altogether as an objective, though typically it remains an important means for achieving other objectives (Seers 1969, Morris 1977, Hicks and Streeten 1979, Sen 1980, Streeten and World Bank. 1981, UNDP 1990, Sen 1999). I will not discuss these many views in detail, but consider the Human Development approach of the UNDP; Sen's capabilities approach from which it is largely derived; and Human Rights approaches to development.

The UNDP's first Human Development Report states that 'The basic objective of development is to create an enabling environment for people to live long, healthy and creative lives'; 'Human development is a process of enlarging people's choices. The most critical ones are to lead a long and healthy life, to be educated and to enjoy a decent standard of living. Additional choices include political freedom, guaranteed human rights and self-respect' (UNDP 1990: p 1). The development of the Human Development approach owed much to Sen's view that the expansion of individuals' capabilities or freedoms should be the objective of development, and to the Basic Needs approach that gave priority to advancing people's basic needs. The former put great emphasis on freedom of choice – that development consists in advancing freedoms, defined as people's ability to be or do things that they have reason to value; the latter identified critical needs of the poor (Basic Needs goods and services) (Stewart 1985, Stewart 1995). All these approaches reject income as a measure of achievement in development, although they accept that it is very important as an instrument to advance capabilities, Basic Needs or Human Development. All of them involve *plural* objectives. And none of them refers to people's subjective evaluations of their condition (or to happiness measures). A critical feature of the capabilities framework is the emphasis placed on the importance of *agency*, so that it is not only levels of achievement in capabilities, but how they are achieved which matters, in particular whether goals are achieved by processes freely chosen by the person, or ones with which they concur. Thus what Sen calls 'wellbeing achievements' may be overridden by agency goals.

Human Rights (HR) refer to certain inalienable rights to which everyone is entitled as a human being. An HR approach to development sees the objective of development as being one of promoting the universal realisation of these rights. As Jefferson stated (repeated in the US Constitution) 'We hold these truths to be self-evident: that all men are created equal; that they are endowed by their Creator with certain unalienable rights'. Human Rights approaches have their origin in theories of natural rights, developed by various philosophers from the 17<sup>th</sup> century. They were recognised constitutionally in Britain in the 1683 Bill of Rights, in the US Declaration of Independence and the Constitution of 1776, and in France with the revolution, the Declaration of the Rights of Man and the Citizen (1789).

At an international level, it was the Universal Declaration of Human Rights following the second world war which provided the foundation for the Human Rights approach to development. Its preamble stated that 'recognition of the inherent dignity and of the equal

and inalienable rights of all members of the human family is the foundation of freedom, justice and peace in the world'. This was followed by agreement to a succession of covenants, including the two 1966 Covenants on Civil and Political Rights and on Economic, Social and Cultural Rights, and a number of more specific covenants. Internationally agreed Human Rights include rights to adequate food, education, housing, water and sanitation, employment, and more generally, the right to 'development', as well as a variety of political rights. Adopting an HR approach means that progress in development is to be assessed by progress in achieving these universal rights. In practice, this is not easy since the rights are rather general. Nonetheless, the general direction needed for progress is clear. Again the approach is pluralist, does not specifically include income, and does not include any subjective evaluation of a person's life.<sup>6</sup>

Neither the capabilities/Human Development nor the Human Rights approach specifically includes a judgement about distribution, although there are some distributional implications from giving priority to universal access to some critical capabilities, and equally to the fulfilment of Human Rights at a basic level. Moreover, the Human Rights conventions include the elimination of discrimination. Nonetheless, the approaches recognise the importance of considering and promoting a just distribution, even though for a more comprehensive view of justice towards the distribution of resources one has to turn to philosophers such as Rousseau, Rawls, Locke or Nozick, or to modern philosophers such as Anderson<sup>7</sup> (Locke 1773, Rousseau 1968 (first edition 1762), Rawls 1971, Nozick 1974, Anderson 1999). Irrespective of the view taken about what a just or equitable distribution would be, this is a critical issue for anyone concerned with societal progress.

It is clear that these views are in sharp variance with the happiness approach. In the first place, they are pluralistic (including a number of incommensurable elements); secondly, they all concern 'objective' observable conditions and none makes reference to subjective evaluations; thirdly, for the capability approach, agency is important as well as wellbeing; and finally, justice across individuals and groups is an important consideration, and not only the summation of individual achievements.

These differences pose a challenge for the happiness approach, if subjective evaluations differ from objective ones. For example, if people with poor nutrition and health display high subjective happiness indicators; or, if high values of subjective indicators are achieved, despite a lack of agency (e.g. through ill-treated labour); or if societies show high average achievements on life satisfaction (and even low dispersion), with highly unequal distribution across genders or races. This gets to the heart of the issue of whether happiness is a good indicator of progress. Given these dilemmas, would one choose to accept the happiness indicator or the more objective and agency-sensitive ones? Should justice be viewed purely instrumentally, in terms of whether it raises happiness? Similarly, for agency? Layard has stated that happiness is the ultimate goal and 'goods like health, autonomy and freedom are "instrumental goods"' (Layard 2011: p. 113). My view is that given such dilemmas, I would regard the objective and agency-sensitive indicators as decisive, not the subjective ones. This does not rule out *any* role for subjective indicators, as will be discussed further below. But it rules out their exclusive use.

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<sup>6</sup> The US Constitution, of course, famously includes the rights to 'life, liberty and the pursuit of happiness', but it is notable that the right is to the *pursuit* of happiness, not to happiness as such, and its achievement would be measured by people's freedoms rather than their levels of happiness.

<sup>7</sup> See Stewart (2013) for a summary of some views on distributional justice.



The dilemma would, of course, not exist if there were a perfect correlation between subjective and objective indicators. But there is not, as Tables 1 and 2, and Figure 1, show. Table 1 shows the relationship between the three components of the Human Development Index and a cross-country survey of life satisfaction. The correlation is lowest for income per capita and highest for life expectancy. While a correlation of 0.76 might be thought to be quite high (even sufficiently high to make one question the reality of any such dilemma as was mentioned above), when one does the same correlation for subsets of countries according to their level of Human Development, one finds much lower correlations (Table 2 and Figure 1) – indeed almost no correlation except for high HDI countries.

**Table 1: Correlations between life satisfaction and HDI and components of the index**

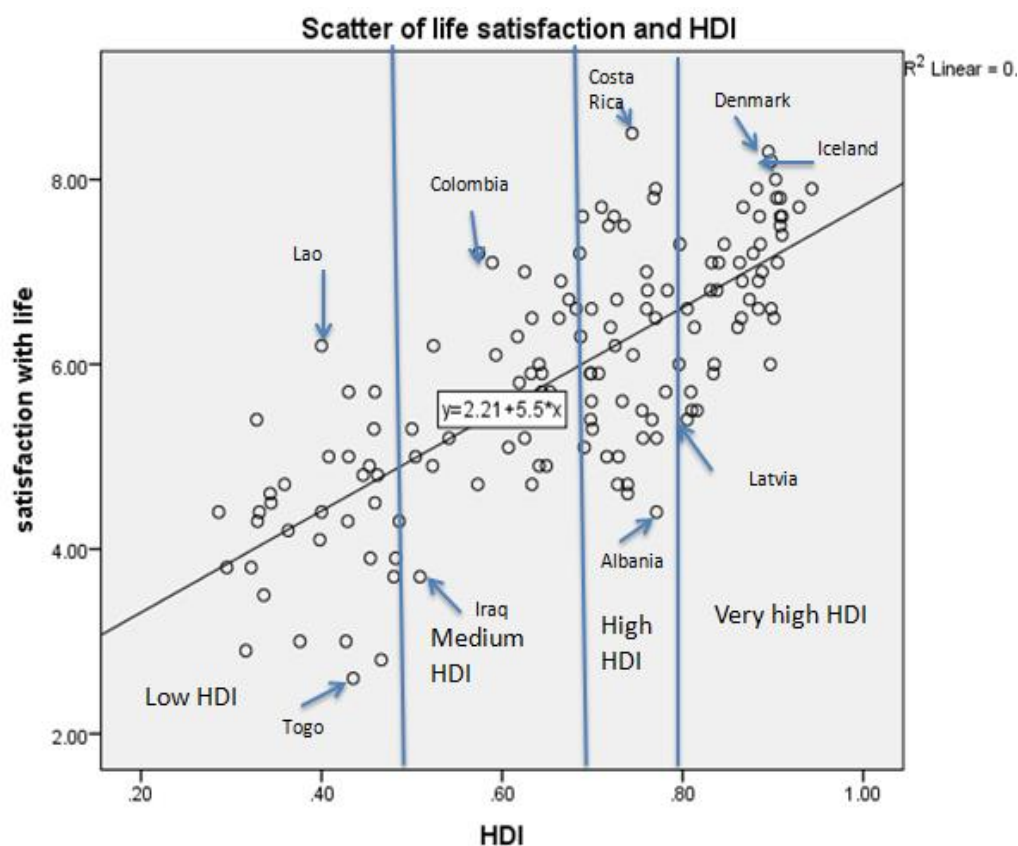
	<b>Correlation with life satisfaction across all countries 2010</b>
HDI	0.755
Income per capita	0.583
Life expectancy	0.756
Average years schooling	0.601

Source: World Value Surveys; Human Development Report Office statistics; World Bank, World development Indicators

**Table 2: Correlations between life satisfaction and HDI according to level of HDI**

	<b>Spearman rank correlation between HDI and life satisfaction 2010</b>
Very high HDI	0.672
High HDI	0.044
Medium HDI	0.27
Low HDI	0.131

Source: as Table 1



**Figure 1: Life satisfaction and HDI across countries, 2010.**

One reason for the weak correlations is that people adapt to poor circumstances. The next section summarises some evidence of such adaptations.

## **5. Some problems with the happiness approach as a guide to development policy**

### **a. Adapting to conditions**

As Graham notes ‘there is evidence of a great deal of upward and downward adaptation as well as a clear role for innate character traits in mediating the relationship between happiness and a range of environmental variables’ (Graham 2009: p. 214). Expectations about life conditions, and hence satisfaction with them, has been shown to be partially dependent on people’s local reference group, as shown by research in China and South Africa (Kingdon and Knight 2004, Knight and Gunatilaka 2011). Hence poor people living in low-income neighbourhoods or countries tend to be more satisfied with their lives, relative to a particular income level, than poor people living in high income environments. Similarly, it has been frequently shown that reporting of ill-health rises with incomes and education – as expectations of normal health rise (Sen 2002). Likewise, country regressions suggest that employed people are happier if the aggregate unemployment level is higher, and that unhappiness from unemployment diminishes as the unemployment persists (Graham 2009). Similarly, where the crime ‘norm’ is higher, suffering from crime has a less negative impact on happiness than where crime is rare (Graham and Hoover 2007).

None of this is unexpected. But it shows that people do adapt to their circumstances, making a happiness measure an unsatisfactory way of assessing development progress – unless one believes that all that matters is perceptions, i.e. that if a poor woman is chronically unwell and malnourished and yet declares her life satisfactory, we should not be concerned with her conditions.

### **b. Happiness has little to do with development**

A further problem for the use of happiness measures as the way of assessing development, and of guiding development policy, is that such a large proportion of the determinants of individual happiness lies outside the realm of development policy, or is only indirectly affected by such policy.

Completely unaffected by development policy are factors such as genetics and temperament (which account for about half a person's level of happiness), upbringing, age, marriage, and religion, all of which have been shown to affect levels of happiness. Then there are factors indirectly influenced by development policy – behavioural factors, such as friendships, exercise, narcotics and alcohol consumption; the social context – the extent of social networks and social institutions; the political context – the degree of personal freedom and absence of repression; and the extent of personal security. These are areas in which development policy does play an important albeit indirect role. Policies affecting them can and should be influenced by people's perceptions and preferences, in addition to other factors, including the relationship with human rights and their implications for other aspects of development.

Finally, the factors directly affected by development policy which have been shown to influence (or at least be correlated with) life satisfaction include economic circumstances (incomes positively for the most part and unemployment negatively); the state of health, which consistently has a strong positive impact; and educational levels (no consistent pattern has been observed, however). Some correlations between a range of factors and levels of happiness across individuals for particular countries (or regions) are shown in Table 3.<sup>8</sup>

Quite apart from the central question of this paper – how far we should assess progress by measures of perceived wellbeing as against capabilities or Human Rights fulfillment – the fact that only a fraction of variation in measures of happiness is associated with development policy would make this a rather clumsy way of assessing progress, as so much 'noise' is picked up in these measures<sup>9</sup> (Lykken and Tellegen 1996).

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<sup>8</sup> Helliwel and Wang (2013). also find that income per capita and expectancy at birth are significantly positively related to levels of happiness, and they also find a positive relationship with country levels of social support, freedom to make life choices and generosity and (negatively) with perceptions of corruption with a cross-country regression of 149 countries for 2012.

<sup>9</sup> About half the variation in happiness across individuals is due to genetics (Lykken and Tellegen, 1996).

**Table 3: Some correlates with happiness measures across individuals**

	US	Latin America	Russia	Central Asia	Afghanistan
	1972-1998	2001	2000	2004	2009
Age	Neg	Neg	Neg	neg	neg
Age squared	Pos	0	Pos	pos	0
Male	neg*	Neg	pos*	ns	Ns
married	pos***	Pos	Pos	pos***	Ns
log income	Pos	pos**	pos**	pos***(2)	pos***(3)
Educ	Pos	Neg	Pos	pos	na
black(1)	neg**	neg	Pos	neg*	na
Student	Pos	pos	Pos	na	na
Retired	pos*	neg	neg**	na	na
U/e	neg***	neg***	neg***	neg***	Neg
self-emp	Pos	neg	pos***	na	
health	pos***	pos***	pos***	na	na
Farmer	na	na	na	neg*	na
Living in Taliban district					pos**
Pseudo R2	0.075	0.062	0.033	0.096	0.197

\*\*\* significant at 1%; \*\* significant at 5%; \* significant at 10%.

Source: Graham 2009; (1)except for US this variable is 'minority'; (2) self-assessed socio-economic status; (3)household assets

## 6. Possible adverse policy implications

There are several ways in which policy implications arising from the use of a happiness approach could have adverse implications for development viewed as the expansion of capabilities or the fulfillment of Human Rights: first, some policies which worsen objective conditions for some might increase measures of happiness; secondly, policies which improve

objective conditions might reduce happiness; thirdly, policies may be introduced to encourage the adaptation to poor conditions, rather than being directed at improving the conditions; and fourthly, some serious problems may be neglected.

#### **a. Policies which worsen objective conditions for some may raise happiness**

Going by the evidence on the importance of reference groups and/or prevailing norms and conditions for satisfaction, it follows that worsening the conditions of a reference group, without changing /improving the conditions of the individuals outside this reference group, would improve the conditions of the latter. In a similar way, an increase in general unemployment would improve the happiness of the unemployed, and a rise in the crime rate would improve the happiness (or lessen the unhappiness) of those subject to crime. Of course, this need not mean that the best policy, from a happiness perspective, is to worsen general conditions, because one needs to take into account the population as a whole: the reference group whose conditions are worsened, those suffering additional unemployment and the people subject to additional crime, are likely to find their satisfaction worsening. However, if the reference group is small in number relative to the people of direct concern, the net effect (assuming heroically that one can add this up) may indeed be positive if the situation of the reference group deteriorates. In this context, there could be no improvement in the situation of the group of concern, and deterioration in the reference group situation, yet overall improvement in happiness. (However, the opposite may obtain if the reference group is large relative to the people of concern – then the overall situation would be likely to worsen if the situation of the reference group worsens.)

Essentially this means that we may not need to improve the objective position of the poor (their health/incomes etc.) so long as there is a reduction in reference group circumstances which improves the happiness of the poor more than it worsens that of the reference group. In contrast, those concerned with capabilities or human rights would argue that development policy should aim for improved realisation of these for poor people, irrespective of what happens to the reference group.

#### **b. Policies which improve objective conditions may reduce happiness**

An improvement in objective conditions may reduce happiness in a variety of ways. One is if economic growth raises expectations faster than incomes. Or, going back to the previous discussion and focussing on the poor, if it raises the conditions of the reference group faster than that of the poor. Similarly, a spread of health entitlements may lead people to assess ill-health more adversely as their standard of what is normal increases. A reduction in unemployment, while positive for those who get jobs, may be outweighed by increased unhappiness arising from their unemployment among those remaining unemployed – though this could be offset by rising expectations of getting a job.

#### **c. Policies may be introduced to encourage adaptation to bad conditions, rather than tackling the conditions<sup>10</sup>**

This is probably the most serious consequence of adopting happiness as the exclusive measure of development – since there is some evidence that it is occurring in places – while

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<sup>10</sup> I am grateful to Nandini Gooptu for ideas for this section.

the earlier issues were theoretical possibilities, perhaps unlikely to have effect in practice. In a joint venture between Stanford University and the Harvard Kennedy School, a ‘Stress reduction lab’ has been established to ‘reduce negative effects of poverty among those experiencing it’, acknowledging the political obstacles to a direct ‘war on poverty’.<sup>11</sup> In India, evidence of rising mental health problems among the poor has led the UN to recommend that: ‘Mental health issues should be integrated into all broader development and poverty eradication policies and programmes as a key indicator of human development’.<sup>12</sup> This is not to argue that mental health programmes do not have a role: mental ill-health is an important source of unhappiness and is especially prevalent among the poor (Patel 2001, Layard, Chisolm et al. 2013). But the main effort needs to be devoted to eliminating the conditions giving rise to poverty, not to making it acceptable – i.e. to eradicating poverty not to alleviating the symptoms.

#### **d. Neglect of serious issues**

Assessments of happiness can only relate to the present generation; there could be speculation about developments for future generations, but these lack empirical foundation. At worst, this means that the present generation’s happiness is maximized at the expense of future generations – the environment, for example is likely to be neglected. To the extent that the present generation’s happiness is affected by prospects for future generations, this extreme conclusion would be modified, but it unlikely to be sufficient to ensure the wellbeing of future generations. Moreover, to the extent that the present generation has a commitment to protecting the wellbeing of future generations, this is more likely to be an agency goal – derived from principles a person has – rather than a wellbeing one, yet the happiness surveys do not incorporate agency goals if they do not affect current perceived wellbeing. As well as neglect of future generations, people alive today who are unable or less able to articulate their perceived wellbeing – such as infants, children, the very old and those with particular problems – may also be left out except to the extent that their wellbeing affects those who are able to articulate their state of wellbeing. Doubtless, those who advocate happiness as a measure of progress would agree that some modifications are needed to deal with these issues, but this gets one away from the pure happiness approach and into more complex ways of assessing progress.

In sum, the happiness approach provides a weak and sometimes misguided approach to development policy. Many of the determinants of individual happiness are independent of development policy. Some elements which form a central part of Human Rights or capabilities do not appear to affect happiness in a systematic way – such as education. And some ways of enhancing happiness can be consistent with no improvement or even

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<sup>11</sup> ‘Among those who regard poverty as a major social problem, the conventional view is that we should respond by declaring a new “war on poverty,” then introduce initiatives that would lower the poverty rate, and thereby reduce the poverty rate in the U.S. However sensible such an approach may seem, there are real political hurdles that in the U.S. context make it difficult to take on poverty in any concerted way, and one might therefore focus additionally on measures that reduce the negative effects of poverty among those experiencing it. The purpose of the stress reduction lab, then, is to explore strategies for breaking the strong link between poverty and the stress that poverty generates (as revealed by, for example, cortisol levels).’ Collaboration for Poverty Research (CPR), Stanford and Harvard Kennedy School

[http://www.stanford.edu/group/scspi/cpr/cpr\\_lab\\_poverty\\_and\\_stress.html](http://www.stanford.edu/group/scspi/cpr/cpr_lab_poverty_and_stress.html) (downloaded 2 October 2013).

<sup>12</sup> UN(DESA)-WHO Policy Analysis, Mental Health and Development: Integrating Mental Health into All Development Efforts including MDGs’ 12 September 2010.

[http://www.who.int/mental\\_health/policy/mhtargeting/mh\\_policyanalysis\\_who\\_undesa.pdf](http://www.who.int/mental_health/policy/mhtargeting/mh_policyanalysis_who_undesa.pdf) (downloaded 2 October 2013).

worsening of objective conditions. Consequently, measures of happiness should not displace other ways of assessing development progress and of guiding policy, including the Human Rights approach, the expansion of capabilities or freedoms and the search for justice. These are not instrumental approaches, justified only to the extent that they advance the happiness objective, but fundamental constituents of progress.

## 7. Is there any role for subjective evaluations in our measuring of progress in development?

Do the severe problems with using happiness as the sole way of assessing development mean that we should abandon all such subjective assessments of progress? This seems extreme. It would seem difficult to count a country as progressing, even with marked improvements in the objective indicators of capabilities, if *all* assessments of subjective evaluations showed *strong deterioration*. Several approaches have been suggested for incorporating both objective and subjective evaluations in assessments of progress.

For example, the Sarkozy Commission concludes that ‘Measures of both objective and subjective well-being provide key information about people’s quality of life’ (Stiglitz, Sen et al. 2010: p. 18). This, indeed, is the approach adopted by Bhutan in its famous ‘Gross National Happiness’ indicator, which includes nine domains and 33 indicators, with psychological wellbeing forming one of the nine domains, with four indicators (see Table 4). In like vein, Sen has argued that happiness ‘can be seen as a very important human functioning, among others’, and hence be included as one of the elements in assessing progress, and also that it may be of ‘great circumstantial relevance in checking whether people are succeeding or failing to get what they value’, i.e. a way of assessing how effectively other goals are being met (Sen 2009: p. 276). (Kroll 2013) has amalgamated the HDI with a happiness indicator to assess country progress, and also suggested that correlations with happiness should determine the priority to be given to the objective elements of the HDI.

**Table 4: Elements of Bhutan’s Gross National Happiness Index**

Domain	No of indicators
Psychological well-being	4
Health	4
Time-use	2
Education	4
Cultural diversity and resilience	4
Good governance	4
Community vitality	4
Ecological diversity and resilience	4
Living standards	3
Total	33

Source: (Ura, Alkire et al. 2010)

Four different approaches to the role to be given to indicators of happiness can be distinguished in these views. First, that psychological well-being should be added to the dashboard of elements to be included in a multidimensional evaluation of progress. This is broadly Sen’s view and that of the Sarkozy Commission. But the problems of measurement

and mismeasurement remain, as well as that of adaptation to poor circumstances. Hence one would need to be cautious before taking this element of the dashboard too seriously.

The second view is that a combined index should be developed to assess country progress, including basic capabilities *and* a happiness indicator. This is what the Bhutan Index does and also Kroll. Apart from the usual problems of choosing a system of weighting, this could distort assessments – from a Human Rights or capabilities perspective – by allowing subjective measures to compensate for poor performance on basic indicators of capabilities. Given the severe theoretical and empirical problems raised by a happiness measure, as discussed above, I conclude this is an undesirable approach.

The third view adopted by Kroll (and advocated by Layard in arguing that everything other than happiness only has instrumental value) is that correlates with measures of happiness should be used to evaluate the priorities to be given to other objectives. This puts happiness back in the driving seat, and could result in serious distortions of priorities from a capabilities perspective.

A fourth view that Sen appears to advocate is that measures of happiness could be useful in evaluating the effectiveness of implementation of policies directed towards enhancing capabilities. Here one needs to revert to a dashboard approach. As the sole means of evaluating implementation, the impact on subjective wellbeing would be unsatisfactory. The impact on the actual capability – e.g. whether children are indeed being educated and at what standard – is critical in evaluating implementation of an education project, for example. However, the impact on subjective well-being could be a supplementary criterion, with some significance in itself, and more so for indicating defects in implementation that might otherwise have been missed – e.g. that the location of the school involved high costs of transport. This involves going beyond the measured indicator of well-being to an investigation into why the project had not improved subjective wellbeing.<sup>13</sup> As so many factors affect people's overall wellbeing, this does not appear to be a good indicator to use for project evaluation. More straightforward is simply to ask participants whether they feel they have benefitted from the project or not, if there are any serious problems with it, and why.

Thus of the four ways of incorporating a happiness indicator into evaluation of development progress, the only one with some value, in my view, is to include it in the dashboard of multiple indicators. But here we need to differentiate small and big changes; and positive and negative ones. Small changes in any happiness measure can be ignored given measurement problems. Attention is warranted for *large negative changes*. If there is progress in the objective indicators but *significant deterioration* in subjective ones – not due to measurement issues – this could be a signal that the development path has some problems which need to be explored. As Adrian Wood put it<sup>14</sup>, we should be concerned with avoiding and reducing misery, and indicators of this are relevant to assessments of development progress.

In contrast, large positive changes, if unaccompanied by improvements in objective indicators such as nutrition, health, education or security, on their own would not, in my view, be an indication of major progress in development in poor countries. The situation is

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<sup>13</sup> There is also the question of whose subjective well-being should be included: the participants (children in this case), their families, others indirectly affected – e.g. those living near a new school – and the broader community?

<sup>14</sup> In a contribution to a seminar. This is close to the view of Popper, who thought that rather than maximise pleasure, the principle should be to 'minimize pain' (Smart, 1958; Popper, 2002). Although what is advocated above is not precisely this – i.e. not invariably minimising pain as the overriding principle, but bringing it into consideration as one element.



perhaps different in rich countries where for most people achievements with respect to basic indicators might be regarded as satisfactory, and a large improvement in general satisfaction might therefore be accepted as constituting real progress. And we should note that it is only the happiness of those surveyed that is included, so that progress may be at the cost of those left out including, but not only, future generations.

## 8. Conclusions

The utilitarians of the eighteenth and nineteenth centuries made a major contribution: they put human happiness at the centre of the evaluation of progress, rather than religion or hierarchy and privilege which then broadly prevailed. Others, such as Tom Paine, similarly challenged privilege and hierarchy, from a Human Rights perspective. Both schools undoubtedly contributed to improvements in public policy and the abysmal conditions facing many who lived then.

Over time, however, the way that the utilitarian approach was interpreted had defects. It provided the basis for measurement of national income and its use as the main criterion of progress. Yet national income misses out many important elements in human progress – and became particularly unsatisfactory once economists adopted an ordinal approach to utility, rejecting the strong redistributive message of Pigou and others. The major achievement of the neo-utilitarians has been to challenge GNP and measures of income more generally as measures of progress, by reaffirming the initial utilitarian approach with its focus on human happiness, and showing that changes in income are not necessarily correlated with changes in happiness. Instead of using income as a measure of utility the neo-utilitarians advocated a direct measure of happiness to be ascertained by surveys. They thus challenged the use of GNP, and dealt with some of its problems as a measure of progress. But the approach had its own problems, especially as the sole measure of progress, and particularly in poor countries. This paper has reviewed some major problems of the neo-utilitarian approach, including those of measurement and adaptation. Above all, the objection to the neo-utilitarian approach is that human progress involves promoting Human Rights, advancing human fulfilment or flourishing, realising agency objectives and promoting a just distribution, sustained over generations. Cross-country surveys of human wellbeing can come nowhere near to measuring this extensive array of objectives.

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