The Utility of a Subjective Happiness Metric in International Development

by

Gavin N. Magrath

A thesis submitted in conformity with the requirements
for the degree of Master of Laws

Faculty of Law
University of Toronto

© Copyright by Gavin Magrath (2014)
The Utility of a Subjective Happiness Metric in International Development

Gavin N. Magrath

Master of Laws

Faculty of Law

University of Toronto

2014

Abstract

While the concept of “Gross National Happiness” was introduced by the King of Bhutan in 1972, debate about the utility of a subjective happiness measure has only recently garnered attention in the broader economic and development literature. This paper will discuss the philosophical and historic origins of happiness as well-being or *eudaimonia*, the subsequent narrowing of the meaning of happiness to hedonic pleasure, and the dominance of the income proxy for well-being. Difficulties with the measurement of and focus on wealth and income will be discussed as forming the basis for the resurgence of a multi-faceted concept of happiness, before some of the chief arguments against the adoption of a subjective happiness measure are addressed. I will then compare and contrast some prominent frameworks for evaluating well-being and draw conclusions about how a subjective happiness metric should be constructed and used to aid in policy development.
Table of Contents

Introduction 1

Part I: A Brief History of Happiness 3

Part II: Wealth, Development, and Happiness 9

Part III: Happiness Economics 19

Part IV: Happiness Metrics 37

Part V: Application and Conclusion 53

List of Figures

Fig 1: Comparison of Multi-Dimensional Frameworks for Well-Being, page 48
Introduction

The King of Bhutan has famously advanced the maximization of “Gross National Happiness” for his Kingdom since the 1970’s – a clear response to the prevalence of Gross National Product (or its sister Gross Domestic Product) as the international development metric of choice, and to his nation’s perennial standing near the bottom of GNP lists. More recently, dissatisfaction with the results of Washington Consensus development projects throughout the long nineties have led some theorists to question whether we have any reliable strategies for boosting GDP in developing nations. On the other hand, most observers agree that substantial progress has been made in key areas of health, education, and even poverty reduction, in spite of the overall failure to move GDP numbers consistently. These realizations have taken some of the gloss off GDP as the basic unit of measure, both from the practical perspective that we have failed to influence it and the theoretical perspective that it does not appear to be closely linked with tangible development outcomes.

Part I will outline a brief “history of happiness”, examining the philosophical literature on happiness, beginning with the ancient Aristotelian concept of happiness as *eudaimonia* or well-being, and contrasting that with the modern development of hedonistic utilitarianism and wealth maximization. The original ethical justification for the search for the good life and its elements will be contrasted with the liberal but ultimately amoral concept of purely individual pleasure-seeking. Philosophical objections to utilitarianism will be discussed and then linked to the rise of limitless consumption and the dominance of income as a one-dimensional value-system.

Part II of the paper will examine the rise of GDP/GNI to dominance in determining the well-being of nations and, therefore, as a development metric; both the practical unsustainability and the absence of moral justification for this framework will be emphasized, and the problem that increasing wealth does not seem to reliably increase well-being will be introduced. While GNH was first coined as a concept in the 1970s it was some time before it became a prominent part of
the discourse outside of Bhutan; the three-element HDI, on the other hand, did begin to challenge GDP as the development metric of choice starting in the 1990’s, and so Part II will conclude by considering the advantages and drawbacks of HDI both as a development metric and as an enabling discourse.

**Part III** will review the academic literature on happiness economics, placing the institutionalization of happiness in the context of understanding the underlying microeconomic utility curve and contrasting happiness with income as a measurable and actionable economic outcome. Concerns with subjectivity and survey validity will be discussed. Particular attention will be given to the “Easterlin Paradox”, which suggests that increasing wealth does not correlate with increasing happiness, and the diminishing returns on wealth as well as the impact of positional goods will be discussed in this context.

**Part IV** will review specific conceptions of how a multi-dimensional happiness metric should be constructed, beginning with a brief review of some more prominent frameworks for understanding happiness, to both compare and contrast both their specific identified dimensions of happiness and the underlying justifications that led to them. Internationally, the work of the UNDP on the human development index will be contrasted with the more recent work on the World Happiness Report - under the auspices of the United Nations but not the work of an official body – as well as with the Bhutanese and American GNH frameworks and others. In particular, Part IV will attempt to identify commonalities and oversights in the various systems in order to establish an ideal list of happiness domains.

Finally, **Part V** will bring together the material in the previous parts to make substantive recommendations about the utility of institutionalizing happiness, recommend key actions to be taken nationally and internationally to enhance our understanding of happiness and well-being, and discuss how a better understanding of subjective happiness can contribute to the
development of actionable policy aimed at enabling more and more of the earth’s people to enjoy the basic elements of a good life.

PART I: A brief history of happiness

Aristotelian Happiness

Happiness as a concept may be a relative newcomer in the development field, but philosophers have struggled with the concept of happiness for millennia. While the Greek peoples were making tremendous advances in almost every art and science, Aristotle challenged them to consider what point or purpose their lives and actions held. To do so he distinguished between means and ends: the art of medicine is the means for curing the sick; the art of household management is the means for making money; the military arts are the means to victory, and so on. Expertise in these arts is admirable but cannot be an end in itself, as expertise in these arts is the means of curing the sick, or making money, or winning victories.¹

It was clear to Aristotle, however, that these ends were in themselves means to further ends: curing the sick so they may lead good lives, or making money to provide for the betterment of the household, or winning victories to protect or extend the Hellenic way of life, for example. He could not accept that this means-ends chain was infinite: “Since then of all things which may be done there is some one End which we desire for its own sake, and with a view to which we desire everything else; we do not choose in all instances with a further End in view (for then man would go on without limit, and so the desire would be unsatisfied and fruitless), this plainly must be the Chief Good, i.e., the best thing of all.”²

Here, centuries before Malthus, Aristotle anticipates the unsustainability of constant growth capitalism – not from an economic perspective, of course, but from a philosophical perspective.

² NE I.2, 1094a.
If there were no greater good, life would be a meaningless series of intermediate wants that could never be satisfied, human life would be without purpose, our daily acts having no more significance than a rat running in the wheel. Although wealth was commonly considered in his time as ours to be a measure of a person’s worth and a proxy for the wants and needs they are capable of satisfying, “…wealth manifestly is not the good we are seeking, because it is for use, that is, for the sake of something further…”

The ‘Chief Good’ must therefore be happiness: the only end which is an end in itself, and which is not desired for any other purpose, and that the ultimate end of any of the other arts, whether management or military or rhetorical, is the Good of man. The Greek word translated here to happiness is ‘eudaimonia’ which “does not refer to a state of mind at all, but to an admirable and desirable state of being.” Robert and Edward Skidelsky argue that the English word “happiness” had the same meaning up to the 16th century – consider good hap, or fortune - after which point the definition shifted towards the more familiar “contented state of mind” This is no mere semantic distinction: happiness-as-pleasure is mere hedonism, and simple ‘pleasure’ for Aristotle was only one of many facets of eudaimonia:

“…whereas honour, pleasure, intellect, in fact every excellence we choose for their own sakes, it is true…but we choose them also with a view to happiness, conceiving that through their instrumentality we shall be happy: but no man chooses happiness with a view to them, nor in fact with a view to any other thing whatsoever. [...] So then Happiness is manifestly something final and self-sufficient, being the end of all things which are and may be done.”

Aristotle did not spend much time distinguishing between hedonic pleasure-happiness, and the genuine eudaimonia that he argued as the ultimate good, however, apparently viewing the

---

3 NE I.4 1096a.
5 NE I.7, 1097b.
distinction as one of common sense that required little exposition: “So far as the name goes there is pretty general agreement: for happiness both the multitude and the refined few call it, and ‘living well’ and ‘doing well’ they conceive to be the same thing with ‘being happy’…”

Accordingly it is of central importance in discussing “happiness” to be clear that the happiness being discussed is *eudaimonia*, a holistic conception of a good life or a state of well-being, and not a passing emotional state of pleasure, “…for as it is not one swallow or one fine day that makes a spring, so it is not one day or a short time that makes a man blessed and happy.” Arguments against a purely hedonic, pleasure-based society well taken, but they are not responses to the kind of happiness that is the focus of this paper or of the happiness economics discourse more generally.

**Utilitarianism and Hedonic Happiness**

The shift in the English-language meaning of ‘happiness’ was aided and abetted by Bentham and Mill and the development of Utilitarianism. Bentham’s simple – and seemingly common-sense – proposition was that we should strive for the greatest good for the greatest number: he states as a fundamental axiom that “it is the greatest happiness of the greatest number that is the measure of right and wrong”8 This happiness was not *eudaimonia*, but hedonistic pleasure whose opposite is pain, and while pleasures may be classified (by intensity and duration for example) there is no fundamental qualitative difference between pleasures: “Quantity of pleasure being equal, push-pin is as good as poetry”9 For Aristotle, the Good life would be happy; for Bentham, the happy life was good.

John Stuart Mill softened this position somewhat, famously stating that “it is better to be a human being dissatisfied than a pig satisfied; better to be Socrates dissatisfied than a fool

---

6 NE I.4, 1095a.
7 NE I.7, 1098a.
satisfied. And if the fool, or the pig, are of a different opinion, it is because they only know their own side of the question.”  

Here, Mill essentially sneaks *eudaimonia* in by the back door without being able to quite explain why, except for his belief that those who experienced higher pleasures preferred them to baser pleasures. He appears to sense intuitively that the ‘good life’ involves more than a surplus of pleasure over pain, and would probably have agreed with Aristotle that “this bestows most care on making the members of the community of a certain character; good that is and apt to do what is honourable. With good reason then neither the ox nor horse nor any other brute animal do we call happy, for none of them can partake in such working…”

For Aristotle, the good life was one of virtue: “this stability which is sought will be in the happy man, and he will be such through life, since always, or most of all he will be doing and contemplating the things which are in the way of virtue: and the various chances of life he will bear most nobly…” Possibly trapped in his 19th century conception of happiness, Mill was forced to resolve the problem of virtues by making them qualitatively superior elements of hedonic happiness, rather than recognizing that hedonic happiness is only one element of genuine well-being or *eudaimonia*. From an Aristotelian perspective, the hedonistic Utilitarianism of Bentham is fundamentally flawed because it makes virtues the means to the ultimate end of hedonistic happiness, rather than recognizing hedonistic happiness as a (small) element of true well-being. While both Mill and Aristotle might be presumed to have preferred the opera over a cockfight, only Mill would be forced to argue for more cockfights (and less opera) if more people would watch them.

The reduction of the holistic happiness represented in *eudaimonia* to quantifiable hedonistic pleasure forms the basis of a number of critiques of Utilitarianism. For example, Benthamite

---

11 NE I.9, 1100b.
12 NE I.10, 1100b.
Utilitarianism leads to the conclusion that it would be right to torture one person to provide a small amount of happiness to many. This proposition is so obviously offensive that Mill responded by developing the concept of “Rule Utilitarianism”, which justified legal limits placed on an individual’s happiness seeking abilities as a framework for preventing that kind of happiness trade-off. Nonetheless, the law was a tool to provide freedom from interference with the individual’s liberty and pursuit of happiness: Mill thought that paternalism prevented the development of the individual’s rational capacities but did not follow through to the conclusion that the development of those capacities, and not pursuit of hedonic happiness, is what is really meant by the good life.

The idea of a felicific calculus leads to what is sometimes called “the repugnant fallacy”. Under such a calculus, a million people that were little better than miserable would have more happiness than a smaller number of genuinely happy people, and apparently we should prefer to be one of a million marginal human beings scraping by than one of ten thousand leisurely philosophers debating the virtues and merits of the good life. Ultimately therefore Utilitarianism suggests that we keep bringing more people into the world as long as each one’s pleasure will marginally exceed their pain, and that the world would be a better and happier place if it were teeming with tens of billions of barely happy drones stretching it to its material limits.

The repugnant fallacy exposes the problems associated with quantifying and aggregating happiness, which will be discussed in more detail in Part 4. First, the calculus assumes that there is a line separating happiness and unhappiness: as long as a person will be slightly more happy than unhappy, they are a net addition of happiness to the total. This simplification ignores the holistic nature of well-being, imagining instead that we can examine the sum of the parts of pleasure and parts of pain and make a conclusion about the whole as being either net-happy or net-unhappy. Happiness is subjective and qualitative, however, and cannot be analyzed in this way. Nor similarly can it be aggregated: your feelings of well-being are personal and inalienable, and they can neither be removed from you nor added to mine. The utilitarian error of the
repugnant fallacy is imagining that the happiness of a large group can be aggregated and compared meaningfully to the sum of all happinesses of a smaller group. Similarly, it is not possible to aggregate the small happiness provided to a group and weigh it against the offence of torture.

While each person’s subjective happiness is unique and inalienable, it is also a mistake to imagine that a person’s happiness is purely internal and independent. The utilitarian seeks freedom from the constraints of the state and others so that individuals can seek their own pleasure without causing pain to others. But human societies are not mere collections of individuals, and “for a social species such as ours, the good life is essentially a life in common with others.”

By remaining agnostic about what makes any individual happy – by discarding the idea of a good life as the basis of happiness – utilitarianism abandons the distinction between wants and needs or any other basis for a public preference for one kind of happiness over another. In this view “the passion of Midas… turns out to be simply a preference for future over present consumption,” a preference no better or worse than any other. This kind of liberal society permits any vision of the good life, but is hospitable to none.

It is presumably not coincidental that these political theories were developing at the same time as economic capitalism. Skidelsky suggests that utilitarianism reflected a social change from focusing on expanding production to enjoying the consumption, and therefore the proper ordering of society became a question of satisfying consumer preferences in the marketplace, without reference to either happiness or a good life. Not only the difficulties associated with an ethical ordering of wants and needs, but also the problems with a ‘calculus’ or aggregation of hedonic happiness are both resolved by simplifying ‘happiness’ into ‘satisfaction of market

---

13 Skidelskys, supra note 4, at 93.
14 Skidelskys, supra note 4, at 88-91.
15 Skidelskys, supra note 4, at 100.
preferences’ because the latter can always be quantified in money and money is perfectly fungible.

As liberal economics rose from the ‘dismal science’ to the ‘queen of social sciences’, happiness fell from the holistic *eudaimonia* enjoyed by the virtuous, to the hedonistic pleasure of having wants and needs satisfied, to an irrelevant subjective state that was better represented by its proxy, money. It would be another hundred years before well-being and happiness would be resurrected as responses to the problems of limitless wants and endless growth.

**PART II: Wealth, Development, and Happiness**

As I argued at the end of Part I, Aristotelian happiness or well-being was simplified to a hedonic satisfaction-of-wants in response to a problem: human lives are immensely complicated and the factors that lead to their relative comfort or distress are many and varied. “[GDP] is much easier to see and measure than the quality of life that people have.” 16 Not only is the measurement and manipulation straightforward, but it is also meaningful: the money could in fact be aggregated, or averaged, or redistributed in the real world more or less as it can be mathematically. As a result, “[r]iding initially as a kind of younger brother of utility, the concept of real income had managed to get a very special status…. It was thus not unnatural that the world of economic evaluation was dominated by concepts such as the Gross National Product…”17 This supremacy is not without its controversies, which I will explore further in this Part.

On the micro level the story is the same: an individual’s utility curve is a mystery, but their purchasing decisions are not and the money used in those transactions is morally agnostic and can be described and manipulated mathematically with relative ease. Money is the means by

---


which the individual utility curve is satisfied, and neither the money nor the subjective utility have any independent moral value. And if we are agnostic about the purpose for which money is used, accumulating more of it is always good: another dollar can satisfy another desire, whether it is the rich man’s desire for a more expensive wine or the poor man’s desire for a piece of bread is irrelevant. Accordingly, the system is not truly agnostic: it is hospitable to the goal of accumulating ever more money.

“At the time of Adam Smith, a concern with economic issues was understandably primary. Meeting simple human needs for food, shelter, and clothing was not assured, and satisfying these needs moved in lockstep with better economics. However, subsequent industrial developments made these goods and services so widely available that in the 21st century, many economically developed nations, such as the United States, Japan, and Sweden, experienced an abundance of goods and services,”¹⁸ ultimately fulfilling the most optimistic early predictions of economists.

The elevation of greed may have seemed to Keynes (and other early economists) as a “necessary stage in the progress of civilization”¹⁹, which he argued would be discarded once there was sufficient wealth for people to enjoy a civilized life with much less labour and much more leisure. The Skidelskys describe it as a Faustian bargain in which the morally opprobrious qualities of greed and avarice are elevated for the benefit they will bring – an increase in wealth sufficient to enjoy a life of civilized leisure. But in value-neutral language avarice, greed, and covetousness become self-interest, utility, and preferences, rendering the Faustian moral bargain invisible.²⁰ The concept of progress of civilization includes a concept of a destination, end-point, or ideal state towards which progress is made. Value neutrality denies that we can make moral evaluations about any given personal utility, and without an end point the concept of ‘progress’

¹⁹ Skidelskys, supra note 4 at 53-54.
²⁰ ibid at 48-50.
becomes absurd: all that remains is a desire for ever-increasing wealth, a “love of gain released from moral constraints.”

Those originally charged with accounting for national income were clear that national income was not equivalent to national welfare, and that the measurement of income was not a measure of social welfare. Nonetheless, “GNP and GDP […] are the most commonly used measures of material well-being, despite claims that they were never intended to be used in this way.” Per capita income is the most common method for distinguishing developing and developed nations, and “[i]mplicit in such a classification of developing countries is that per capita income is what distinguishes developing countries from more developed countries. In such a classification, the principal end of development might be inferred to be increasing per capita incomes.”

However, “[t]he experience of the 1950s and 1960s, when a large number of Third World nations did achieve the overall UN growth targets but the levels of living of the masses of people remained for the most part unchanged, signaled that something was very wrong with this narrow definition of development {per capita GNP}.”

It was in this development environment that the King of Bhutan – a nation perennially among the world’s poorest – proclaimed in 1972 that his people would seek Gross National Happiness (GNH) rather than Gross National Income. “In that context, the GNH concept probably evolved as a good-humoured play on words to make the point that the development process ought not be directed toward increasing gross national product (GNP) if this is at the expense of traditional values.” Clever branding aside, the concept of GNH did not move forward even in Bhutan, much less globally, for another two decades.

---

21 ibid at 42.
23 Ibid at 12.
26 Bates, supra note 22, at 1.
Following the collapse of the Soviet Union, the neoclassical model became unquestionably “the dominant paradigm in development theory in the 1980’s and 1990’s. The neoclassical model assumed that free markets could promote an efficient allocation of resources... embodied in a set of policy prescriptions that became known as the ‘Washington Consensus’ implemented through bilateral aid (particularly US aid) and through multinational institutions such as the World Bank, IMF, and WTO. So widely adopted was this consensus that to “point to the defects of the market mechanism sounded strangely old fashioned... A set of anti-market preconceptions was giving way to an opposite set of pro-market prejudices.”

The Washington Consensus promised that “a liberal world trading system in which countries are free to exploit or develop distinctive forms of comparative advantage is a key to economic growth and development. [...] Unfortunately, this has not proven to be the case.” While a relatively small number of nations, particularly in east and southeast Asia, have seen spectacular gains in wealth, driven in large party by export-led growth, it is not at all clear that this is the result of adoption the Consensus model; on the other hand, many nations that attempted to follow and participate in the model, particularly in Latin America, saw no such increases.

These failures have led to an existential crisis in the development community, with many scholars arguing that aid is not only useless but makes developed countries worse off. This view would be correct if wealth or income were the best proxies for the individual development and well-being of the citizens of those countries. If income was an effective proxy, then our failure to improve it through aid would suggest either we give up on aid as ineffective, or we

27 Trebilcock & Prado supra note 24 at 10.
30 William Easterly and Angus Deaton are among the prominent scholars who question the utility of aid projects and whose views will be discussed infra.
give more and better aid in the hopes that renewed efforts can be effective, a dichotomy that is well-canvased in the ongoing debate between Sachs and Easterly.

Some scholars, by contrast, question the presumption of a connection between economic growth and well-being. In his examination of the effects of South Korea’s spectacular growth, Doh Shin examined ten components of human welfare over 12 years including income, housing, work, leisure, security, love, equality, freedom, and education. Shin was sceptical about “fleeting feelings of happiness or contentment” and so he measured objective satisfaction of these essential elements, rather than the population’s subjective happiness with them.

In the result, he found strong positive correlations between increasing incomes and the domains of income, work, housing, and leisure; weak or interrupted positive correlations with security, health, and education; and negative correlations with love, equality, and freedom. “On the basis of these findings, GNP and its derivations… cannot be used as reliable and valid measures for human welfare.”31 These findings are not surprising in the context of Aristotelian eudaimonia rather than Benthamite hedonism: if we focus only on one small dimension of well-being (satisfaction of market needs) to the exclusion of all others we cannot expect to make overall gains. The simplification of happiness to hedonism obscures the other dimensions of well-being, blinding us to the impacts our efforts to increase incomes had on other aspects of human happiness.

Shin’s study shows that there is empirical merit to the King’s position: increasing incomes should not be at the expense of other important values, because such increases will not increase well-being. “Despite the admitted conceptual difficulties of this approach,… only the use of aggregate measures of welfare allows politicians and development planners to stop expressing

---

development solely in terms of the GNP and to start thinking of it as an improvement in human welfare.”

Easterly expanded on this thesis in his famous 1999 study “Life During Growth.” He assessed 81 indicators of quality of life grouped into seven clusters: (1) individual rights and democracy, (2) political instability and war, (3) education, (4) health, (5) transport and communications, (6) inequality across class and gender, and finally an array of (7) “bads” that indicate a worse life, such as suicides, workplace accidents, pollution, and crime. While most (61/81) showed significant positive correlations with wealth, Easterly noted that in many areas the global average had improved significantly over time irrespective of wealth increases. After controlling for these ‘exogenous global improvements’ only 32 of 81 showed significant positive correlations with increases in wealth alone. And in a further ‘fixed effects’ analysis intended to strip out country differences in data, of 34 significant indicators 20 were positive and 14 negative. Based on his analysis Easterly concluded that “we cannot reject the hypothesis that quality of life is equally likely to improve or worsen with rising income.”

Similarly, a review of the subset of high-performing east Asian ‘miracles’ revealed that 70 of 141 metrics – almost exactly half – showed decreases over the period of increasing growth, which seems to “reinforce the finding from the first difference regressions that there is not a strong tendency for positive changes in quality of life to be associated with positive changes in income.” Easterly ultimately concluded that “[a] rise in private incomes (per capita GDP) does not necessarily translate into increased public goods.” The natural extension of that conclusion would seem to be that “[a]bandoning an excess focus on income as a catchall of development progress might, in the end, be the best way to achieve more rapid growth in the incomes of the

---

33 Easterly 1999, supra note 25.
34 Ibid at 16.
35 Ibid at 23.
36 Ibid at 25.
poor.”

Or, as Angus Deaton notes, “The familiar concept of Gross Domestic Product (GDP) is a good place to start (although it would be a very poor place to stop).”

Among the limitations of national income measures, Deaton notes, “[l]eisure time is not counted at all… Nor do we count services that are not sold in the market, so that if a woman works at home to care for her family, it is not counted…” In some services like healthcare the valuation of services is exceedingly difficult because we know what is spent but not what is provided; worse, many social bads will show up as positives as for example increased expenditure on police and prisons or the costs of cleaning up an oil spill. “[T]hese examples show that there really is a problem with GDP as an indicator of wellbeing.”

As Frey and Stutzer note, “Measures of happiness include non-material aspects of human well-being, such as the influence of social relations, autonomy, and self-determination. These are excluded, or inadequately included, in the traditional national accounts… Aggregate happiness measures go well beyond existing extensions of GNP… [and] [t]hese indicators exhibit a markedly different development over time…”

Diener and Seligman are more direct: “Although economics currently plays a central role in policy discussions because it is assumed that money increases well-being, we propose that well-being needs to be assessed more directly, because there are distressingly large, measurable slippages between economic indicators and well-being.… [w]e outline some of these and propose that well-being ought to be the ultimate goal around which economic, health, and social policies are built.”

Of course, GDP and GNI are not without their defenders, who offer changes to the construction of wealth metrics that may ameliorate some of the problems with GDP: Bates, for example,

---

39 ibid at 172-177.
41 Diener and Seligman 2004, supra note 18, at 1-2.
suggests that a “more accurate picture of well-being may be provided in moving from the most commonly used national accounting concepts to concepts such as household disposable income.”42 Similarly the adoption of Purchasing Power Parity (PPP) income models account for the problems in comparing different currencies and societies with differing costs for important goods. But these changes address specific problems with our wealth and income metrics without addressing any of the fundamental concerns about the endless pursuit of wealth or its (lack of) connection to human well-being.

Attention to the value of human capital is a similar attempt to return to first principles and quantify the value of human development as productive capital in addition to wealth and capital goods. “The focusing on the development of human ability and competence… were among the central points of departure in Adam Smith’s analysis,” which, while absent in the post-war and neoclassical models, have gained attention more recently “re-establishing an old tradition that had been temporarily overshadowed.”43 “Being a fine state of capital”, however, “is not the most exalted state that can happen to a human being,”44 and treating the human being as a means to the ends of economic growth and valuing that potential contribution does little to illuminate the non-material aspects of human well-being. “There is a crucial difference between means and ends. Seeing human qualities in terms of their importance in promoting and sustaining economic growth… tells us nothing about why economic growth is sought in the first place…”45

The predominant emphasis on GDP would have “some plausibility if, for some obligatory reason, we have to choose only one variable exactly one and no other,” 46 but we are clearly not so limited. The demand for a more fulsome development metric was partially realized through the adoption and expansion of the Human Development Index (HDI), primarily championed by

42 Bates supra note 22 at 5.
44 ibid at 734.
45 ibid at 734.
46 Sen Decade supra note 17 at 19.
economist Armatya Sen and tracked annually in the UNDPs “Human Development Report” which assesses development globally on the basis of the arithmetic mean of three elements: life expectancy, education, and income. Income remains an important component of the HDI because, as Sen notes, “[g]rowth of GNP or of individual incomes can, of course, be very important as a means to expanding the freedoms enjoyed by members of the society. But freedoms also depend on other determinants… as well as civil and political rights.”

“The usefulness of wealth…is neither exclusive (since there are significant influences on our lives other than wealth) nor uniform (since the impact of wealth on our lives varies with other influences).” The HDI therefore does not attempt to discard income as a development metric, but only dethrone it from its place of pre-eminent (and even exclusive) importance.

Although an assessment of the impact of the HDI is beyond the scope of this paper, the gradual shift in attention away from an exclusively financial metric to a composite metric that includes a wealth element has provided a valuable perspective on the human condition and our development efforts. While we have not been able to find any key to reliably increasing the GDP of developing nations, “looking at almost any measure of quality of life except income suggests ubiquitous improvement. The general picture is of rapid, historically unprecedented progress in the quality of life – progress that has been faster in the developing world than the developed.”

Similarly, the 2013 Human Development Report notes that in the 20 years since its adoption, most regions have shown declining inequality in both health and education outcomes, in spite of the fact that income inequality increased during the period.

The more sophisticated perspective provided by the composite metric may also enable a more sophisticated discussion about the causes of and barriers to development. In the neo-conservative model, the question is “how do we create wealth”, and only secondarily if at all “how will it

---

48 ibid at 14.
49 Kenny, supra note 37, at 9; see also Deaton, supra note 38.
50 HDR 2013, supra note 16, at 32 and Fig. 6.
make lives better”; the answers increasingly seem to be “we don’t really know” and “we aren’t at all sure”. Decoupling wealth and health as metrics of development allows us to look for drivers of health improvements that are not linked to income. Deaton, for example, examined progress in both wealth and health and concluded that improvements in human health are primarily driven by the spread of information and the adoption of good practices, and that the weak relationship with incomes is attributable to the differential capacities of high- and low-income societies in disseminating knowledge and adopting practices (especially those that require infrastructure). A reduced focus on income provides the necessary space for the discussion about what other than income has a significant impact on human well-being. It may prove, as Deaton argues, that spreading knowledge is a more efficient and effective way to improve the human lot than spreading money. Certainly “the Human development discourse of ‘empowerment’, ‘justice’, and ‘well-being’ goes together with the measurement of happiness… [and] may also have worked as a discursive support for the Bhutanese strategy, among others, by letting the measurement of happiness appear as a legitimate concern of serious public policy.”

It is important for this discussion, however, to note that HDI is only a partial response to the one-dimensional focus on income. First, the expansion it offered was fundamentally modest, introducing two additional elements that are of undisputed importance (health and education). While Sen himself asserts the importance of civil and political freedoms, these form no part of the index. Cultural values like those the King of Bhutan sought to protect are not included, nor are the Aristotelian virtues of courage, truthfulness, friendliness, and easy-pleasantry; there is no recognition of some elements Easterly thought were of key importance such as security and political freedoms or inequality and other bads; nor similarly are Shin’s categories of leisure, security, love, equality, or freedom. HDI is an improvement over an exclusive focus on income as a proxy for development or well-being, but it is only an improvement and not itself a fulsome

---

51 Deaton, supra note 38 at 41, 93-98, 123, 315-323.
52 Johannes Kristensen “Gross National Happines (GNH) in Bhutan – a critical investigation of a promising alternative”, Roskilde University 2014 (“Kristensen 2014”) at 9, online: http://rudar.ruc.dk/handle/1800/15520
metric. As Sen cautions “it would be a great mistake to concentrate too much on the Human Development Index, or on any other such aggregative index.”

Second, it is important to recall that in the HDI as in the research of Deaton, Easterly, and Shin I have discussed supra, the well-being metrics are objective, not subjective. That is, we ask how long people live, not whether they are happy with their lives, or how many years of schooling they get, and not whether they are happy with their level of education or with the opportunities it affords them in their society. It is this kind of measure of subjective well-being – not of objective opportunities or subjective hedonistic pleasure – that happiness researchers advocate.

Part III - Happiness Economics

As I discussed in Part I, wealth was considered only a small component of the good life by the ancient Greeks. The early economists had more objective wealth and product in mind, but still assumed that this product had a useful purpose in enriching the lives of the citizens; Keynes for example used wants and needs interchangeably, apparently assuming they could be satisfied and that as this happened (through increasing productivity of capital and labour) we would enjoy more leisure. Money for Keynes was not – and cannot sensibly be – an end in itself. Rather, how an individual chooses to spend their money reveals the underlying individual utility or welfare curve; being perfectly fungible, money can serve as a proxy for utility while remaining agnostic about – and in fact ignorant of – the underlying welfare function.

This proxy is not without its flaws, however. Robert and Edward Skidelsky argue that the emerging dominance of the capitalist model in the last century resulted in more and more goods and services being monetized, as well as in incentives for firms to create ever-increasing wants, as opposed to needs. It is the conversion of an actual underlying welfare function that describes the individual’s aspirations to a good life into a fungible medium of exchange that is intrinsically

---

53 Sen, Decade supra note 10 at 22.
54 Skidelskys, supra note 4, at 25.
hostile to the concept of “enough”, they argue, that has caused us to continue working more and hard even while our incomes have long since exceeded the amount required to fulfill our needs.\textsuperscript{55}

Market aggregates such as GNP are also flawed in that they include inputs along with outputs.\textsuperscript{56} So, for example, more beds equals more health care even if the people in them are not getting well; more drugs means more health care even if the primary driver of care costs is higher drug prices rather than more effective medicines. If an apple a day will keep the doctor away, then the apple and the visit to the doctor are equally effective strategies for pursuing wellness although clearly not equally efficient; aggregate measures like GNP effectively penalize the efficient solution by judging it by its market price, which is negligible, rather than its social impact, which is substantial. According to the WHO the United States spends more on health care as a percentage of GDP (17.6\%) and in absolute terms ($8,233 per person at PPP) than any other wealthy nation, but lags those nations in many common health metrics such as life expectancy.\textsuperscript{57} An America where most people ate better and exercised regularly would almost certainly be healthier, happier, and from the perspective of per capita GDP ‘poorer’ for all the money saved on hospital stays and heart medications.\textsuperscript{58} Happiness measures correctly treat an ounce of prevention as being worth a pound of cure, and are ‘directly relevant for (public) health and educational expenditures.”\textsuperscript{59}

Self-reported happiness also has the advantage of being democratic (assuming democracy is a normative good). That is, each person’s happiness counts as much as the next. In markets, by

\textsuperscript{55} Skidelskys, supra note 4, at 40-42.  
\textsuperscript{56} Frey and Stutzer 2007, supra note 40, at 4.  
\textsuperscript{58} Of course it may be argued that the money would simply be re-allocated to other goods, however this does not undermine the proposition that the inefficiency of the original allocation is not currently being captured. Additionally, in the current fiscal climate it is also possible the government health expenditures that were saved would not be reallocated but would reduce deficits, effectively re-allocating it to future periods.  
\textsuperscript{59} Frey and Stutzer 2007, supra note 40, at 4.
contrast, aggregate demand is very heavily determined by ability to pay, and so both the price and the nature of the goods being measured in the marketplace will be predominantly determined by those with more resources. Accordingly, as Kenney notes, the economic system cares much more for curing baldness – which afflicts rich men who can pay large sums for a wanted product of no obvious intrinsic value – than it does for curing river-blindness, which devastates the lives of millions who cannot pay even the small sum required for a necessary product of the highest human value.

Of course, subjective self-reported happiness also has limitations as a metric but, “[s]o far, it is the best empirical approximation of individual welfare used in economic theory that is widely available.” The following sections consider and address the chief limitations and concerns raised in the literature in respect of the collection and use of subjective happiness data.

**Subjectivity:** In spite of its advantages, critics of happiness metrics frequently point to concerns with subjectivity of self-reported happiness. For example, in his study on the impact of economic growth on welfare in Korea Shin used objective welfare metrics, asserting that happiness research “ought to be limited” and that “the policy implications derived from [happiness] research are misleading because goals that are exclusively related to happiness cannot be formulated unless such attempts as persuasion and manipulation are made to affect human minds.” That is, governments or firms will use marketing and propaganda to persuade people they will be happy if they buy the firm’s goods or adopt the approved lifestyle, shifting the subjective happiness of the message recipients without impacting on their objective well-being. This kind of critique appears focused at a very limited kind of hedonic happiness and not the multi-faceted eudaimonia that is the subject of this paper. It is difficult to see how persuasion and manipulation would substantially impact the subjective feelings of happiness the individual

---

60 ibid.
61 Kenny supra note 19 at 11.
63 Shin, supra note 31, at 201.
derived from, for example, their leisure activities, friendships, and harmony with nature, although it is easier to see how marketing messages could impact on their subjective feelings about their material possessions and income level. And while certainly not a proponent of happiness metrics, Deaton notes that the source of his data, the Gallup World Poll, asks about the respondents’ emotional feelings on the previous day as well as “ladder of life” questions which ask them to rank their overall satisfaction with their lives and various aspects of their lives, and that these different questions generate different answers. This suggests that the respondents have no trouble distinguishing between their passing feelings of (hedonic) happiness and their level of overall satisfaction with life.

Similarly, Frey and Stutzer challenge readers with a thought experiment: what if a government decided to increase happiness through a policy to make people more humble in order to reduce material aspirations and competition? What if, on the other hand, the government decided to increase happiness through distribution of a happiness pill? They conclude that the question “cannot be answered within the happiness maximization calculus”, but again this is only true if we mistake hedonic happiness for *eudaimonia*. The more humble society is freed from the aspiration treadmill to enjoy more leisure, family life, or political engagement, for example, while the citizens with the pill experience some hedonic pleasure but no increase in any other domain of happiness. Only when we confuse hedonic happiness with genuine subjective well-being is the question unanswerable.

One response to this concern about subjectivity is to prefer objective measurements of well-being to subjective measures of happiness. The HDI is the most prominent example and has seen widespread adoption in the international development community with its aggregation of wealth, health, and education metrics. Admittedly, such measures deal “only with the basic

---

64 Skidelskys, *supra* note 4, at 163-167.
65 Deaton, *supra* note 38, at 51-52.
essentials rather than the nonminimal desiderata” that are the subject of well-being or the good life. But who would want a society full of empty hospital beds, or call it healthy if problems of access, for example, were keeping the beds empty rather than an absence of illness? How many would ask for an extra five years of life in the expectation they would be spent in pain, suffering, and loneliness? All such objective measures share a common problem: they are devised by outsiders, typically based on what data are conveniently available, and in accordance with their expert judgments about what should be valued and how much. “Yet it is always possible that people do not see their lives in terms of these measures, and that they are more prized by development experts or academic commentators than by the people who are experiencing them. Or people may value different things that are not included in our lists. So there is a good deal to be said for asking people how they think their lives are going.”

More bluntly, “the intentions and outcomes of many development pursuits may easily be associated with dominant western ideal about progress which tend to go hand in hand with capitalist expansion and one-sided cultural hegemony.”

In complex markets like health care, subjective answers about happiness will almost certainly be better than exchange value for determining outcomes, since healthy and happy people will presumably consume very few health resources, while a greater health expenditure may indicate only higher drug prices rather than better health outcomes, as appears to be the case with the US system. An outcomes based subjective happiness system would have clear advantages over an inputs based objective system in addressing this kind of problem. Subjective measures may also be better than objective health measures like longevity if, for example, the additional years come at the expense of personal freedom and social respect and in the absence of supporting friendships.

68 Shin, supra note 31, at 201.
69 Deaton, supra note 38, at 47.
70 Kristensen 2014, supra note 52 at 8.
71 WHO, supra note 57.
72 Frey and Stutzer 2007, supra note 40, at 4.
This is not to say that objective measures of well-being are not useful; on the contrary, while the focus of this paper is the utility of happiness metrics, my thesis is that happiness metrics can be very useful and should join metrics like GNP and, more recently, the HDI, that have enjoyed widespread adoption. This requires establishing that such metrics offer advantages in understanding the human condition and crafting public policy that existing metrics lack, and at the same time that the legitimate criticisms of its imperfections are not so substantial as to outweigh those benefits and disqualify it from being useful. Comparisons to GNP in particular are a necessary component of that thesis because of the pre- eminent position of wealth as the proxy for human well-being. A plurality of objectives cannot effectively exist in the context of a single pre- eminent objective, and accordingly a critical comparison with GNP – and ultimately a dethroning of GNP as the pre- eminent measure - is a necessary part of establishing a plurality of objectives, not so that happiness (or HDI for that matter) will replace GNP, but so it can join GNP at a larger and perhaps rounder table.

Survey Validity: Related to concerns about subjectivity in general are concerns that happiness surveys cannot provide us with useful information because respondents do not share any common idea of what constitutes happiness, and have no real insight into their own subjective levels of happiness. Such respondents may be reporting on very passing hedonic levels of happiness, rather than life satisfaction; they might be reporting on their perceived position relative to normative aspirations; they might even purposely colour their answers in the hopes of manipulating public policy.

Veenhoven addresses these theoretical critiques with a practical assessment of happiness surveys. He notes, for example, that in happiness surveys a very small proportion (about 1%) of respondents answer “don’t know”, suggesting that subjectively the respondents feel confident that they know what happiness is and have reflected on their own levels of happiness. Similarly, he notes that while some respondents may be providing information on how they think others perceive them, this does not appear to be the rule: in the Netherlands, for example, while higher
education is seen as a necessary qualification for a good life those with a higher education show slightly lower happiness than those without, suggesting that on the whole respondents are describing their subjective feelings rather than their assessments of what others would think of their position.\footnote{\textsuperscript{73} Ruut Veenhoven, “Measures of Gross National Happiness”, Presentation at OECD Statistics Knowledge and Policy Roundtable, Istanbul 2007 (“Veenhoven 2007”) at 12 online: http://www.oecd.org/site/worldforum06/38303257.pdf.}

What of the potential for people to give false answers, either out of social pressure to report happiness (or unhappiness) or out of a desire to manipulate policy? Let us consider each of these two cases. First, let us imagine that in a particular society there is social pressure to appear happy (or humble), and that this pressure results in artificially inflated (or deflated) reported happiness. Clearly this would make cross-sectional comparisons between this society and other societies problematic, but it should have little effect on time series data within the society, since the social norms can presumed to be operating continuously and changing only quite slowly.\footnote{\textsuperscript{74} Sharp changes in these norms revealed by time series data, if they took place, would in and of themselves constitute interesting subjects of study, but the possibility of and mechanisms for such a shift are beyond the scope of this inquiry.}

Accordingly, systematic over- or under-reporting is irrelevant to tracking happiness over time within a given society, and to assessing the success of policies that have increasing happiness as their objective. Similarly, systematic over-or under-reporting should have no impact on internal cross-sectional analyses, since again the social bias can be assumed to exist throughout the society and accordingly while all scores might be higher (or lower) than otherwise expected, this will not obscure differences between individuals within the society provided that they are compared to the society’s mean in the context of the society’s standard deviation. The possibility of such a systematic bias, therefore, tells us that a “7” score on happiness may not mean the same thing in Thailand as in Japan, but if we know that Japan’s average is 6 and Thailand’s is 8, then we know that the individual is either more or less happy than average; if we know their score was 6 last year, then we know they are happier than they were before. If we accept from a
developmental perspective that is attention to those worst off in a society, and the improvement of the members of that society, that are (or should be) of primary importance to policy makers, then even if systemic bias makes international cross-sectional comparisons difficult it is a flaw that would have little impact on the usefulness of the metric to governments. Of course, the possibility of the existence of such national biases provides a fertile ground for descriptive and explanatory research.

Critics of happiness metrics assert that the “political use of... happiness will certainly induce strategic interactions between government and individuals.” In respect of intentionally false answers or attempts to game the policy system, it should be noted first that this concern applies to all possible survey and sampling activities, and not particularly to happiness surveys: respondents may be inclined to lie in surveys of voting intention or misreport their personal information on the census if there are perceived incentives to do so. Yet, the holistic nature of happiness may serve to ameliorate this problem relative to other similar cases. In order to game the system, a participant has to have some idea of the outcome matrix; by definition their choice is shaped by their expectations about the context of the questionnaire and the interests of the questioning party. If we ask homeowners about the value of their homes in the context of a planned highway expropriation, we can expect them to over-report so that they can recover more if the project goes through; if the same question is asked for the purposes of property tax assessments, we can expect them to under-report to minimize their tax burden. Since happiness is intrinsically holistic, it seems impossible that it could be granularly connected to any particular policy or outcome strongly enough in the mind of the respondent to enable them to form reasonable expectations about the government’s response. If citizens are surveyed annually, for

75 A similar argument may address concerns about comparability between results in different languages between nations; the question of whether there is substantial variation within multilingual nations depending on the language of survey is one that will be both interesting and necessary to resolve if governments of multilingual countries begin to take promotion of their citizens’ happiness seriously, research that is discussed in passing in Veenhoven 2007, supra note 73, at 14.

76 Frey and Stutzer 2007, supra note 40, at 10.
example, there will have been numerous policies implemented since the last survey, as well as numerous policies planned at the time of the survey, and the individual citizen would have no rational basis for imagining that this year’s results would be a specific indictment of some hated recent change, or some incentive for some proposed future change, nor indeed could the government reasonably consider answers to reflect success on (or support for) a single policy measure without very detailed questions relating to that specific domain. Each survey will be both an evaluation of past policies and a baseline for evaluating future policies, and therefore at any given point the same respondent would face conflicting motivations to under-report (e.g. to attract local investment in happiness infrastructure) and over-report (e.g. to affirm that existing programs are successful and should be continued).

Accordingly, it seems an extremely remote theoretical possibility that respondents would form a reasonably certain response matrix on which they could rationally game a false answer in the expectation of some outcome, as opposed to simply providing the subjectively correct answer. On the other hand, if a large enough group of citizens were so motivated that they were able to bias the numbers for a particular purpose, one would have to imagine that they were motivated to act by genuine unhappiness with the particular policy, a subjective unhappiness so strong that it overwhelmed other interests or messages that might be served. It might be imagined at that point that they are not in fact gaming the system but rather using it to express their strong subjective unhappiness, more or less as intended.

Ultimately, sustained research has developed and honed a range of methods for evaluating subjective happiness, and in particular large scale samples of holistic life evaluations are increasingly available for an increasing number and proportion of countries and people. While Frey and Stutzer argue that Gross National Happiness should not be maximized – an argument I

---

77 Note that Veenhoven 2007 supra note 73 addresses this briefly “Some clinical studies have attempted to [demonstrate the response distortion itself] by comparing responses to single direct questions with ratings based on [in-]depth interviews...” however, those studies are not cited, making follow-up difficult.
will return to later – they note the good performance and low cost of large scale surveys and acknowledge that “[f]or many tasks, self-reported measures of life satisfaction have proved to perform in a satisfactory way, especially for the issues economists are mostly interested in.”’

They conclude that “There is now widespread agreement among scholars that experienced utility and well-being can be measured with some degree of accuracy.”

**Relative Happiness and the “Easterlin Paradox”**

It seems intuitive that increased wealth will improve standards of living, and indeed this has been the largely unspoken assumption of development economics since its inception. The intuition is supported by cross-sectional analyses of wealth and happiness: both within and, to a lesser extent, between countries, the rich are generally happier than the poor.

Theoretically, this belief may be based on an absolute utility theory: since a greater income can fill more needs, an increasing average income should increase average happiness. A theory of relative utility or relative preference, by contrast, holds that individuals do not have an absolute utility but evaluate their well-being relative to some comparator group or to their own past expectations. Relative preference theories would suggest that there is no impact of increasing average wealth on happiness, since an increasing average level of wealth has no impact on the relative positions of wealth of the constituent members. Similarly, adaptive models suggest that any gains to happiness from increased income would be short-lived, as individuals would return to their baseline level of happiness once they had adapted to the additional level of wealth.

Empirical evidence exists to support each model. As noted, cross-sectional analysis supports a correlation between wealth and happiness, but this could result from absolute or relative

---

78 Frey and Stutzer 2007, supra note 40, at 2
79 ibid at 3.
80 ibid at 1.
82 ibid at 1.
components. Skidelsky notes that happiness among East German workers declined after unification even though their wages rose, attributing this to their new wealthier comparator group and suggesting a strong relative component to happiness.\footnote{Skidelskys, supra note 4, at 106.} In their literature review Frey and Stutzer note the “extreme” case of paraplegics who, “after a period of hardship, report themselves long-term to be only a little less happy than before,” suggesting a relatively small absolute effect and a very strong adaptive effect. They also note, by contrast, a strong permanent effect in quadriplegics.\footnote{Frey and Stutzer 2007, supra note 40, at 7.} Evidence seems to suggest that people adjust quite quickly to changes in income, with most of the improvement in happiness wearing off after a year or so, leading some observers to conclude that there is an “aspiration treadmill” that will prevent increases in income from having any permanent increase in subjective well-being.\footnote{Frey and Stutzer 2007, supra note 40, at 8.}

In some respects this debate exhibits a false dichotomy: it is not necessary that one effect dominates the others; both absolute and relative effects can be expected to be present, and individuals can attribute different levels of significance to comparisons with communities of various kinds: it may be more important how my neighbour is doing, but that does not mean that it is unimportant how a more distant person is doing. Nonetheless, a preponderance of adaptive or relative effect would have important implications for public policy, and so the debate is not merely theoretical. On the contrary, Fred Hirsch coined the phrase ‘positional goods’ to describe those goods that have value because of their social scarcity;\footnote{Hirsch, Fred (1977) The Social Limits to Growth. London: Routledge & Kegan Paul. ISBN 0-674-81365-0.} and Robert Frank described how satisfying demand for these goods can create negative externalities by causing a positional ‘arms race’.\footnote{Robert H. Frank “Are Concerns About Relative Income Relevant for Public Policy?” AEA Papers and Proceedings, May 2005 p 137-145 (“Frank 2005”).} In the thought experiment Frank presents, subjects are asked to choose between a world where they will have a 4000 square foot house where the average is 6000, and where they would have a smaller 3000 square foot house where the average is 2000, and most respondents choose
the smaller house that is relatively bigger. In the marketplace this results in “expenditure cascades” in housing and other markets, with US house sizes increasing more than 30% from 1600 to 2100 square feet between 1980 and 2001.\textsuperscript{88} By contrast, when offered the choice between two weeks of vacation in a world where their colleagues get one, and four weeks of vacation where their colleagues get six, most respondents choose to have more vacation – four weeks – although it is less than average. Their leisure time is nonpositional, they want it (and more of it) regardless of how much of it their neighbours have. Positional goods help create the ‘aspiration treadmill’, and Frank notes that the effect appears to be stronger in less equal societies: median cost of housing, hours worked, divorce rates, and commute times all correlated with inequality in his survey of US counties.\textsuperscript{89} As will be discussed in the next section, happiness metrics and multidimensional frameworks for well-being de-emphasize the importance of wealth (without eliminating it) while illuminating the value of nonpositional aspects of well-being like leisure and family, and happiness research is therefore a key element in the response to the problems of insatiable wants and unlimited growth.

Veenhoven has attempted to model the overall competition between absolute and relative wealth by looking at the correlation between wealth and incomes first for a large and varied group of nations; then within each of three tiers of similarly wealthy nations; and finally within individual nations. In all cases the coefficient for absolute income was significant and positive, which he claims shows that while the absolute and relative effects are mixed there is always some absolute effect. Coefficients for ‘memory’ variables (using past national income as the comparison set) were also significant, leading him to conclude that increases in wealth would lead to significant immediate improvements, much of which would wear off in a year but which would still result in a new equilibrium state that was higher than the original.\textsuperscript{90} His conclusion – that both effects are present and relevant - - is consistent with a non-dichotomous view. Even if the data are not very

\textsuperscript{88} ibid at 139.
\textsuperscript{89} Ibid.
\textsuperscript{90} Veenhoven 2003, supra note 81, at 18-21.
dramatic or persuasive it must surely be the case that the burden is on those who claim that one of several competing theoretical effects dominates the others to show that is in fact the case, in the absence of which we should assume some interaction between significant influences of varying strength.

The debate among development economists as to the connection between wealth and measures of happiness or well-being has been raging since at least the publication of Richard Easterlin’s famous 1974 article “Does Economic Growth Improve the Human Lot?” and has been the subject of a great deal of theoretical and empirical debate. Easterlin’s paper was a direct challenge to the unspoken assumption that increasing a nation’s GNP would increase the individual well-being of that country’s citizens. His review of happiness and GNP data from nineteen countries found that while there was a persistent correlation between happiness and income within countries, there was no connection within countries between increasing GNP and increasing happiness - and little correlation between countries. He updated this review in 1995, reporting that the answer to the question of whether increasing wealth for all can increase the happiness of all “can now be given with somewhat greater assurance than 20 years ago. It is ‘no’.”

The absence of a connection between increasing GNP and increasing happiness, known as the “Easterlin Paradox”, has led to the inference that happiness is a reference group phenomenon, such that “economic growth would not bring about increased happiness because the positive effects of income growth on happiness would be largely or wholly offset by a corresponding upward shift in standards for self-appraisals of happiness.”

---

92 As summarized by Shin, supra note 31, at 200.
94 Shin, supra note 31, at 200.
A $20,000 Question: A criticism of Easterlin’s early study—and of many since then—is that the availability of data in the USA, UK, and EU have led to a disproportionate focus on high-income countries in the statistical analysis.95 The law of diminishing returns suggests that the marginal benefit of each additional dollar diminishes over time, resulting in a curvilinear function. This would suggest that even under an absolute needs model increases in average wealth should be expected to have no statistical relationship with average happiness in wealthy nations: by definition most will have enough wealth to satisfy their basic needs and therefore if they are unhappy it is not for want of wealth but some other element of happiness. In wealthy but unequal societies a few will lack the basic physiological and security needs that are commonly thought to be important to happiness, but will not benefit from the increase in average wealth which, in an unequal society, would presumably be captured almost entirely by the wealthy.

Veenhoven (2003) has addressed this problem first by increasing the number of nations surveyed and adding low income countries in particular, and second by dividing them into income segments (high, medium, and low) and looking at segment performance. He concluded that across the 21 countries and within each segment there was a correlation, although not strong, between increasing wealth and happiness. Consistent with the prediction of diminishing returns, the correlation was weakest in the high-income segment and strongest in the low income segment.96 A lack of reliable time series data on happiness still hampers these results: Veenhoven himself notes that some of the nations have as few as three happiness samples, and three of the nine showing significant correlation had extrinsic explanatory factors.

Easterlin himself excoriated Veenhoven’s study for describing the USA as having a positive trend in happiness over time on data he had admitted were biased by the inclusion of earlier data, prior to the adoption of the “General Social Survey” (GSS) questionnaire in 1972 and not

---

95 Veenhoven 2003, supra note 81, at 3.
96 ibid at pp. 12-14.
consistent with it.  Using only GSS surveys the US shows no trend; without a positive US trend the top segment performers split 3-1 for a significant positive-negative correlation between GNP and wealth with 7 showing no correlation - hardly persuasive support for a causal connection between economic growth and happiness. Easterlin similarly proposed that the correlation would also disappear in the low-income segment if Japan (which went from low to high income but saw no happiness dividend) were included.

As Veenhoven argues, however, the strong cross-sectional evidence of a correlation makes it difficult to accept the null hypothesis of ‘no correlation’ on such inconclusive evidence, and further attempts to obtain reliable time series data from a more significant number of developing nations and assess them statistically would be a significant contribution to the debate. It may prove that the absence of clear trends in the data stem not from the absence of an underlying trend but from a paucity of reliable data, and it would be unfortunate if Easterlin’s justified scepticism created a self-fulfilling prophecy by discouraging the collection of the necessary data on the belief that the null hypothesis had itself been established.

While the expected connection between wealth and happiness may yet prove to exist, it is safe to say at this point that if it does it is not very clear - or very dramatic. Even a very loose correlation, while significant, is a problem for those who would justify attempts to increase happiness by increasing GNP, and a theoretical dilemma for the presumption that expenditure of money, being a fungible unit of exchange, should be the best proxy for an individual or aggregate utility curve. It is also a problem for an absolute utility theory, since as Veenhoven notes greater income can fill more needs, so in an absolute utility model increasing the income of all will raise the happiness of all” (emphasis mine). In the context of multidimensional

98 ibid at 434.
99 ibid at 440.
100 Veenhoven 2003, supra note 81, at 3.
101 ibid at 2.
happiness, rather than simply one-dimensional wealth-as-proxy, increased wealth can increase the happiness of all, but it will only do so if the additional income goes to basic goods that contribute to long-term happiness and not at the expense of other domains.

Seen in this context the paradox is self-imposed, because “any theory explaining happiness as depending only on average income (even a dynamic theory) is clearly insufficient for public policy purposes.” 102 It is not disputed that some level of wealth is necessary in order to first meet basic physiological needs, and second to enable meaningful positive choices and economic freedoms; the absence of wealth will limit not just goods and services available for satisfying immediate physiological and security needs but also opportunities for social participation, raising a family, and engaging in creative and meaningful work and leisure, explaining the intuitive and empirical connection between wealth and happiness in cross-sectional studies.

Subjective reports of happiness will be based on not just wealth but, for example, the freedom that wealth provides to participate in personally meaningful leisure activities, as well as non-market goods like friendship and security. With wealth being only one facet of 7 or 9 or more elements of happiness, it would not be at all surprising that a clear and dramatic correlation between the wealth element alone and overall happiness could not be established. While increased wealth should be expected to provide increased economic opportunities, it may actually come at the expense of decreased leisure, equality, or social interaction. If this were the case than the presence of positive, negative, and no apparent correlations might suggest cultural differences in the underlying weights respondents placed on wealth and economic freedoms, on the one hand, and important non-market goods like love and self-actualization on the other.

This suggests that further inquiry into the connection between wealth and happiness will not be fruitful, as wealth is only one element of happiness. Examining the connection between increasing wealth and the other elements of happiness, by contrast, may explain the weak

102 Ibid at 23.
connection between wealth and happiness that we observe and also provide guidance on how to manage growth so that it does improve (or does not inhibit) those other elements. Where a negative correlation between wealth and happiness has occurred, we can inquire how increasing wealth failed to improve and even worsened other elements of happiness; where strong positive correlations have emerged we might ask whether these are due to some underlying preference for wealth or to policies that helped ensure that increased wealth was used to protect and improve other aspects of happiness (perhaps through provision of parks or social security). So while I agree with Easterlin that more country analysis into the cases of South Korea and Japan would be very valuable, it is not because it is important which of them is the exception to the rule, but because both of them appear to be outliers (Japan with the least correlation and Korea with the most) that will presumably illuminate unusual connections between wealth and other factors affecting happiness in those societies. It is the need for this further and more granular research that is demanded by Easterlin’s findings, not an abandonment of either wealth or happiness as meaningful metrics.

The absence of a clear correlation between wealth and happiness is only paradoxical if wealth is treated as the best proxy for utility, rather than as one element of multi-dimensional well-being. A better question than whether there is a connection is asking when “we make progress in one area, is it at the expense of another, or can we advance all domains of GNH harmoniously?” As I will argue below, not just conflict between the elements of happiness but the nature of happiness itself resists aggregation and maximization; ‘harmonious’ advancement requires a balanced optimization, not single-minded maximization.

103 Easterlin 2005, supra note 97 at 435-436.
104 ibid at 440.
Outliers: Japan and Korea: In the sample of economies experiencing rapid growth from low to high income, two nations appear to show strong but divergent correlations: Japan and South Korea. Veenhoven describes South Korea as the high-happiness performer in a group of growing economies that typically showed a smaller correlation between wealth and happiness, with Japan as the outlier showing no or even negative correlations.\textsuperscript{106} Easterlin in his response argues that overall the group showed no significant correlation and therefore South Korea should be seen as the exception and Japan as not atypical.\textsuperscript{107} Importantly, he cautions that the debate would be well-served by country-experts to discuss particular issues within those countries. Shin (1978) provided such a detailed review for South Korea in the context of a ten-element well-being index with fifty quantitative sub-indicators.\textsuperscript{108} He found that the period of growth showed sustained positive correlation with income, work, housing, and leisure metrics, and of interrupted but still positive correlation with welfare. The same period saw interrupted but negative correlations with love and equality, and sustained negative correlations with freedom.

Shin’s survey was longitudinal, not comparative, but it suggests points of inquiry for country experts in considering the differences between the two outliers. If, for example, economic growth was more unequal in Japan than in Korea, the same improvement in happiness from greater satisfaction of physiological needs could have been outweighed by greater unhappiness from increasing inequality. Even without differential changes in wealth inequality between the two, nonetheless if in general Japanese respondents valued equality much more highly than owning their own home (for example), the same trade-off between rising home ownership and decreasing equality might have the opposite effect on happiness in Japan than in Korea. The ability to identify these underlying preferences for competing moral goods should be a key result of longer-term and more robust happiness data: a city needs both parks and police, but they may compete for resources; with reasonably granular subjective happiness data policy-makers can

\textsuperscript{106} Veenhoven 2003, \textit{supra} note 81.
\textsuperscript{107} Easterlin 2005, \textit{supra} note 97.
\textsuperscript{108} Shin, \textit{supra} note 31.
look forward to better answers to the question of which dollar is better spent in terms of the overall happiness of the citizens.

PART IV: Happiness Metrics

“Attempts to create greater happiness for a greater number require measurement of happiness.” While various objective quality of life measures exist and have their use, only subjective, self-reflective statements can tell us how individuals feel about their level of health, their level of income, or their personal relationships. It is this focus on subjective self-reports that distinguishes happiness measures from other quality or utility measures: objective measures can tell us about an individual’s ability or capacity to enjoy a good life, but not about the individual’s satisfaction with their actual outcomes. At the same time, personal satisfaction or happiness is a mental state that presumably cannot be established by objective physiological measures; even if such technology existed, it is difficult to imagine that it could identify anything other than very temporary states of excitement by contemporaneous physiological reactions.

It is not merely passing or hedonic happiness that interests policy makers – or philosophers, for that matter, except as a problem. Veenhoven notes that happiness can be described either as temporary and lasting, on the one hand, and as either restricted to one domain or more general, on the other. This establishes a 2x2 framework with short-lived and domain limited “pleasure” (perhaps a delicious chocolate) in one quadrant extending along the time axis to long lasting “domain satisfaction” (perhaps a child); and a series of limited duration “top experiences” that dominate the life (perhaps the life of a playboy or adventurer) extending along the time axis to enduring satisfaction with many domains of life, which is true life satisfaction or “happiness”. Again, it is this enduring happiness that interests policy makers and which we are striving to measure and to improve.

---

109 Veenhoven 2007 supra note 73 at 3.
110 ibid at 7-8.
Seeking pleasure and avoiding pain is common among animals, but humans have a unique capacity for self-reflection and therefore are in a position to reflect on how they feel about their situation and why, comparing it to their expectations, their past experiences, and their assessments of others.\textsuperscript{111} Overall subjective happiness can therefore be presumed to include both affective (emotional) and cognitive (thoughtful) elements. While there is debate about which of these effects is preponderant, I will once again avoid a dichotomous position and presume that both elements will be present in greater or lesser degrees depending on the subjective values and perspective of the respondent.\textsuperscript{112} Happiness surveys are (and should be) designed to encourage respondents to consider their overall life satisfaction, rather than current passing state of emotion, using questions such as:

"On the whole, how satisfied are you with the life you lead? Are you: very satisfied; fairly satisfied; not very satisfied; or not at all satisfied with the life you lead?"\textsuperscript{113}

"If you were to consider your life in general, how happy or unhappy would you say you are, on the whole?"\textsuperscript{114}

"Si considera su vida en general, ¿qué tan feliz o infeliz diría usted que se siente, en términos generales?"\textsuperscript{115}

"Taking things all together, how would you describe your marriage? Would you say that your marriage is very happy, pretty happy, or not too happy?"\textsuperscript{116}

\textsuperscript{111} ibid at 9.
\textsuperscript{112} ibid at 10.
\textsuperscript{113} Eurobarometer Survey as quoted by Veenhoven 2003, supra note 81, at 9.
\textsuperscript{114} National Data Program For the Sciences “GSS Survey 2012” at 170 online http://publicdata.norc.org/GSS/DOWNLOADS/OTHR/Ballot1_AREA_English.pdf
\textsuperscript{115} National Data Program For the Sciences “GSS Survey 2012” Spanish version at 137 online http://publicdata.norc.org/GSS/DOWNLOADS/OTHR/Ballot1_AREA_Spanish.pdf
\textsuperscript{116} GSS survey supra note 114 at 94.
The results of happiness surveys therefore will provide us with a snapshot in time of a sample of individual subjective self-reports of overall life happiness or satisfaction. While there will always be some hedonic influence, whether it is something extrinsic like the weather or intrinsic like a recent fight with a spouse, on the whole those influences should constitute random noise, not systemic bias.

Assuming that a nation wants to adopt policies that increase happiness, what should be done with this data? It seems likely it will be manipulated in some way to create a single number that reflects the underlying population’s level of happiness. Happiness is holistic and a “single numeric of welfare fulfills the need for a synthetic measure of development.” A single metric is easier for policy makers and publics to understand, and accordingly since the objective of this argument is to establish the validity and utility of a subjective happiness metric alongside objective metrics like GNP and HDI, a single and common figure will be necessary. This was an explicit requirement in the development of the HDI, and while there is no counterfactual I think it is uncontroversial to suggest that the convenience of a single, easily understood figure that permits simple rankings and comparisons was a necessary ingredient for HDI’s widespread adoption. Accordingly, a consensus on the nature of that figure will have to evolve if subjective happiness is to join HDI as a challenger to GNP’s supremacy in international development discourse. “The next logical step would seem to be to construct a National Happiness Indicator (in consonance with Gross National Income) for governments to be able to maximize happiness.”

I argue here that this is not the case, and that happiness ought not be aggregated or maximized but on the contrary must remain multi-dimensional and granular in order to provide meaningful and actionable data on domains and sub-groups. I submit it is not just pursuit of wealth as a single proxy that constituted an error, but rather pursuit of any single figure that purports to illuminate as subjective and complex a subject as human happiness.

---

118 Frey and Stutzer 2007, supra note 40, at 1.
Happiness: neither Gross nor National

While it may have been a clever response to the dominant development discourse, the moniker “Gross National Happiness” is terribly misleading. The nature of qualitative happiness, I argue, rules out certain treatments or frameworks, and happiness can be neither grossed arithmetically nor national in character.

Subjective happiness is highly personal; like the individual utility function, it cannot be observed directly. The traditional proxy for utility, money, is fungible: each unit is perfectly transferable with the others, as indistinguishable as drops in the ocean, and can so be perfectly stored and exchanged. Happiness is clearly not substitutable or transferable; subjective happiness is in fact uniquely personal. While the set of individual happiness reports can be described and manipulated as a set – summed or averaged, for example – it is nonsensical to describe the characteristics of the set as being ‘national’. A nation cannot be happy or sad; it can only be said that a preponderance of its citizens are happy or sad.

Similarly, it makes no sense to sum or aggregate happiness into “gross” or aggregate happiness. A collection of essentially sui generis, uniquely personal goods that cannot be transferred or alienated cannot be summed or aggregated in any meaningful sense; the mathematical operation can be performed, but it does not represent an outcome that is conceptually meaningful. By contrast, it makes sense to talk about GNP as being the sum of the individual product; the dollars are agnostic as to who uses them or how, and so the total dollars exchanged by Canadian entities, for example, can be described as the total size of the Canadian economy regardless of the actual level of government participation in the economy, whether there is perfect freedom or complete state ownership, and whether the money is spent on guns or butter.

Recognizing the inalienability of happiness and its consequent resistance to aggregation allows some of the philosophical and economic critiques of happiness to be addressed. The challenge posed by the repugnant fallacy for example, stems from the incongruence of aggregation with
subjective and personal happiness. It is repugnant to think happiness might be maximized by a hundred billion living in poverty whose total happiness nonetheless outweighs six billion living in comfort, but this is not an argument against a prominent subjective happiness metric but only a caution against attempting to make an aggregate metric for hedonistic pleasure. While the traditional utilitarian perspective seeks the greatest happiness for the greatest number, it should be acknowledged that (excluding other influences, such as the impact of population on the environment) this statement is inaccurate in that the rule should be agnostic as to population levels. A more accurate expression of the rule would seek the greatest happiness for the greatest number of existing citizens: the greatest happiness for the greatest proportion of actual citizens, not for the greatest number of possible citizens.\(^{119}\)

Similarly, critical challenges to maximizing economic happiness are unpersuasive because they criticize an impossibility. If indeed the “most important” consequence of the possibility of adequate measurement of happiness is a call to maximize aggregate happiness,\(^{120}\) then those calls are a siren’s song.

It must also be recalled that the thrust of happiness research, like the work on the HDI, is to provide an alternative to simple wealth metrics for evaluating human well-being, not to replace one pre-eminent metric with another. The concept of maximization requires this pre-eminence because maximization of one factor necessarily ignores other factors. Maximization imposes a false dichotomy in that it requires that the maximized metric be the sole important metric to the exclusion of all others, failing which it must be rejected and an alternative pre-eminent metric found. Multi-dimensional happiness, on the contrary, cannot be maximized, but rather can only

---

\(^{119}\) Of course, the happiness of future citizens is also important but cannot be tested subjectively. On the other hand, multi-dimensional happiness frameworks that included elements like love and equality would implicitly capture the respondent’s feelings about the future world their friends and children will occupy; similarly a subjective evaluation of ‘security’ would presumably be lower for an individual who believed the world of tomorrow would be much more resource constrained and dangerous than today.

\(^{120}\) Frey and Stutzer 2007, *supra* note 40, at 3. Note that the authors argue against maximization of GNH; it is their description of the debate, not their results, that are cited.
be optimized based on an individual’s underlying preference for the various dimensions. Someone who prized family relations and harmony with nature very highly as sources of subjective happiness might optimize their happiness through farm life, while by contrast one who valued a wide range of goods and services and extended social networks as most important would optimize their happiness through a very different lifestyle. The one could not have “more happiness” by adopting the habits of the other; the elements or facets of unhappiness are, like subjective happiness itself, non-fungible and are not susceptible to alienation or aggregation. On the societal level, Layard describes choices, such as how to treat criminals, that cannot be solved by the application of rules such as “freedom” or “equality”, and which he argues can only solved by attempting to maximize happiness;¹²¹ again, it would appear that once we recognize fundamental trade-offs between rules (or values) such as freedom and security, we recognize the question of treatment of prisoners as a problem of optimizing a function that has competing dimensions within the citizenry itself, as well as between the citizenry and the accused.

Some scholars have suggested using “Happy Life Years” (“HLY”) as a metric, summing the time citizens spend happy rather than summing the number of happy citizens.¹²² Such a metric is highly problematic. First, it suffers the same conceptual problem of aggregating a set of sui generis goods and is susceptible to the same critique by the repugnant fallacy: such a metric would still be maximized with a very large population that was not particularly happy or, perhaps more disturbingly, by a population that was expected to live on average a very long time in conditions that were not very happy. Second, it implies the permanence of the present reported state of happiness, obscuring changes in happiness: assuming the reported level of happiness at a given point in time has been maintained and will continue for the respondent’s entire life renders the subjective happiness component constant for the individual in a way that is inconsistent with our philosophical understanding of happiness and with the policy objective of tracking changes

¹²² Veenhoven 2007, supra note 73, at 15.
in happiness over time. Third, the addition of the life expectancy component is not particularly helpful. Unless subjective happiness surveys were accompanied by a comprehensive general physical medical examination, the value of Happy Life Years for an individual is simply their happiness times the average life expectancy. HLY simply multiplies the underlying happiness variable with an internally constant number, making it bigger but providing no additional useful information for policymakers. While it might be argued that HLY facilitates comparisons between nations it does so based on an unproven supposition – that personal happiness is constant throughout life – that seems intuitively wrong. The expectation of a long and healthy life can be assumed to be an element of happiness for most people, and accordingly the inclusion of that objective measure in the product HLY could be viewed simply as an arbitrary bias in favour of long life as a driver of happiness, when those expectations and their relative importance to other elements of happiness should on the contrary form part of the self-reported subjective happiness in the first place. Finally, it seems inappropriate to attempt to create an aggregate of happiness and life expectancy, when life expectancy is an objective metric that itself can and should be well understood. Combining the two can only serve to obscure whether changes in the resulting product stem from subjective happiness improvements or objective extension of life expectancy, reducing the meaningfulness and utility of the number. At worst, the inclusion of life expectancy with happiness may serve to give the illusion of rising happiness – “a spectacular rise in Happy Life Years”\textsuperscript{123} – that is based on spectacular increases in life expectancy and minor or even insignificant happiness dividends.

If I am correct that the nature of subjective personal happiness prevents its meaningful aggregation, and that the correct statement of the utilitarian rule is to promote the greatest happiness of the greatest proportion of people, then a simple arithmetic mean will tell us the average level of subjective happiness of individuals within the society (although not, it should be repeated, how happy the society is). Unlike GNP, it does not make sense to describe this as “per

\textsuperscript{123} Veenhoven 2007, supra note 73, at v 20.
capita”, since that phrase implies a division of a fungible good equally between all members of the society.

The use of an average rather than an aggregate does not address another fundamental criticism of utilitarian philosophies – inequality. How could we agree with an ethic that would require us to kill an innocent child if the tragedy of that murder was more than outweighed by the happiness that would ensue to the greater number? Would we support a society of happy elites whose happiness depended on the misery of their slaves, so long as the arithmetic mean of happiness reports increased? As noted previously, it is relevant that this critique applies equally to all utilitarian philosophies, whether the dividend for the tragic murder is in subjective happiness or in dollars. A nation with one trillionaire who owned a million slaves would have a per capita GDP of a million dollars, almost twenty times the current highest in the world, but hardly anyone would acknowledge that as a worthy example. Fortunately, as was briefly noted in Part I, the presence of the identical problem with GNP and GDP figures has prompted the development of robust inequality measures, and both policy makers and the public are increasingly familiar with the concept and statistical descriptions of inequality. Unlike traditional measures of wealth, however, multidimensional happiness already includes elements of equality and social cohesion; inequalities may therefore be expected to reduce measured happiness directly, without the need for mediation through a secondary inequality metric.

At this point one might suggest that if social inequality is important to policymakers, so too is social inequality likely to be an element of overall happiness for most people and therefore the subjective personal impact on happiness stemming from inequality is already incorporated into self-reports about subjective life happiness. This is true, and a mixed or “inequality-adjusted” measure would, like HLY, inappropriately bias the resulting figure by arbitrarily weighting one element of happiness – social equality - over the others. Accordingly, while some scholars have
endorsed its use,\textsuperscript{124} and while there is always a drive to have a single comprehensible figure, an inequality-adjusted happiness metric should be rejected in favour of a single average happiness metric complemented by a description of its distribution through standard deviation; the inequality component so reported helps describe an important subset of or factor in happiness self-reports. I turn to a review of these components of happiness next.

*Components of Happiness*

The happiness being considered here (and by policymakers) is an enduring life happiness, something like the Greek concept *eudaimonia* as discussed previously: a life worthy of desire, not simply a life desired by many.\textsuperscript{125} While the holistic nature of happiness has been repeatedly emphasized, nonetheless it will be important for happiness theorists and for policymakers to establish a framework for understanding the different elements or facets of life happiness. While there is no ‘correct’ framework, as is the case with the drive for a single numeric metric, a coherent and easily understood happiness framework is likely necessary for public understanding and practical policy use, while a common framework is necessary for sharing local or national research and practices. I will therefore discuss approaches to defining the nature of a conceptual framework before comparing the elements of multidimensional well-being identified in the prominent frameworks.

*Defining Multi-Dimensional Happiness*

Clearly if the happiness we are describing is a deep and enduring life happiness, and if the purpose of happiness research is to facilitate policy, then the elements of happiness we describe must be universal, or practically universal.\textsuperscript{126} A Red Ryder BB Gun may make an 8 year old American boy very happy, but is clearly not a universal driver of happiness; by contrast,

\textsuperscript{124} E.g. Veenhoven 2007, *supra* note 73, at 16.
\textsuperscript{125} Skidelsky, *supra* note 4, at 145.
\textsuperscript{126} Shin, *supra* note 31, at 204; Skidelsky at 150.
presumably nearly everyone wishes to have healthy and loving relationships in their lives, to the extent that the failure to have or want social relationships can be evidence of mental illness or even constitute mental illness in and of itself.\textsuperscript{127} Shin notes similarly that they should be sufficiently universal but “flexible enough to encompass any lifestyle,”\textsuperscript{128} or culturally agnostic; given the diversity of global cultures it would seem that a level of cultural flexibility would be required in the description of any universal good – setting up a tension between the desire for specificity and granularity on the one hand and the search for generalizable universals on the other. Skidelsky expands on universalism by adding that they should be \textit{indispensable}; not only should the basic elements be almost universally considered to be part of the good life, but also their absence would be universally considered a loss to anyone. These efforts mirror the efforts of Aristotle to find ultimate ends – states of \textit{human} well-being, proper ends of all human activity and not just for a few.

As subjective happiness is \textit{sui generis}, so too should its fundamental elements be \textit{sui generis}; the basic dimensions of happiness cannot themselves be elements of or aggregates of other basic dimensions.\textsuperscript{129} Like Aristotle, the Skidelskys describe the elements as being ends and not means: something that is merely a means to an end cannot be a basic element of happiness, as the end is presumably the fundamental objective the satisfaction of which contributes to happiness. While he was considering objective well-being metrics, Shin notes that from a practical perspective the categories must be small enough to be manipulated but large enough to have granularity.\textsuperscript{130} It seems clear that from both the perspective of a philosophical justification as well as from the practical perspective of metrics that can be meaningfully manipulated, “measuring citizens’ happiness should not focus on generating an ever better single aggregate indicator, but rather on improving possibly many different indicators and bringing new insights into the various aspects

\textsuperscript{127} E.g as an indicator of schizophrenia or as part of a diagnosis of avoidant, narcissistic, or antisocial personality disorders.
\textsuperscript{128} Shin, \textit{supra} note 31, at 204.
\textsuperscript{129} Skidelskys, \textit{supra} note 4 at 152.
\textsuperscript{130} Shin, \textit{supra} note 31, at 204.
of individual well-being.” Of course, this does not mean that we cannot average the domain scores to create a single number that represents the overall well-being of the population being considered, but rather that development of and understanding of a multi-dimensional framework is the ends we have in mind, and not the generation of a single number that cannot be meaningfully interpreted, and accordingly on this issue I disagree with Veenhoven’s efforts to develop and refine such a single variable.\textsuperscript{132}

\textit{Happiness Frameworks Compared}

The figure on the following page compares several frameworks for thinking about the fundamental elements of human well-being. I have started with the three objective elements of the HDI on the left; I then considered Rawls’ (political) “primary goods”, Maslow’s (psychological) “hierarchy of needs”, and Shin’s (economic) well-being model discussed earlier; owing to its familiarity and to its hierarchical structure (which is absent from most models) I have arrayed the elements of the framework from top to bottom on the chart based on Maslow’s hierarchy (where applicable).

Moving to the right on the chart I then compare four modern frameworks specifically addressing multi-dimensional happiness: the framework described by the Skidelsky’s and also referenced earlier; the domains of the Bhutanese GNH; a proposed American GNH that is in use; and finally the five elements of the recent World Happiness Report 2013.

I have attempted to present the various frameworks visually in such a way that common, similar, or analogous elements appear on the same rows; they are not therefore presented in the order of the original authors except in the case of Maslow, for who ordering of elements was an important feature of the framework. In several cases the elements have been simplified: within the nine domains Bhutan has developed 38 sub-indexes, 72 indicators and 151 variables that are used to

\textsuperscript{131} Frey and Stutzer 2007, supra note 40, at 14.
\textsuperscript{132} See e.g. Veenhoven 2007, supra note 73.
define and analyze the happiness of the Bhutanese people, for example. And in some cases a given author’s category overlaps or appears to aggregate more than one common category, and these areas of overlap are indicated where the element is listed a second time <in brackets>.

Fig 1: Comparison of multi-dimensional frameworks for well-being

<table>
<thead>
<tr>
<th>HDI</th>
<th>Rawls</th>
<th>Maslow</th>
<th>Shin</th>
<th>Skidelskys</th>
<th>Bhutan GNH</th>
<th>American GNH</th>
<th>WHR2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>GNI pc at PPP</td>
<td>Income + Wealth</td>
<td>Physiological Needs</td>
<td>Income</td>
<td>&lt;security&gt;</td>
<td>Living Standards</td>
<td>Economic Wellness</td>
<td>Log GDP pc</td>
</tr>
<tr>
<td></td>
<td>Freedom to move + work</td>
<td></td>
<td>Housing Work</td>
<td></td>
<td></td>
<td>Workplace Wellness</td>
<td></td>
</tr>
<tr>
<td>Life expectancy</td>
<td>&lt;security&gt;</td>
<td>Health</td>
<td>Health</td>
<td>Physical Wellness</td>
<td>Life Expectancy</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Psychological Wellbeing</td>
<td>Mental Wellness</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Self-Respect</td>
<td>Love + Belonging</td>
<td>Love</td>
<td>Friendship</td>
<td>Social Wellness</td>
<td>Generosity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic Liberties</td>
<td>Esteem</td>
<td>Equality</td>
<td>Respect</td>
<td>Good Governance</td>
<td>Political Wellness</td>
<td>Corruption</td>
<td></td>
</tr>
<tr>
<td>Access to Office</td>
<td>Freedom</td>
<td>Freedom</td>
<td>Personality</td>
<td></td>
<td>Freedom</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>Self-Actualization</td>
<td>Leisure + Recreation</td>
<td>Leisure</td>
<td>Time Use</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Education</td>
<td>Education</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Harmony with Nature</td>
<td></td>
<td>Education</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ecological Diversity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental Wellness</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: HDR 2013, supra note 16.
Shin supra note 31
Skidelskys, supra note 4
Centre for Bhutan Studies online: http://www.grossnationalhappiness.com/

Gross National Happiness Centre, online: http://www.gnhbhutan.org/about/ [retrieved 11 August 2014].
First, it is apparent that all of the frameworks, with the exception of that proposed by the Skidelskys, directly include material well-being or wealth metrics. And to be fair the Skidelskys by no means ignore wealth; their concept of security, for example, includes security of way of life and freedom from the economic and employment insecurities typical of capitalism. Many of those sceptical of happiness metrics seem to ignore the fact that the prominent frameworks include income, deprioritizing it without eliminating it. Deaton for example says that subjective life evaluation is “fine if the implication is to consider other aspects of well-being, like health or education or the ability to participate in society. It is not fine if the implication is that income is not worth anything, or that income adds nothing to the life of those of us who live in countries richer than Mexico. It is even less fine if the argument is that we should focus on life evaluations and ignore everything else.” Clearly, however, none of the prominent frameworks say that income is not worth anything nor that we should focus on happiness to the exclusion of all else. The traditional emphasis on a one-dimensional metric may have accustomed us to looking at one thing to the exclusion of all others, but the subjective well-being described here is by its nature inclusive of wealth and a variety of other aspects of well-being. The idea that a single wealth metric might be replaced with a single happiness metric is a false dichotomy of the kind that a robust concept of happiness and well-being is intended to dispel.

Moving to the bottom of the chart, we can also see that all of the more recent frameworks except the World Happiness Report include a dimension relating to environment, whether it is Bhutanese “diversity”, American “wellness”, or the Skidelskys’ “harmony”. This strongly suggests that concern about our relationship with the environment is becoming universal and is not adequately reflected in the other domains; accordingly the omission of an environmental dimension from the WHR should be seen as an oversight that should be addressed in future reports.

I have grouped work or employment dimensions under material well-being dimensions as being closely related, since the freedom to move and work or the sense of well-being in the workplace
will be instrumentally tied to the purpose of that work, income. The American GNH assesses ‘workplace wellness’, but does not include any reference to work/life balance or the quality of leisure time; neither does Rawls consider leisure among his basic goods. The Skidelsky’s framework and the Bhutanese framework, by contrast, include leisure or time use but not an independent work-life dimension, while Shin’s objective review included metrics assessing both of these dimensions. To determine the appropriate approach we must consider the basis for establishing the domains. Clearly all humans enjoy leisure, while many humans do not work; quality of work-life is irrelevant to children, students (if they are not working while studying), the unemployed, and the retired, for examples, and therefore it is not immediately obvious that “work wellbeing” is a universal characteristic. At the same time, work well-being might be reasonably unpacked into the economic component (how it contributes to one’s material well-being and security) and into social or personal components (whether one likes one’s co-workers; whether one has freedom to express oneself in work; whether one finds one’s work meaningful). From the philosophical perspective, the job is the means to the ends of income and social engagement, and therefore should not be considered one of the fundamental goods we are seeking: we want to inquire if people have economic security whether or not they get it from their job, and if they are satisfied with their opportunities for self-actualization and independent personality whether or not they get them from their jobs, or whether they even have jobs. Accordingly the American emphasis on quality of work, as opposed to use of time or quality of leisure, may be seen as a reflection of the importance of work in American life – or perhaps more accurately of the lack of importance of leisure and work-life balance. If the objective of happiness research and happiness-based policy is to escape the rat-race that is the single-minded pursuit of wealth by expanding our understanding of what constitutes the good life, elevating work and ignoring leisure can only be seen as an oversight in the American systems as compared to the others.
In respect of health, while all the frameworks include a measure of physical health (frequently life expectancy) only the Bhutanese and American GNH frameworks explicitly include mental health as an independent dimension. In spite of omitting it from the list of five dimensions used in the World Happiness Report, the authors of the report dedicated the entirety of Chapter 3 to its discussion, noting that “mental illness is one of the main causes of unhappiness.” And while mental illness may impact on other aspects of well-being such as social relationships, it seems intuitive that good mental health, like good physical health, is necessary to many other enterprises but is also an end in itself that can be desired and admired for its own sake. Mental health would appear to be a universal good that is an ultimate end in itself, indispensable to overall well-being and not an element or aggregate of other factors, and one therefore that ought to be included in a comprehensive framework.

Strangely, physical security is discussed in the philosophical and economic approaches to happiness but is absent as a major constituent of either Bhutanese or American GNH or the World Happiness Report analysis. This can be viewed as an oversight to be addressed in these frameworks. It is clear the security of person and property are basic goods the lack of which would universally be recognized as an impediment to well-being, and basic security does not seem an element or aggregate of any of the other factors discussed. It may be that national governments are less inclined to ask citizens about their security needs, preferring to monopolize not only the use of force but discussions of how it ought to be used. This is surely a mistake given the size of policing and defence budgets generally and the dramatic increase in security concerns in post-9-11 America in particular. According to the White House the United States spent $683.7 billion on its military in 2010, and the Transportation Safety Agency’s 2014 budget was over $7.5 billion; given these figures it seems unconscionable that policymakers

would not want to know whether this massive investment has generated any returns in terms of the public’s perception of their security. While Maslow, for example, groups physical health together with physical security, security of property and security of employment, if the dimensions we are looking for are those that are universal ends in and of themselves and not clearly an element or aggregate of others, then health and security ought to be treated separately.

Also strange is the absence of education from the right hand side of the chart, given the almost universal agreement as to its importance in development. It might be argued that education is an element of other domains: enabling a better job and higher income, for example, or providing a community and social opportunities; or enabling subjective freedom to develop one’s own personality, perhaps. It seems however that the importance of education in its own right, as well as through its instrumentality in improving health, in providing access to increased incomes, and in building social skills and networks, and its importance to individual self-esteem and self-actualization, all suggest that education is a universal good that deserves a prominent place in a comprehensive description of well-being.

Finally, the measures all contain elements of both interpersonal and political well-being. In the case of the former, it seems trite that love, friendships, family, and social value are intrinsically important to all humans at all times, but these attributes also seem intrinsically different from political engagement that both requires and takes place in institutional social structures. Both are clearly key dimensions of a comprehensive happiness framework.

Combining the common elements and addressing the shortcomings identified in the comparisons, we can therefore conclude that a robust multi-dimensional framework should include:

1. Material well-being
2. Physical Security
3. Physical and mental health
4. Political rights and equality
5. Interpersonal well-being and respect
6. Time use and leisure
7. Education and
8. Ecological well-being

PART V Application and Conclusion

The value of a multi-dimensional subjective happiness metric: I have argued that the pursuit of happiness and the good life have long been the subject of human inquiry, and that taken in its historical context the elevation of money to the position of sole proxy of human well-being is relatively recent. While measuring income and wealth will remain important, numerous failures of the one-dimensional focus on income have become apparent: it seems both morally unjustifiable and practically unsustainable; it has only a weak connection with human well-being; and in any event our efforts to directly influence the wealth of developing nations have not demonstrated any reliable degree of success. Accordingly while happiness research is sometimes referred to as a response to the unsustainability of capitalism, it should more accurately be viewed as a restoration of a fulsome view of humanity that was temporarily obliterated by an obsession with the proxies of income and output decisions. Attempts to generate a single aggregate happiness measure, particularly one based largely on hedonic feelings of pleasure, share this flaw and should be rejected.

While objective multi-dimensional measures like the HDI do not share these failings with GDP/GNI, the subjectivity of happiness provides direct advantages over objective measures. Information on subjective well-being can be obtained relatively cheaply and reliably through surveys, and the information so gathered is fundamentally more democratic than market information because it is not mediated through ability-to-pay. In Bhutan it is argued that “[t]he
indicators enable Bhutanese to hold their government accountable” in a way that financial objectives do not.\footnote{Colman 2008, supra note 105, at 16.}

A subjective measure also captures satisfaction with outcomes, rather than judging objective outcomes against a pre-determined schema: a subjective inquiry removes the paternalistic assumption that what the people want is what the experts think is good for them and asks instead how they think their lives are going. It is almost certainly more important that the elderly have the capacity to lead fulfilling lives with supportive social connections, political engagement, satisfying leisure, and at least adequate physical health than it is to extend the lives of the elderly by a year through expensive medical interventions that leave them bedridden. Only a subjective happiness metric can translate this moral imperative into a measurable policy outcome that is based on the actual human impact of that policy, rather than on the prescriptions of experts.

The construction of a multi-dimensional happiness metric: In Part IV I compared and contrasted some prominent metrics as well as the criteria used for establishing them and concluded that the ideal metric would have eight components: Material well-being; physical security; physical and mental health; political rights and equality; interpersonal well-being and respect; time use and leisure; education; and ecological well-being. Each of these – and particularly perhaps political and equality rights – is in and of itself a sophisticated domain requiring further detailed consideration that is beyond the scope of this paper, but these elements reflect the universal, indivisible, indispensable pillars of well-being or *eudaimonia*. Acknowledging however that it is easier to build on the good work of others than reinvent the wheel, it is clear that the Bhutanese GNH metric is by far the most comprehensive, including as it does all but one of my eight identified domains, as well as appropriately referencing both physical and mental health as key requirements to well-being, and has further subdivided the domains into a total of 151 elements.
That the Bhutanese framework is the most comprehensive should hardly be surprising, as it enjoys the longest history, the most robust academic framework, government policy support at the highest level, and an actual history of implementation. Accordingly in my view other researchers have an obligation to consider the depth and breadth of thought and experience that is reflected in the Bhutanese GNH variables and to justify departures from that basic framework on philosophical or practical grounds. The absence of leisure and education and the over-emphasis on work in the American system, for example, must be either justified or addressed. Similarly, while it may be that the United Nations was modest in its first attempt at a World Happiness Report by including only five metrics, future WHR reports should directly address security, mental health, education, and leisure if they are to be comprehensive reports on human happiness that will ultimately yield useful time series data, and not snapshots of elements of happiness taken through a window.

Overall, standardization in both construction of the domains and application through surveys should be an objective of the international community. Individual nations can do this by adopting and customizing existing best practices (e.g. the Bhutan framework) rather than creating a *sui generis* national program, so that both their theoretical and practical experience can provide useful lessons to policymakers in other countries. This is an appropriate role for the United Nations, although they will only be in a position to play that role if they themselves adopt best practices first; the WHR2013 framework is currently the most limited of the happiness frameworks discussed and not an appropriate global model.

Collection of subjective happiness data could be made an element of the next round of Millennium Development Goals, encouraging standardization across wealthier nations and making assistance available to developing nations. The name “Gross National Happiness” is doubly misleading (because happiness is inalienable and cannot be grossed, as well as personal and not national in character), and since efforts to aggregate or account for happiness are
misguided the general terms “happiness” or “well-being” should be preferred, without the misleading modifiers.

**Policy Implications of multi-dimensional happiness:** If happiness is to have any value to policy makers, it must also be responsive to changes in circumstance. Fortunately, reliability studies have found that reported well-being is sensitive to changing life circumstances. Accordingly “[t]he results gained from happiness research should be taken as inputs into the political process,” as well as being measurable outputs of successful policies.

It is important to recall that the objective is *not* to maximize aggregate happiness, which is an impossibility. Rather, the objective is to increase the proportion of people who are happy; in Bhutan this is defined as having ‘sufficiency’ in at least six of nine domains. “If certain dimensions contract, or are being crowded out by material progress, the GNH index must explicitly convey such information as the imbalances enter, in order to catalyze public deliberation and, if relevant, action.” Domains where many people report unhappiness indicate fundamental social problems that are creating obstacles which prevent people from enjoying a good life and focus policy discussion on addressing those issues so “a clear understanding of how the achievements and shortfalls in different dimensions of GNH vary over time and space and group provides key information for policy design and subsequent resource allocation.”

Although the debate about the utility of aid to recipient countries may rage on, it may be hoped that a shift in focus from income to happiness will guide both domestic and international policy in addressing a more meaningful concept of development than material well-being, a project which can hardly fail to yield better results than our attempts at increasing wealth alone.

---

140 *ibid* at 14.
141 Gross National Happiness Centre, online: [http://www.gnhbhutan.org/about/](http://www.gnhbhutan.org/about/) [retrieved 11 August 2014].
143 *ibid*. 

56