Twins, siblings or cousins? - An investigation into the relationship between philosophical and operational approaches to well-being.

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– An Investigation into the Relationship Between Philosophical and Operational Approaches to Well-Being.

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Declaration

This thesis is the result of my own work. Material from the published or unpublished work of others which is used in this thesis is credited to the author in question in the text.

Signed:  20th July 2009

Peter James Mitchell

Dedication

This thesis is dedicated to my soon-to-be wife Emily, without her tireless support and encouragement this thesis would not have been possible.

Many women do noble things, but you surpass them all.

Non nobis, Domine, Sed nomini tuo da gloriam.

Acknowledgements

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"Gross National Product measures neither the health of our children, the quality of their education, nor the joy of their play. It measures neither the beauty of our poetry, nor the strength of our marriages. It pays no heed to the intelligence of our public debate, or the integrity of our public officials. It measures neither our wisdom nor our learning, neither our wit nor our courage, neither our compassion nor our devotion to country. It measures everything, in short, except that which makes life worth living, and it can tell us everything about our country except those things that make us proud to be part of it."

– Robert F. Kennedy

University of Kansas Address, Lawrence Kansas, 18 March 1968

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Introduction

Well-being is starting to become one of those buzzwords that it is hard to avoid. It seems to pop up in a variety of different places, describing a variety of different things. Indeed, it appears in such diverse places as reports about the potential damage of the credit crunch,[1] and speeches by Oscar winning and Nobel prize winning former vice presidents.[2] Not only is it a common term but some authors, like Haley and Senior, argue that "similar to the terms 'sustainable development', 'partnerships' and 'social inclusion', the term 'well-being' has become an amorphous, meaningless phrase, yet, as a part of common language it contributes to our normative frames of reference."[3]

While this thesis does not propose to argue that well-being has become meaningless it is worth noting the degree of challenge in setting about to examine a term that has such varied and different uses. This introduction hopes to provide: a brief overview of the challenges involved in examining the term well-being; it then traces the main reasoning and approach of this thesis, which includes the reasoning for making the distinction between philosophical and operational approaches to well-being; before finally providing further details on each of the included chapters.

Conceptual Challenges

With a term like well-being it can be quite tempting to seek to give the term a precise and definite label as early as possible to enable a coherent examination. While this is certainly one approach it is worth sounding a cautionary tone on moving straight to this approach. Gasper makes the helpful point that "rather than set up a precisely delimited,

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[1] 'Policymaker Sees Economy Worsening', *International Herald Tribune*, Friday 26th September 2008, www.iht.com

[2] Gore, A. Speech to Democratic Convention, Denver, 28th August 2008, www.dnc.org

[3] Haley, D. & Senior, P. 'Art, Health and Well-being', Well-being: Individual, Community and Social Perspectives – Haworth, J. & Hart, G. (eds), Palgrave Macmillan, Basingstoke, 2007, p.113

narrow, single notion of well-being, and then try to police its 'correct' usage, we would do better to see well-being as an umbrella notion.'[4] This view is supported by Pettit and White who suggest, "well-being is a complex notion with many different dimensions whose definition is disputed."[5] They helpfully also raise the issue of well-being's multi-dimensional nature. This will be considered further in the next section.

Another cautionary note must be sounded regarding the purpose of well-being research, which can in itself shape the examination made. Is well-being a variable, or a set of variables to be maximised? This is certainly a view taken by many authors and explains why there is a strong link between conceptualisations and measurement. Indeed, there is a strong case to be made "that well-being is something that we do together, not something that we each possess. An adequate account of well-being is thus seen to require a theory of the range of basic institutions of social organization, within which people can make viable sense of their lives."[6]

An analysis of well-being is perhaps further complicated by the interchangeable words often used to either describe or define well-being. Many of these words have very similar meaning to well-being and some authors will use them interchangeably while others will not. As one author notes these words can include; quality of life, living standards, human development, welfare, social welfare, well-living, utility, life

[4] Gasper, D. 'Human Well-being: Concepts and Conceptualisations', Human Well-being: Concept and Measurement, McGillivray (ed), Palgrave McMillan, Basingstoke, 2007, p.29
[5] Pettit, J. & White, S. 'Participatory Approaches and the Measurement of Human Well-being', Human Well-being: Concept and Measurement, McGillivray, M. (ed), Palgrave McMillan, Basingstoke, 2007, p.242
[6] Haworth, J. & Hart, G. 'Introduction' Well-being: Individual, Community and Social Perspectives – Haworth, J. & Hart, G. (eds), Palgrave Macmillan, Basingstoke, 2007, p.12

satisfaction, prosperity, needs fulfilment, development, empowerment, capability expansion, poverty, human poverty and, more recently, happiness.[7]

In any endeavour like this there is also the challenge of saying what should be included in each particular area. This thesis looks at the common aspects raised by different authors and the empirical data available to examine them. The use of empirical data and the issues of measurement and causality that this raises are discussed later in the thesis in the appropriate areas.

Lastly there is perhaps the conceptual challenge of recognising that debates around well-being have for a long time been shaped by the dominant operational approach of welfare economics. Indeed, as Gasper argues, "a necessary intermediate objective is to clear away presumptions linked to the enthroning of income per capita as the key indicator of well-being – necessary given that indicator's long predominance and continuing centrality in policy analysis and public discourse."[8]

Approach of this Thesis

In the previous section we saw that several authors suggest well-being is a multi-dimensional concept that involves a number of different components. This thesis suggests that this is an effective way to conceive of well-being given its broad nature. However, while a precise and immutable definition is not recommended, certain distinctions, particularly at the conceptual level are both necessary and useful.

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[7] McGillivray, M. 'Human Well-being: Issues, Concepts and Measures', Human Well-being: Concept and Measurement, McGillivray (ed), Palgrave McMillan, Basingstoke, 2007, p.3

[8] Gasper, D. 'Human Well-being: Concepts and Conceptualisations', p.23

The primary distinction made is between philosophical and operational approaches to well-being. This distinction is, of course, artificial; any philosophical approach is going to have scope to be operationalised, but this scope is considered substantially less than in operational approaches. Conversely, operational approaches have a philosophical underpinning of some description, but are considered as operational approaches because of a higher scope for operationalisation than the philosophical approaches.
The actual usage of different approaches to well-being in academic literature is also considered in determining whether an approach is more philosophical or operational. For example, much more has been written on Mill's understanding of utilitarianism than on operationalising his ideas, like the competent judge for example. Conversely, objective well-being approaches, like the Human Development Index (HDI) have created much discussion about the methodological and statistical issues surrounding it, and far less, though not insignificant, writings on the philosophical underpinnings of the index.

It may be helpful then to consider a spectrum of well-being approaches with philosophical on one end and operational on the other. All well-being approaches are somewhere on this spectrum, but their greater proximity to one or other of the ends determines their definition. Thus while this distinction is made, of more importance is the relationship between philosophical and operational approaches.

The thesis suggests that there is a strong link between philosophical and operational approaches to well-being. It will argue that the most effective measures of well-being are those that provide a multi-dimensional approach at both the philosophical and operational level. It will highlight this by looking at the role and relationship between

philosophical approaches and operational ones. In short then it suggests and seeks to demonstrate that different philosophical underpinnings lead to different operational outcomes and that this needs to be taken into account when examining well-being.

Content of the Thesis

Part I of the thesis deals with three philosophical approaches to well-being; those of utilitarianism, justice as fairness and the capability approach. Each is considered in turn and where helpful for advancing the approach of this thesis comparisons are made. Part II looks at operational approaches to well-being and their philosophical underpinnings. It looks first at welfare economics and its emergence and divergence from utilitarianism. Next objective well-being is considered and possible enhancements for it are also raised. The thesis concludes by examining the relationship between philosophical approaches and operational ones and suggests how this conclusion might be of use to continued understandings of well-being.

Chapter 1 – Bentham and Mill's Utilitarianism

This chapter looks at one of the earlier conceptions of happiness (or as argued later well-being), that of classical utilitarianism. Utilitarianism first seeks to define utility or happiness and then to provide a teleological theory of morality by arguing for an approach that seeks to maximise happiness or utility. It is important to note, as Crisp points out, that it is both possible and important to keep clear the distinctiveness of a utilitarian conception of happiness or welfare and its view that morally we are required to maximise welfare.[9] It is also worth noting that, like most theories, utilitarianism has evolved and altered in the many years it has been around. In this section then, classical utilitarianism is the form that is considered and this refers to the utilitarianism of Bentham and Mill rather than more current varieties.

Most of the debate around utilitarianism has centred on it being morally right to act in a way so as to maximise utility. However, this section focuses on the understandings of happiness and welfare that utilitarianism promotes. While this entails some consideration of philosophical arguments about the morality of maximising happiness as the guiding moral principle, these are, on the whole, considered outside the scope of this paper.

Bentham's Utilitarianism

In 1829 Jeremy Bentham wrote an essay entitled *Article on Utilitarianism* in which he laid out "the evolution and significance of the principle of utility."[10] Bentham was one

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[9] Crisp, R, Mill on Utilitarianism, Routledge, London, 1997, p.20

[10] Bentham, J, *The Collected Works of Jeremy Bentham, Deontology together with A Table of Springs and Actions and Article on Utilitarianism*, Goldworth, A (ed), Oxford University Press, Oxford, 1983, p. xxxiii

of the earliest proponents of utilitarianism. While others (including Hartley, Helvetius, Hume and Priestley) had talked about utility, happiness, pleasure and pain, it was Bentham who drew them all together into one coherent theory.

In his work *A Table of Springs of Action* Bentham defines utilitarianism as: "the utilitarian principle of utility – act according to the greatest happiness of the greatest number."[11] This synthesis of utility understood in terms of pleasure and pain became Bentham's 'greatest happiness principle'. This principle was meant to direct and govern all aspects of human action, both individual and social, moral and political.[12] Before he could advocate a morality of maximising happiness though, Bentham needed to both define what he meant by happiness and propose a way of measuring it, given his theory required cardinal comparisons and aggregation across people and time.

Bentham's Definition of Happiness

In his understanding of happiness Bentham drew on the work of Kant who had explored the concept of pleasure as happiness and it being 'reasonable' to seek to maximise the good.[13] Bentham then believed pleasure and pain were the only two 'real entities' on which all others were based.[14] He understood 'happiness' to be pursuing pleasure and avoiding pain.[15] Further, "according to Bentham, the value of any pleasure is to be determined by its duration and intensity."[16]

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[11] Bentham, J, *The Collected Works of Jeremy Bentham*, p.25
[12] Bentham, J, *The Collected Works of Jeremy Bentham*, p. 318
[13] Kant, I, Metaphysics of Ethics, Semple, JW (trans.), Thomas Clark Publishers, Edinburgh, 1836, p.61
[14] Bentham, J, *The Collected Works of Jeremy Bentham*, p.98
[15] Bentham, J, *The Collected Works of Jeremy Bentham*, p. 320
[16] Crisp, R, *Mill on Utilitarianism*, 1997, p.22

Thus there are two key elements to Bentham's definition of happiness. The first, as noted above, is a definition of happiness composed of pleasures and absences of pain. This makes Bentham's view of happiness hedonistic. Bentham did not understand pleasure in a purely sensory fashion, but he was still concerned about the pursuit of pleasure.[17] The second element is regarding the method of measuring utility or happiness, which was crucial to Bentham's approach.

Bentham's Approach to Measuring Happiness

This concept of measurement and comparison was crucial to Bentham's thinking because it is necessary to assign values to different pleasures and pains so as to be able to maximise them across people and time.[18] It also raises key questions though about both the subjectivity of the values, how those values are measured and ascribed, and also how a model of comparison that seeks to maximise happiness can be formulated.

We see that in Bentham's view happiness is either entirely, or largely subjective.[19] However, the subjectivity of an individual's appraisal of their happiness is not as problematic if the theory is focused solely on how individuals can maximise their own happiness. For assuming individuals are rational (that is will prefer pleasure to pain) and have a reasonable degree of knowledge of what will bring them pleasure the theory holds. For each individual would then act in the way they believed would maximise their own happiness.

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[17] Donner, W, 'Mill's Utilitarianism', *Cambridge Companion to Mill*, Skorupski, J (ed), CUP, Cambridge, 1998, p.257
[18] Crisp, R, *Mill on Utilitarianism*, p.21
[19] Postema, G, 'Bentham's Utilitarianism', *Blackwell's Guide to Mill's Utilitarianism*, West, H (ed), Blackwell, Malden, Maine, 2006, p.34

However, the problem with this subjective understanding of happiness arises with the second aspect of Bentham's view of happiness, that it could be measured, absolutely necessary if it is to be used as a moral theory for all. As Postema continues: "the problem is not that an individual cannot assess his own pleasurable experiences, but that doing so meaningfully across persons is very difficult."[20] Bentham's utilitarianism relied on objective inter-personal and inter-temporal comparisons being able to be made about an individual's subjective happiness.

Bentham's approach to measuring happiness finds its fullest expression in his concept of felicific calculus. Donner provides a helpful summary:

> Bentham's felicific calculus is a method designed to measure the total quantity of pleasure and pain caused by an action. The method calls for a calculation of the quantity of each pleasure and pain of every person whose interests are affected. Then the balance of quantity of all the pleasures and pains is worked out to determine which action will produce the greatest balance of pleasure over pain. The method quantifies intensity and duration and integrates them into the scale of value. Since value is a function of quantity, the higher on the scale of quantity each pleasure is placed, the greater is its value. Since Benthamite scales are cardinal, units that can be added and multiplied and so aggregated are required for each of the dimensions.[21]

Perhaps the most important aspect of this method of measurement is that the scale was cardinal. That is, as Donner notes, units are similar so can be aggregated or multiplied.

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[20] Postema, G, 'Bentham's Utilitarianism', p.35
[21] Donner, W, *Mill's Utilitarianism*, p.268

This is an important point to note for when the concept of economic utility is examined in the section on welfare economics.

Turning next to the issue, to do with a model of maximising happiness, we find the main and crucial issue here is *whose* utility is to be maximised. At first Bentham defined utility as 'the greatest happiness for the greatest number'. However in his own work he illustrated the problems that would arise from this definition and so later dropped the second part of the definition to do with the greatest number, arguing, "on the surface, additional clearness and correctness was given to the idea: at the bottom, the opposite qualities."[22]

Even if there is not an issue of the greatest number there still arises a question of how utility is measured. Is utility maximised for each individual and then aggregated to arrive at a societal component or is it maximised for society and then proportionally allocated to individuals. If the first then it is not necessarily the greatest happiness (for a higher total utility might be obtained from a societal maximisation). Or if it is the second then we see one of the major criticisms of utilitarianism that the 'greater good', that is aggregate utility, can come at the expense of an individual's utility.

Different commentators have understood Bentham's account of this question in different ways. Postema argues Bentham's principle requires the happiness of the individual be sacrificed if a greater increase in community happiness can be achieved. [23]

[22] Bentham, J, *The Collected Works of Jeremy Bentham*, p.309
[23] Postema, G, 'Bentham's Utilitarianism', p.33

However, as Postema notes, others have argued strongly that "Bentham thought it fundamentally important that the welfare of each individual be considered one-by-one. He did not accept the view, often attributed to him, that the good or welfare of an individual could be entirely subordinated to the welfare of the community as a whole."[24] It has also been suggested that Bentham himself attempted to work round this problem by moving in his later works to understand general utility more in terms of general interest than general happiness. [25] This issue, of the role and importance of the individual and society is a crucial fault line of utilitarianism and one to which we will return later.

Thus, Bentham's utilitarianism is important to an understanding of well-being because it has been hugely influential on operational approaches to well-being, primarily that of welfare economics. It has provided (with some adaptations, discussed in Chapter 4) a philosophical foundation for measurable inter-personal comparisons of utility. Bentham's views went a long way to entrenching the idea that well-being (or at least utility or happiness) was best understood as the maximisation of certain variables. Further, given Bentham's view was a teleological theory of morality, it allowed a separation of the right and the good (discussed further in Chapter 2) which has also had a significant influence on understandings of well-being.

Thus in the utilitarianism of Bentham we see the two key premises of the theory. Firstly an understanding of happiness that is centred around pleasure and pain and secondly a theory of morality that to maximise happiness is the morally best course of action. In short then, Bentham saw the primary objective of human existence to be the pursuit of

[24] Postema, G, 'Bentham's Utilitarianism', p.41
[25] Postema, G, 'Bentham's Utilitarianism', p.37

happiness. While this understanding of happiness provides certain elements there still remain crucial aspects of this theory that were not developed. It rested then on JS Mill to enhance and develop Bentham's theories.

Mill's Utilitarianism and Understanding and Definition of Happiness

Bentham's work on utility and happiness was substantially developed and modified by JS Mill, the son of one of Bentham's close friends, James, Mill's father. Like Bentham, Mill also uses happiness and utility interchangeably saying, in the General Remarks to *Utilitarianism*, that he wishes to "contribute something towards the understanding and appreciation of the Utilitarian or Happiness theory."[26] He also defined it in terms of pleasure and pain. As Mill states:

> The creed which accepts as the foundation of morals, Utility, or the Greatest Happiness Principle, holds that actions are right in proportion as they tend to promote happiness, wrong as they tend to produce the reverse of happiness. By happiness is intended pleasure, and the absence of pain; by unhappiness, pain, and the privation of pleasure.[27]

However while similar to Bentham in defining happiness as pleasure minus pain, Mill greatly widens what constitutes pleasure. As Williams states, Mill's "formal definition of utility is orthodox Benthamism in its account of happiness as pleasure and the absence of pain; the difference lies in his further elaboration."[28] Williams continues:

> Happiness, however, is now clarified in terms which show Mill's departure from Benthamism and also his further elaboration of the idea of character and its

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[26] Mill, JS, *Utilitarianism, On Liberty, Considerations on Representative Government and Remarks on Bentham's Philosophy*, Willaims, G (ed), J.M, Dent, London, 2001, p.4
[27] Mill, JS, *Utilitarianism*, p.7
[28] Mill, JS, *Utilitarianism*, p.xxix

> development which he began to formulate after his mental crisis. Happiness now seems much more like the Greek *eudaimonia* – a development of those capacities which are characteristically human, a fulfilment of those potentialities which are unique to human beings.[29]

Thus Mill retains a Benthamite understanding of utility with pleasure and pain, but vastly widens the scope of what constitutes pleasure and pain. As Donner notes, "good resides in internal mental states of pleasure or happiness. But while for Bentham these mental states are sensations of pleasure, for Mill they are far more complex states of experience."[30] In part this has the effect on providing more of a focus on character.

Mill also shifts the focus of utilitarianism from a more narrowly focused hedonistic explanation to an all encompassing theory of morality and human development. "Mill's fundamental purpose is to promote human self-development and so he is centrally occupied with exploring the forms of character that allow humans to pursue meaningful lives."[31] This development in utilitarianism in the direction of character formation and virtue may well be in part due to the influence of Greek philosophers with whom Mill was very familiar who "placed philosophy and other intellectual and moral activities at the centre of their conceptions of human happiness or welfare."[32] This expansion of the understanding of pleasure provided both advantages and disadvantages. In widening its scope, Mill provided a deeper and fuller understanding of human action and a greater

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[29] Mill, JS, *Utilitarianism*, p.xxix
[30] Donner, W, 'Mill's Utilitarianism', p.257
[31] Donner, W, 'Mill's Utilitarianism', p.259
[32] Crisp, R, *Mill on Utilitarianism*, p.25

emphasis on character.[33] However, this then made the task of measuring happiness that much more complicated.

Mill's Approach to Measuring Happiness

Like Bentham, Mill faces the problem of being able to measure subjective experiences of pleasure in a way that allows comparison. Mill's solution is that of a competent judge. As he explains:

> On a question which is the best worth having of two pleasures, or which of two modes of existence is the most grateful to the feelings, apart from its moral attributes and from its consequences, the judgment of those who are qualified by knowledge of both, or, if they differ, that of the majority among them, must be admitted as final. And there needs be the less hesitation to accept this judgment respecting the quality of pleasures, since there is no other tribunal to be referred to even on the question of quantity.[34]

While this helps clarify the theoretical problem of how to differentiate between different persons' subjective experiences of happiness, it still leaves a practical problem if any measurements are to be made. Indeed for Mill the concept of measuring utility is not so much a choice by choice activity as a general exercise of an individual's character and society's institutions. Thus for Mill, a utilitarian philosophy includes the pursuit of virtue, even though he would argue this was not the end in itself. As he states:

> The utilitarian standard, while it tolerates and approves those other acquired desires, up to the point beyond which they would be more injurious to the general happiness than promotive of it, enjoins and requires the cultivation of

[33] Crisp, R, *Mill on Utilitarianism*, p.11
[34] Mill, JS, *Utilitarianism*, p.11

> the love of virtue up to the greatest strength possible, as being above all things important to the general happiness.[35]

Further there are significant difference between the methods of measurement that Bentham and Mill use when considering pleasure or pain. Donner outlines the main differences well:

> Both Mill and Bentham require methods of measuring the value of different mental states, but they come up with very different procedures. [...] Mill's theory does have more dimensions of value to contend with and is more complicated. Applying Mill's procedure, after intensity and duration have been synthesized, the resulting scale of quantity must in turn be integrated with that of quality to form an overall judgment of value. Some kinds of qualities of pleasurable experience are judged to be more valuable and thus placed higher on the scale of quality by competent agents. Competent agents rank pleasurable experiences on scales that measure their value. Their preferences represent a judgment of the value of the experiences resting on the good-making properties of quantity and quality. [36]

Thus in his definitions and measurements Mill uses a 'competent judge' to provide qualitative measurements of pleasurable experiences to go alongside the quantitative measurements provided by Bentham. While this is an advantage in terms of widening the definition and so enabling it to be more encompassing, it provides even more challenges in regard to actual measurement. It also shifts the focus away from

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[35] Mill, JS, *Utilitarianism*, p.39
[36] Donner, W, 'Mill's Utilitarianism', p.268

subjective experience, for while it is still the individuals experiencing the pleasure, its value is now being (potentially) determined by someone else (the competent judge).

Mill's Understanding of the Roles of the Individual and Community

It was noted earlier that a criticism of utilitarianism has been its bias towards the welfare of the community over and above that of the individual. Mill certainly seems, in *Utilitarianism* at least to value the communal happiness more and defines it as the standard of right. In *Utilitarianism* he says:

> I must again repeat, what the assailants of utilitarianism seldom have the justice to acknowledge, that the happiness which forms the utilitarian standard of what is right in conduct, is not the agent's own happiness, but that of all concerned. As between his own happiness and that of others, utilitarianism requires him to be as strictly impartial as a disinterested and benevolent spectator."[37]

A logical implication of this then is that in a choice between individual and general happiness, the 'right' course is to pursue the general happiness, even if at the expense of the individual.

However in his other writings and to an extent in *Utilitarianism* Mill sees a crucial role for justice in promoting general happiness also.

> Justice remains the appropriate name for certain social utilities which are vastly more important, and therefore more absolute and imperative, than any others are as a class (though, not more so than others may be in particular cases); and which, therefore, ought to be, as well as naturally are, guarded by a sentiment not only different in degree, but also in kind; distinguished from the milder

[37] Mill, JS, *Utilitarianism*, p.17

> feeling which attaches to the mere idea of promoting human pleasure or convenience, at once by the more definite nature of its commands, and by the sterner character of its sanctions."[38]

Further, as is seen in Mill's other works (particularly *On Liberty*) he places a high value on individual liberty and the freedom of individuals to pursue their self-determined goals. Crisp points out:

> The principles he recommends in *On Liberty*, even though they make no explicit reference to the utility principle, derive their plausibility from that principle. The liberty principle states that such interference is justified only to prevent harm to others, and this principle not only rules out paternalistic justifications for interference, but provides the underpinning for a protected self-regarding sphere. The liberty principle rests upon individuality, which has welfare value in itself when instantiated in people's lives, as well as being of great instrumental value as humanity progresses.[39]

It seems then in some ways unclear exactly what the balance Mill saw between the individual and society was, particularly in the tensions between general happiness and individual liberty. While these views are recognised by commentators, their respective meanings are contested."[40]

Conclusions on Utilitarian Views of Happiness

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[38] Mill, JS, *Utilitarianism*, p.67
[39] Crisp, R, *Mill on Utilitarianism*, p.199
[40] Riley, J. 'Mill's Political Economy', *Cambridge Companion to Mill*, Skorupski, J (ed), CUP, Cambridge, 1998, p.315

So in summary "the idea at the heart of utilitarianism is that actions and institutions should increase the overall amount of happiness in the world."[41] Both Bentham and Mill saw this as the chief goal of mankind and understood utility to be the same as happiness and to be considered by maximising pleasure and avoiding pain. They both went further though and, in somewhat different ways, believed morality could be understood in terms of maximising the general happiness. While this led to tensions between individual and communal conceptions of happiness, it also raised crucial questions regarding the measurement of happiness which is vital if it is to be maximised.

It is these approaches and understandings of happiness and its measurement that this paper is interested in and in this last part of the section on utilitarianism its similarities to well-being are considered.

Utilitarianism and Well-Being

Up to this point the term well-being has not been used in discussions about classical utilitarianism. However, in its attempt to define and understand happiness and its conception of happiness as virtually all encompassing, utilitarianism has many similarities with some contemporary uses and understandings of the term well-being. Indeed, certain utilitarian writers use the terms utility, welfare, happiness, and well-being synonymously. For example Crisp explains it as follows:

> Welfare, then, is what makes a person's life worth living for that person. Though one could make fine distinctions here, I shall take it to be roughly equivalent to a person's good, self-interest, flourishing, well-being, prudential value or utility."[42]

[41] Crisp, R, *Mill on Utilitarianism*, p.7
[42] Crisp, R, *Mill on Utilitarianism*, p.19

As does Shaw when he says: "Welfarism is the value thesis that individual welfare or well-being is all that ultimately matters; it is the sole good, the only thing that is intrinsically valuable or valuable for its own sake. [...] Like other early utilitarians, Bentham and Mill equated happiness with pleasure and unhappiness with pain, and they were concerned with happiness only because they identified it with well-being or what is good for people." [43]

Indeed Shaw goes further and argues that: "what really matters for utilitarianism is well-being whether or not one understands it in terms of happiness."[44] Indeed it can be seen why utilitarianism could and is equated with well-being. It allows for the broad understanding as understood by Mill while still retaining a distinctiveness (regarding a definition based on pleasure) that at least allows for some sort of comparison. This is not a comparison in the sense of Bentham, that is a cardinal comparison, but an ordinal one that indicates preference. Some modern utilitarians argue that this 'ranking' is all that is really required and a numeric value system is not needed. [45] As Shaw goes on to state:

> Utilitarianism holds that a state of affairs is good or bad to some degree (and better or worse than some other state of affairs) only in virtue of the well-being of the lives of particular individuals, and it goes on to affirm that each person's well-being is equally valuable, that his happiness or unhappiness, her pleasure or pain, carries the same weight as that of any other person. Thus, total net

[43] Shaw, W, 'Contemporary Criticisms of Utilitarianism: A Response', *Blackwell's Guide to Mill's Utilitarianism*, West, H (ed), Blackwell, Malden, Maine, 2006, p.202
[44] Shaw, W, 'Contemporary Criticisms of Utilitarianism: A Response', p.202
[45] Shaw, W, 'Contemporary Criticisms of Utilitarianism: A Response', p.202

> happiness is simply the sum of everyone's happiness or unhappiness, with more happiness here counterbalancing less happiness there. [46]

Thus in conclusion we can see that Bentham and Mill's work and understandings of utility as happiness have been re-conceptualised in contemporary discussion as being about well-being. This has been done with good reason given some contemporary understandings of well being have much similarity with aspects of the concept of utilitarianism put forward by Mill in particular. However, in Part II, we will see how welfare economics developed the concept of utility first seen here in the writings of Bentham and Mill. We continue now though to consider two more philosophical approaches to well-being, those of Rawls and Sen.

[46] Shaw, W, 'Contemporary Criticisms of Utilitarianism: A Response', p.202

Chapter 2 – Rawls' Theory of Justice and His Critique of Utilitarianism

Rawls' book *A Theory of Justice* presents one of the strongest arguments against utilitarianism of recent times. Rawls explicitly sets out to provide an alternative conception of justice, that of justice as fairness, to that of utilitarianism.[47] This chapter looks first at an understanding of Rawls' conception of justice as fairness, before looking at its critique of utilitarianism and then finally looks at how Rawls' critique of utilitarianism and his concept of justice as fairness enriches our understanding of well-being.

Rawls' Theory of Justice

In *A Theory of Justice*, Rawls says his aim

> "is to present a conception of justice which generalises and carries to a higher level of abstraction the familiar theory of the social contract as found, say, in Locke, Rousseau, and Kant. [...] The guiding idea is that the principles of justice for the basic structure of society are the object of the original agreement. They are the principles that free and rational persons would accept in an initial position of equality as defining the fundamental terms of their association."[48]

Crucial to this understanding of justice is that the principles of society are chosen from behind a "veil of ignorance."[49] That is a hypothetical, ahistorical situation "in which no one knows his place in society, his class position or social status, nor does anyone know

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[47] Rawls, J. *A Theory of Justice*, Oxford University Press, Oxford, 1972, p.3
[48] Rawls, J. *A Theory of Justice*, p.11
[49] Rawls, J. *A Theory of Justice*, p.12

his fortune in the distribution of natural assets and abilities, his intelligence, strength and the like."[50] In this situation Rawls argues people will choose what is 'fair' because they will rationally not choose a system which would be to their disadvantage. But without knowing where they will be in the society they choose a system that is as advantageous to them as to any other individual.

The conception of justice as fairness leads to the adoption of two different principles. According to Rawls "the first requires equality in the assignment of basic rights and duties, while the second holds that social and economic inequalities, for example inequalities of wealth and authority, are just only if they result in compensating benefits for everyone, and in particular for the least advantaged members of society."[51] In short, this places justice and equality (of opportunity not outcome) at the heart of a system of society and that through the "veil of ignorance" process this is shown to be the optimal arrangement for rational persons.

Rawls' Criticisms of Utilitarianism

Before moving onto the objections to particular parts of utilitarianism, Rawls makes some interesting points about the approach of the theory as a whole. Rawls argues utilitarianism is a teleological theory and as such creates a separation between what is good and what is right. As he says:

> It is essential to keep in mind that in a teleological theory the good is defined independently from the right. This means two things. First, the theory accounts for our considered judgments as to which things are good (our judgments of value) as a separate class of judgments intuitively distinguishable by common

[50] Rawls, J. *A Theory of Justice*, p.12
[51] Rawls, J. *A Theory of Justice*, p.14

> sense, and then proposes the hypothesis that the right is maximizing the good as already specified. Second, the theory enables one to judge the goodness of things without referring to what is right. For example, if pleasure is said to be the sole good, then presumably pleasures can be recognized and ranked in value by criteria that do not presuppose any standards of right, or what we would normally think of as such.[52]

This was the point made in the preceding chapter regarding the utilitarianism of Bentham and Mill, that the separation of the good and the right has had a profound influence on operational approaches to well-being, particularly that of welfare economics which will be discussed in detail in Chapter 4.

Rawls goes on to show how this influences the conception of what is 'good' and that this varies with different teleological theories.[53] Rawls draws a distinction between happiness and utilitarianism. He argues eudaimonism is concerned with the pursuit of happiness not utilitarianism. His definition of utilitarianism is, it is argued, a more modern one, defined as the satisfaction of desire or satisfaction of rational desire.[54] This is a more modern economic definition and seems somewhat different to the classical definition put forward by Bentham and Mill.

Rawls also believes his original conception of justice, derived through the veil of ignorance, provides an explicit refutation of utilitarian reasoning. In explaining this he argues, "thus it seems that the principle of utility is incompatible with the conception of

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[52] Rawls, J. *A Theory of Justice*, p.25
[53] Rawls, J. *A Theory of Justice*, p.25
[54] Scheffler, S. 'Rawls and Utilitarianism', pp.438-439

social cooperation among equals for mutual advantage."[55] And then that "these principles rule out justifying institutions on the grounds that the hardships of some are offset by a greater good in the aggregate.[56]

Rawls' argument against utilitarianism follows the line that any forced loss of 'happiness' for an individual is a violation of his equality with all others. This then contravenes the 'justice as fairness' principle that was the basis for Rawls' societal organisation. In other words, once 'justice as fairness' is accepted as a foundational principle of society, then utilitarianism cannot be part of society because it involves behaviour (forced individual sacrifices for greater communal good) that had been rejected in the initial formation because they are not to everyone's advantage.

One of Rawls' strongest specific objections is to the concept held by many utilitarians, that it is the societal utility or total happiness rather than the utility of each individual that matters most.[57] Rawls' objection is as follows:

> Each person possesses an inviolability founded on justice, that even the welfare of society as a whole cannot override. For this reason justice denies that the loss of freedom for some is made right by a greater good shared by others. It does not allow that the sacrifices imposed on the few are outweighed by the larger sum of advantages enjoyed by the many.[58]

This is followed up in another helpful passage where Rawls states:

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[55] Rawls, J. *A Theory of Justice*, p.14
[56] Rawls, J. *A Theory of Justice*, p.15
[57] Scheffler, S. 'Rawls and Utilitarianism', *Cambridge Companion to Rawls*, Freeman, S (ed), Cambridge University Press, Cambridge, 2003, p.441
[58] Rawls, J. *A Theory of Justice*, p.3-4

> At least with justice as fairness all persons have the necessary freedoms, opportunities, and resources to freely pursue a wide range of conceptions of the good. This is not guaranteed under the principle of utility.[59]

Further, Rawls argues that utilitarianism erodes the individual in specific cases (where an individual sacrifice results in a greater good) but also in generality. Rawls suggests Mill's idea of a competent judge erodes individuality because "it is this spectator who is conceived as carrying out the required organization of the desires of all persons into one coherent system of desire; it is by this construction that many persons are fused into one."[60]

As well as making the more common criticisms to do with the individual and society Rawls also makes the important point to do with distribution of utility. That is:

> The striking feature of the utilitarian view of justice is that it does not matter, except indirectly, how this sum of satisfactions is distributed among individuals any more than it matters, except indirectly, how one man distributes his satisfactions over time. The correct distribution in either case is that which yields the maximum fulfilment."[61]

One final criticism of utilitarianism that Rawls provides is that because of the way it is conceived utilitarianism faces an inherent moral problem.

> In utilitarianism the satisfaction of any desire has some value in itself which must be taken into account in deciding what is right. In calculating the greatest

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[59] Freeman, S, 'Introduction', *Cambridge Companion to Rawls*, Freeman, S (ed), Cambridge University Press, Cambridge, 2003, p.18
[60] Rawls, J. *A Theory of Justice*, p.27
[61] Rawls, J. *A Theory of Justice*, p.26

> balance of satisfaction it does not matter, except indirectly, what the desires are for. We are to arrange institutions so as to obtain the greatest sum of satisfactions; we ask no questions about their source or quality but only how their satisfaction would affect the total of well-being. Social welfare depends directly and solely upon the levels of satisfaction or dissatisfaction of individuals.[62]

Rawls is arguing it is the process of satisfaction that provides the 'value' rather than what is being satisfied. He goes on to show this means society should give as much weight to the satisfaction of desires which society might consider wrong or destructive as to those it might consider good and beneficial to all.[63]

Thus, there are several reasons why Rawls' critique of utilitarianism enriches our understanding of approaches to well-being. First, as Rawls notes, utilitarianism makes a distinction between the good and the right. Further, the right becomes an attempt to maximise the good, in this case utility or happiness. This has a direct bearing on operational approaches to well-being, like welfare economics which is centred around utility maximisation. As we have seen, utilitarianism provides the philosophical underpinning for this. Secondly, Rawls' critique also both identifies this distinction and highlights its shortcomings. Rawls' critique prompts us to ask the question as to whether well-being is a best understood as a variable maximising exercise or as something else. Finally, Rawls argues utilitarianism and welfare economics ascribe value (at least in part) to the act of satisfying a desire rather than on the object of the desire.

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[62] Rawls, J. *A Theory of Justice*, p.30
[63] Rawls, J. *A Theory of Justice*, p.30

We begin to see here in Rawls' philosophical approach, a critique of not only utilitarian philosophical approaches that rely on shared highest preference ordering but perhaps also operational approaches, like welfare economics, that use a similar sort of approach. Indeed, many of the criticisms Rawls' raises regarding utilitarianism can, we will see, apply to welfare economics also.

Rawls' Understanding of Well-being

Rawls' contribution to an understanding of well-being comes in several ways. First, Rawls concept of the veil of ignorance provides a philosophical basis for a normative element of well-being derived through individuals' rational preference. While formulated at a theoretical level, this concept does provide an approach to examining whether any universal components of well-being can be formulated. Secondly, Rawls contribution provides a theoretical construct that allows a two tier method of conceiving and operationalising well-being and dealing with the trade-offs inherent in societal decisions about well-being. These are the primary social goods identified by Rawls and his difference principle.

This difference principle further enables Rawls philosophical approach of justice as fairness to be better operationalised because, as Rawls points out, "as long as we can identify the least advantaged representative man, only ordinal judgements of well-being are required from then on. We know from what position the social system is to be judged. [...] The further difficulties of cardinal measurement do not arise since no other interpersonal comparisons are necessary."[64] This is important in understandings of well-being because the ordinalist revolution (discussed in Chapter 4) overcame the

[64] Rawls, J. *A Theory of Justice*, p.91

difficulties of classical utilitarianism's cardinal approach, but largely retained its focus on all interpersonal comparisons. Rawls approach on the other hand is ordinal and so not susceptible to cardinal difficulties, but provides a different focus on well-being, that of the least advantaged. Rawls' concept of well-being then provides a foundation of basic goods that are inviolable, and a guiding principle (the difference principle) for the governing of decisions made above and beyond those involving basic goods.

Conclusion

In conclusion then, Rawls' theory of justice thus enriches our understanding of well-being in two main ways. First by providing a strong criticism to the utilitarian account of well-being and secondly by advocating a different, two-tier, approach, based on the social contract principle. In these two ways we are able to formulate a different philosophical conception of well-being than that of utilitarianism. However, while, as noted above, Rawls theory requires only ordinal comparisons there still remain barriers to the operationalising of the theory as a whole.

Chapter 3 – Sen's Capability Approach

Introduction

The capability approach pioneered by Sen was developed in part as a response to the perceived shortcomings and limitations of existing well-being measures, particularly those based around comparisons of income.[65] As Sen explains in his definition of the capability approach, "The capability approach to a person's advantage is concerned with evaluating it in terms of his or her actual ability to achieve various valuable functionings as a part of living."[66]

In even this short definition we see some key differences between Sen's capability approach and the other philosophical approaches already considered. Two points worth drawing out from this initial definition are to do with what Sen calls 'ability' and 'functionings'. Both these concepts are central to an understanding of the capability approach and will be discussed further in this chapter.

However, before moving on to a fuller understanding of the capabilities approach it is necessary to develop further how it is related to well-being. To illustrate the connection a bit more fully. Sen says:

> On what does the claim of functionings to reflect well-being rest? Basically, the claim builds on the straightforward fact that how well a person is must be a matter of what kind of life he or she is living, and what the person is succeeding

[65] Sen, A. *Commodities and Capabilities*, Elsevier Science, Amsterdam, 1985, p.39
[66] Sen, A. 'Capability and Well-being', *Philosophy of Economics* (3rd ed), Hausman, D (ed), Cambridge University Press, Cambridge, 2008, p.271

> in 'doing' or 'being'. The exercise must, in one way or another, take the form of valuing the functioning vectors reflecting the 'doings' and 'beings'.[67]

It may now perhaps be helpful to provide a fuller definition of the capability approach that also brings out two of Sen's other key concepts, those of agency and freedom. As he notes:

> "We can make a fourfold classification of points of evaluative interest in assessing human advantage, based on two different distinctions. One is between the promotion of the person's well-being, and the pursuit of the person's overall agency goals. The latter encompasses goals that a person has reasons to adopt, which can inter alia include goals other than the advancement of his or her own well-being. It can thus generate orderings different from that of well-being. The second distinction is between achievement, and the freedom to achieve. This contrast can be applied both to the perspective of well-being and to that of agency. The two distinctions together yield four different concepts of advantage, related to a person: 'well-being achievement', 'agency achievement', 'well-being freedom', and 'agency freedom'. These different notions, which I have tried to discuss more extensively elsewhere, are not, of course, unrelated to each other, but nor are they necessarily identical."[68]

Thus it is suggested that one of the strengths of the capability approach is its recognition and conceptual distinction between different points of evaluative interest. Sen's distinction between well-being and agency helpfully provides the ability to assess both behaviour that promotes one's own well-being and action that might be taken to

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[67] Sen, A. *Commodities and Capabilities*, p.28
[68] Sen, A. 'Capability and Well-being', p.275

promote another's well-being even if that is detrimental to the person involved. This distinction allows a more precise understanding of well-being because different motivations and outcomes are allowed to be recognised as such.

Valuation and the Evaluative Space

Related to this is another aspect of the capability approach that highlights issues to do with the evaluation of capabilities, Sen calls this the 'evaluative space'.[69] That is the area and scope in which the evaluations occur. By defining the evaluative space and conceptually addressing it as an issue, Sen allows a greater scope for his theory. This is because he suggests the capability approach can still be used when there is disagreement over the nature of the evaluative space.[70] He shows for example that there could be a general agreement over certain basic capabilities even if many others were still disputed.[71]

By having this conception of evaluative space, Sen is also able to make clearer the distinction between agency achievement and well-being achievement that was noted earlier. Each of the four aspects can have a different evaluative space, more suited for their particular requirements. He gives the following example:

> The difference between agency achievement and well-being achievement is not only a matter of space (the former taking us beyond the person's own life and functionings), but also one of differential weighting of the shared elements (i.e. for the functionings that are pertinent both to one's well-being and to one's other

[69] Sen, A. 'Capability and Well-being', pp.272-273
[70] Sen, A. 'Capability and Well-being', p.283
[71] Sen, A. 'Capability and Well-being', p.279

> objectives, possibly different weights may be attached in agency evaluation vis-à-vis well-being appraisal).[72]

There are also considerations around the method of valuation people have. We saw utilitarianism leaves it up to individuals to decide what they value, arguing the desires indicate their valuation and that what matters is the perceived satisfaction of that desire rather than the object. Rawls on the other hand distinguishes between primary and non-primary social goods and so places a higher valuation on certain liberties and freedoms he considers basic. Sen though takes a third approach to this problem as the quote below illustrates. Sen comments:

> A person who is ill-fed, undernourished, unsheltered and ill can still be high up in the scale of happiness or desire-fulfilment if he or she has learned to have 'realistic' desires and to take pleasure in small mercies. The physical conditions of a person do not enter the view of well-being seen entirely in terms of happiness or desire-fulfilment, except insofar as they are *indirectly* covered by the mental attitudes of happiness or desire. And this neglect is fortified by the lack of interest, of these two perspectives, in the person's own valuation as to what kind of a life would be worthwhile. Valuing is not the same thing as desiring, and the strength of desire is influenced by considerations of realism in one's circumstances. Nor is valuing invariably reflected by the amount of pain if the valued object is not obtained."[73]

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[72] Sen, A. 'Capability and Well-being', p.276
[73] Sen, A. *Commodities and Capabilities*, p.21

There is still though further development needed regarding the nature of capabilities. Sen argues that capabilities are derived from functionings[74] which leads us on to the next section of the chapter which examines capabilities in more depth via the concept of functionings.

Functionings

The concept of functionings was raised in the initial definition of the capability approach. What exactly are they though? Sen understands functionings in the following way:

> Functionings represent parts of the state of a person – in particular the various things that he or she manages to do or be in leading a life. The capability of a person reflects the alternative combinations of functionings the person can achieve, and from which he or she can choose one collection. The approach is based on a view of living as a combination of various 'doings and beings', with quality of life to be assessed in terms of the capability to achieve valuable functionings.[75]

Sen goes on to list some of the functionings that exist, from elementary ones like mortality or being nourished to more complex ones like being happy or taking part in the life of the community.[76] In short then a functioning "is an achievement of a person: what he or she manages to do or to be. It reflects, as it were, a part of the 'state' of that person."[77]

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[74] Sen, A. 'Capability and Well-being', pp.277-278
[75] Sen, A. 'Capability and Well-being', p.271
[76] Sen, A. 'Capability and Well-being', p.276
[77] Sen, A. *Commodities and Capabilities*, pp.5-6

Also worth noting here though is that this approach allows contextual analysis that is different to either utilitarianism or justice as fairness. Both of these approaches would use the same method of analysis, whether utility or the difference principle, in a variety of contexts (indeed this would be considered by both approaches a distinct strength). However, while this is also possible with the capability approach (as that would just involve measuring the same capabilities) this approach also allows comparisons of different capabilities that might be more relevant in certain contexts. Sen gives the following helpful example:

> In the richer countries, the functionings involving longevity, nourishment, basic health, avoiding epidemics, being literate, etc., may have less variation from person to person, but there are other functionings that do vary a great deal. The ability to entertain friends, be close to people one would like to see, take part in the life of the community etc., may vary a good deal even within a rich country, such as the USA or the UK.[78]

Another important point that Sen makes which will be explored further in Part II is the difference between the functioning itself and the commodities that can be used to achieve those functionings. As he says, "a functioning is thus different both from (l) having goods (and the corresponding characteristics), to which it is posterior, and (2) having utility (in the form of happiness resulting from that functioning), to which it is, in an important way, prior."[79] What this means also is that the method of evaluating functionings (which will be considered in further detail in the next section) is of greater scope. As will be shown in Chapter 4, economics uses money or at least willingness to pay as a short-hand proxy for utility. In contrast the capabilities approach is not limited

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[78] Sen, A. *Commodities and Capabilities*, p.46
[79] Sen, A. *Commodities and Capabilities*, pp.5-6

solely to market-measures and so can use a wider range of non-market direct observations to assess functionings.[80]

This view of the capability approach has been taken by other writers as well. Alkire, for example provides the following summary of the capability approach:

> A person's achieved functionings at any given time are the particular functionings he or she has successfully pursued and realized. [...] Capabilities refers to a person's or group's freedom (or agency) to promote or achieve valuable functionings. [...] In the capability approach, freedom is concerned with 'the real opportunity that we have to accomplish what we value', and like Aristotle and Marx among others, Sen argues the freedom has intrinsic as well as instrumental value.[81]

Freedom

We saw in the first definition of the capability approach that capability was based around the 'actual ability to achieve various functionings.' For this to be true freedom needs to be a central component of the capability approach and we saw that both agency achievement and agency freedom were key parts. Sen provides a useful summary saying:

> Second, freedom may have intrinsic importance for the person's well-being achievement. Acting freely and being able to choose may be directly conducive to well-being, not just because more freedom may make better alternatives available. This view is contrary to the one typically assumed in standard consumer theory, in which the contribution of a set of feasible choices is judged

[80] Sen, A. *Commodities and Capabilities*, p.45
[81] Alkire, S. *Valuing Freedoms*, Oxford University Press, Oxford, 2002, p.6

> exclusively by the value of the best element available. Even the removal of all the elements of a feasible set (e.g. of a 'budget set) other than the chosen best element is seen, in that theory, as no real loss, since the freedom to choose does not, in this view, matter in itself. In contrast, if choosing is seen as a part of living (and 'doing x' is distinguished from 'choosing to do x and doing it'), then even 'well-being achievement' need not be independent of the freedom reflected in the capability set.[82]

Freedom can thus be seen as crucial to Sen's capability approach. Some authors have suggested that the language of freedom has come to be stressed above that of even capability, though this is probably somewhat of an exaggeration.[83]

The Capability Approach in Comparative Perspective

One of the points Sen makes about the capability approach is the one we saw earlier regarding the use of the evaluative space. As he says, "the functioning view has an easier run than the utility view partly because it avoids premature fixity. It divides up the problem of evaluation of well-being into two : distinct (though not independent) parts, viz., (i) specification of functioning achievements, and (ii) valuation of functioning achievements."[84]

Sen also argues for the capability approach on the advantage that it recognises the individuality and differences of people. We saw in chapter 2 that Rawls argues that

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[82] Sen, A. 'Capability and Well-being', pp.278-279
[83] Gasper, D. 'Human Well-being: Concepts and Conceptualisations', Human Well-being: Concept and Measurement, McGillivray (ed), Palgrave McMillan, Basingstoke, 2007, p.54
[84] Sen, A. *Commodities and Capabilities*, p.30

utilitarianism disregards individuality.[85] We now find Sen making the same claim about justice as fairness arguing:

> The primary goods approach seems to take little note of the diversity of human beings. In the context of assessing utilitarian equality, it was argued that if people were fundamentally similar in terms of utility functions, then the utilitarian concern with maximising the sum-total of utilities would push us simultaneously also in the direction of equality of utility levels. Thus utilitarianism could be rendered vastly more attractive if people really were similar. A corresponding remark can be made about the Rawlsian Difference Principle. If people were basically very similar, then an index of primary goods might be quite a good way of judging advantage. But, in fact, people seem to have very different needs varying with health, longevity, climatic conditions, location, work conditions, temperament, and even body size (affecting food and clothing requirements). So what is involved is not merely ignoring a few hard cases, but overlooking a very widespread and real differences. Judging advantage purely in terms of primary goods leads to a partially blind morality.[86]

Again Sen provides a very helpful summary of some of the key differences between the capability approach and other philosophical approaches to well-being. As he notes:

> It differs from other approaches using other informational focuses, for example, personal utility (focusing on pleasures, happiness, or desire fulfilment), absolute or relative opulence (focusing on commodity bundles, real income, or real wealth), assessments of negative freedoms (focusing on procedural fulfilment of libertarian rights and rules of non-interference), comparisons of means of

[85] Rawls, J. A Theory of Justice, p.27
[86] Sen, A. *Choice, Welfare and Measurement*, Basil Blackwell, Oxford, 1982, p.366

> freedom (e.g. focusing on the holdings of 'primary goods', as in the Rawlsian theory of justice), and comparisons of resource holdings as a basis of just equality (e.g. as in Dworkin's criterion of 'equality of resources').[87]

Thus it seems that Sen's capability approach provides a multi-dimensional assessment of well-being, via the evaluative space and the distinction between well-being agency and well-being achievement, while still enabling some form of measurement and comparisons. It does still require further elaboration to allow the operationalisation of the approach as those same things that give it strengths in evaluating well-being also make it harder to operationalise in a coherent fashion.

[87] Sen, A. 'Capability and Well-being', p.271

Part II

Chapter 4 – Welfare Economics

Introduction

Part of the premise of this paper, and the one that is explored in this chapter, is that economics and economic conceptualisations of life have a significant influence on understandings and approaches to human well-being. It seems therefore appropriate to examine some of the economic concepts (and the assumptions behind them) that are now commonplace in society.

Economics has made and will continue to make a substantial contribution to questions of social policy and public life. However, this paper suggests, in certain areas it has come to dominate understandings of human problems and has been asked to solve problems it is not designed to address. In short economics is concerned with the most efficient allocation of scarce resources and about choice subject to constraints.[88] It is not designed as a comprehensive science of well-being.

Given the many definitions of well-being in use and that in modern society the scope of economics is vast, it is necessary to say a bit more about the scope of this chapter. Modern economics covers many different areas of life that may have effects on well-being. Whether it is international trade or environmental economics, fiscal or monetary policy, there are many potential lines of inquiry. This chapter though focuses on what is normally termed 'welfare economics' which is concerned with the role of the economic causes that affect economic welfare directly and total welfare indirectly.[89]

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[88] Layard, R and Walters, A.A, *Microeconomic Theory*, McGraw Hill, New York, 1987, p.3
[89] Pigou, A, C. *The Economics of Welfare* (4th ed.), Macmillan, London, 1962, p.14

However, before beginning to look at welfare economics it would be helpful to make two sets of distinctions within economics as a whole. The first is between micro and macro economics. Microeconomics is concerned with consumer behaviour, consumption, production, supply and demand. Macroeconomics is concerned with things on a larger scale or in aggregate; growth, government spending, international trade and inflation for example. Welfare economics is somewhat strange in this regard. It is normally considered part of microeconomics given its focus on individuals but it also leads to conclusions about social welfare and society as a whole which might be considered more the domain of macroeconomics.

The second distinction, which will be addressed in further detail, is between positive and normative economics. A rough distinction between them can be made by drawing the comparison between *is* and *ought*. Positive economics is concerned with what *is* and understanding and explaining it. Normative economics is concerned with what *ought* to be and how to bring it about. However, the separation between these two branches is not as clear cut as it may appear. This is for several reasons.

First as Layard and Walters point out: "when discussing positive theory, one often wants to allude to its policy implications. So for many purposes it is best to establish the rules of normative analysis first." [90] Second and of crucial importance is that many 'positive' models of economic behaviour that give certain results are based on normative assumptions. This second reason will be examined in the following chapter

[90] Layard, R and Walters, A.A, *Microeconomic Theory*, p.xiv

looking at the normative assumptions implicit in many understandings of welfare economics and consumer microeconomics.

This distinction between positive and normative economics is important and a necessary first step to examining the role of economics because it allows us to challenge normative assumptions without challenging the objective assessments made. For example, the mathematical derivation of a demand curve is different to challenging the assumptions about why consumers are never satiated.

This chapter also looks at understandings of welfare for both individuals and social groups as a whole. Several issues will be raised with regard to devising a social welfare function. For example, issues regarding definitions of welfare, comparisons of non-identical individuals, whether or not 'welfare' is defined at a point in time or over the life course[91] are all aspects that need to be considered.

This chapter follows on from Part I by exploring the operationalisation of philosophical components found in Part I and in what way that has been done. The majority of the chapter focuses on the role of utilitarianism and the use of utility in economics. As Bonner notes:

> Utilitarian assumptions are so deep-seated in the social sciences, and particularly in economics, that it is often difficult to disentangle the deliberate from the accidental or unconscious. Bentham's guiding principle for social acts – the greatest happiness of the greatest number or, to be more accurate, the greatest happiness of all whenever possible, and the sacrifice of a little of the happiness

[91] Bonner, J. Politics, *Economics and Welfare*, Wheatsheaf, Brighton, 1986, pp.1-2

> of the few for the greater happiness of the many only when it is not – seems to lead naturally to the idea of maximising social welfare.[92]

The chapter begins by looking at the emergence of economic utility from Bentham's felicific calculus through to modern welfare economics concerned with Pareto optimality and preference satisfaction. It then examines some of the central assumptions made by welfare economics, relating both to the individual and society as a whole. This is followed by an examination of the outcomes of welfare economics from both an individual and social perspective. Finally the chapter concludes by looking at the limits of welfare economics and some of the most common criticisms of some of its key assumptions.

The Emergence of Economic Utility

One aspect of economics that has had perhaps the most significant influence over debates on well-being is that of *economic utility*. (The term *economic utility* is used here to distinguish it from the wider and different use of the term utility in other parts of this paper.) The use of economic utility can be traced all the way back to the emergence of neo-classical microeconomics in the 19th century, when people like Jevons, Menger and Walras "began paying systematic attention to preferences of consumers, to exchange and to demand for commodities."[93] They needed a coherent way of understanding and being able to predict consumer preferences, prices and supply and demand. They turned to utilitarianism and the work of Bentham for this system. Bentham's felicific calculus provided a seemingly useful model for explaining consumer preferences and thus the concept of economic utility was formed.

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[92] Bonner, J. *Politics, Economics and Welfare*, p.144

[93] Hausman, D. 'Introduction', *Philosophy of Economics* (3rd ed), Hausman, D (ed), Cambridge University Press, Cambridge, 2008, p.26

It is worth then re-examining Bentham's model to see how and why the early neo-classical economists used it as their basis for understanding economic utility. As Donner describes it:

> Bentham's felicific calculus is a method designed to measure the total quantity of pleasure and pain caused by an action. The method calls for a calculation of the quantity of each pleasure and pain of every person whose interests are affected. [...] Since Benthamite scales are cardinal, units that can be added and multiplied and so aggregated are required for each of the dimensions.[94]

Bentham's method provided two very attractive concepts for those early economists. First, it did not require a normative definition of utility, it simply required individuals, in the economists' view, to be able to recognise how much utility or pleasure they would derive from a given action, almost always seen as the purchase of a given good or service. No objective decisions were taken about what constituted this utility or pleasure, it was whatever a person desired and believed would give them pleasure. This was considered an advantage for the theory because each individual could decide for himself what he wanted (thus tying in with notions of liberalism) and yet at the same time it still enabled comparisons. This is because it was not *what* the individual wanted but *how much* he wanted it (and later how much he was willing to pay for it) that now defined utility. We begin to see then a move away from Benthamite notions of utility as pleasure to economic notions of utility as perceived pleasure a good would give. Secondly, Bentham's model provided cardinal values. That is a scale that could be aggregated rather than a simply ordinal scale which would simply indicate preference.

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[94] Donner, W, 'Mill's Utilitarianism', p.268

This allowed utility to be measured not only for an individual, but to be compared across people as well. As was seen in Part I of this thesis, this was a perceived advantage for utilitarianism as a moral theory, but it was also perceived as an advantage for utility in economics. If economic utility measures were comparable between people and could also be aggregated, then economics could not only devise laws and predictions for individuals but for societies as a whole. Thus, in this concept of utility, were not only the foundations of the microeconomics of individuals but also the beginnings of social welfare economics.

What is interesting to note with the emergence of economic utility is that it followed a more Benthamite trajectory rather than trying to incorporate some of the modifications suggested by Mill. As Riley notes:

> In this regard, it is important to recognize that the 'marginalist revolution' involved a normative reaffirmation of the 'old' Benthamite utilitarianism. Jevons, Edgeworth, and even Marshall paid short shrift to the modifications of utilitarianism proposed by Mill. Rather, those neoclassical pioneers proposed more or less to operationalise a Benthamite art of economics by precisely measuring and comparing units of happiness across persons.[95]

This is understandable because the modifications proposed by Mill were a lot harder to operationalise than Bentham's. For example, Mill's concept of a 'competent judge' provided an advantage in clarifying utility but would be almost impossible to put into practice in an economic sense because it would require individuals to be 'told' how much satisfaction they should get from a particular good or service. Bentham's method

[95] Riley, J. 'Mill's Political Economy', p.326

that left perceptions of pleasure up to the individual and provided a seemingly easy method of measurement and comparison was thus preferred.

Economics took its next leap onwards in the early 20th century. In his book *The Economics of Welfare*, Pigou made some important elaborations of the earlier neo-classical utility theory. Pigou was one of the earliest economists to understand welfare economics primarily in terms of money and utility. As he states:

> The one obvious instrument of measurement available in social life is money. Hence, the range of our inquiry becomes restricted to that part of social welfare that can be brought directly or indirectly into relation with the measuring-rod of money. This part of welfare may be called economic welfare.[96]

In his book Pigou goes onto explain that money is an appropriate measure of economic welfare because the price of a good (or service) is a representation of the amount of desire and perceived satisfaction someone believes they are going to get from the good.[97] Interestingly then this definition of one aspect of welfare, that of economic welfare, is defined on the basis of what economics can measure. Economic welfare was whatever money could measure and whatever money could measure was part of economic welfare. In other words the money demand price of a good, in Pigouvian terms, can be seen as a measure of the 'desiredness' (to use Pigou's term) or 'want satisfying power' of the particular good in question. Because 'desiredness' was also seen to be equated with utility,[98] we have a formal statement of the assumption of money as a proxy or indicator or utility.

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[96] Pigou, A, C. *The Economics of Welfare* (4th ed), pp.10-11
[97] Pigou, A, C. *The Economics of Welfare* (4th ed), p.23
[98] Pigou, A, C. *The Economics of Welfare* (4th ed), p.23

This view of money as a proxy for utility is also seen in the earlier work of Mill. Mill argues that "a commodity's exchange value depends on both its 'effective' utility value (or use value) and its scarcity, where by 'effective' utility value is meant pleasure or preference-satisfaction of individuals with purchasing power, and by scarcity is meant 'difficulty of attainment' or costliness of supply."[99]

This assumption of money as a measure of utility is a central assumption of economics. When coupled with the "'unverified probability' (according to Edgeworth) – that qualitative conclusions about the effect of an economic cause upon economic welfare will hold good also of the effect on total welfare,"[100] we get one of the most basic assumptions of economics. An increase in money will lead to an increase, *ceteris paribus*, to an increase in total welfare.

Pigou's work in welfare economics was modified in the 1930s onwards with work by Robbins, Hicks, Samuelson and Arrow. As Riley states:

> That normative program was later refined (if not rendered vacuous) by the 'ordinalist revolution' of the 1930s and beyond, associated with Lord Robbins, Hicks, Samuelson, and Arrow. The upshot is that interpersonally comparable cardinal utility information has been abandoned in favour of non-comparable preference orderings, and Pareto efficiency has become the main (perhaps sole) surviving criterion of the economic art.[101]

Welfare economics underwent another modification in the post-World War Two period with the work of Pareto. As Van den Ben and van Velthoven note: "*Paretian* welfare

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[99] Riley, J. 'Mill's Political Economy', p.299
[100] Pigou, A, C. *The Economics of Welfare* (4th ed), p.20
[101] Riley, J. 'Mill's Political Economy', p.326

economics rejects interpersonal comparisons of utility; utility can only be measured on an ordinal scale."[102]

In other words, the cardinal approach taken by the original neo-classical economists (that was borrowed from Bentham) has been replaced with an ordinal approach that simply requires individuals to be able to 'rank' goods or services by the utility they would provide. This 'ordinalist revolution' provided a major, if subtle, shift in direction. Whereas before interpersonal comparisons of utility were possible because or cardinal rankings, this is no longer possible with ordinal measures, each individual has to be treated separately. However, the link between money and utility is still retained because though utility information is now ordinal, consumer preferences, their 'desire' for a particular good can still be determined by the price they are willing to pay to obtain it.

What this means though is that whereas before (in theory) the accuracy of money as a proxy for utility could be examined, via cardinal utility units, that can no longer be done. In short, money is the only remaining comparable measure of utility once only ordinal preferences exist and so money is the sole method on which inter-personal comparisons, and so social welfare can be made. These assumptions lead to two policy implications. First policy makers want to see whether a particular policy changes welfare, they can only assess this in monetary terms, the only change in welfare that can be measured is the change in money income. The second implication is that one sure fire way to increase total welfare is by increasing money income.

The Assumptions of Economic Utility

[102] Van den Ben, H and van Velthoven, B. Democracy and Welfare Economics (2nd ed), CUP, 1993, p.30

This section lays out three assumptions foundational to welfare economics. These are: money as a measure of utility; non-satiation; and the *ceteris paribus* assumption. Each is considered in turn before turning to the next section which looks at their implications in modern economic analysis.

Money as a Measure of Utility

Money as a measure of utility (or in modern economics preference satisfaction) is perhaps that central assumption of welfare economics. There are however others which when combined lead to many of the current assumptions of welfare economics.

The Concept of Non-satiation

However Hausman provides a good summary that is worth considering here:

> Every option open to an individual results in a certain amount of utility for that person. One can then clarify the notion of rationality by maintaining that people act so as to maximize some consistent utility function. In addition, the neoclassical economists assumed that consumers are generally not satiated – that they will always prefer a bundle x of commodities or services to another bundle y if x is unambiguously larger than y. Nonsatiation is both a plausible first approximation, and it articulates the notion of self-interest. All that matters to agents are the bundles of commodities and services that they are giving up or receiving.[103]

Indeed the same point is made by Hausman and McPherson when they note:

[103] Hausman, D. 'Introduction', p.26

> Without any general claims about the content of people's preferences, very little can be predicted about how they will choose, and, in the wake of their choices, little can be said except that they chose as they preferred. Positive economics becomes contentful only when economists offer generalizations concerning what people prefer. The most important of these generalizations is that people are materially self- interested, that they prefer more commodities to fewer, more wealth to less wealth. This generalization is so important, that one might reasonably think of it as a second general principle of human nature to which most mainstream economists are committed.[104]

This is the assumption again of non-satiation. That is that "any bundle that has either more X and no less Y or more Y and no less X will be preferred."[105] It is made by other authors as well with Nicholson saying:

> That spending all one's income is required for utility maximization is obvious. Because extra goods provide extra utility (there is no satiation) and because there is no other use for income, to leave any unspent would be to fail to maximize utility. Throwing money away is not a utility-maximizing activity.[106]

This point is repeated by Layard and Walters when explaining the related concept of a downward sloping demand curve. They do so as follows:

> We now make one more assumption, from which we can deduce, with no further aid, one of the fundamental laws of demand: that the (compensated) demand

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[104] Hausman & McPherson, 'The Philosophical Foundations of Mainstream Normative Economics', *Philosophy of Economics* (3rd ed), Hausman, D (ed), Cambridge University Press, Cambridge, 2008, p.236

[105] Estrin, S. and Laidler, D. *Introduction to Microeconomics* (4th Edition), Harvester Wheatsheaf, New York, 1995, p.11

[106] Nicholson, W, *Microeconomic Theory*, Thomson, Ohio, 2005, p.95

> curve is downward-sloping. The assumption is eminently reasonable. We simply assume that more of a good thing does you good. Put this way it appears like a tautology. In fact all that is ruled out is satiation. [...] In reality, of course, some things, like leisure, are good up to a point, but may become a burden if you have too much. But we assume that locally every commodity is a good or its negative is a good.[107]

The Ceteris Paribus Assumption

Related to these assumptions was another that Pigou makes, which is now common to all economics, that of *ceteris paribus*. That is that when an economic change occurs all other things remain equal. As Pigou points out though:

> In other words, the effects of economic causes are certain to be partially dependent on non-economic circumstances, in such ways that the same cause will produce somewhat different economic effects according to the general character of, say, the political or religious conditions that prevail. So far as this kind of dependence exists, it is obvious that causal propositions in economics can only be laid down subject to the condition that things outside the economic sphere either remain constant or, at least, do not vary beyond certain defined limits.[108]

This concept of *ceteris paribus* is still a central tenet of economics today. While other factors are known to affect utility, they are not considered in an economic context as the following statement from a contemporary textbook indicates:

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[107] Layard, R and Walters, A.A, *Microeconomic Theory*, p.128
[108] Pigou, A, C. *The Economics of Welfare* (4th ed), p.21

> A common practice is to devote attention exclusively to choices among quantifiable options (for example, the relative quantities of food and shelter bought, the number of hours worked per week, or votes among specific taxing formulas) while holding constant the other things that affect behaviour. This *ceteris paribus* (other things being equal) assumption is invoked in all economic analyses of utility-maximizing choices so as to make the analysis of choices manageable within a simplified setting.[109]

An important implication of this is that it allows economics to focus only on one part of human welfare, that of consumption. However, because it has become, though its models and predictions, reasonably successful at this it has been argued that it has tended (not solely by economists themselves) to be elevated to an overall understanding on welfare.

It is suggested then that these are the three central and key assumptions for welfare economics. That of equating money to utility; assuming non-satiation (or in economic terms a constant elasticity of the marginal utility of income); and holding all other things equal. It will be shown in the next chapter how there are strong objections to both the theory and practice of these assumptions. However, before those are raised, a further examination of the outcomes of these assumptions in practice will be conducted.

The Outcomes of Economic Utility

It may seem that the summary and descriptions of the assumptions central to welfare economics are too simplistic and inaccurate to actually be used in contemporary

[109] Nicholson, W, *Microeconomic Theory*, p.71

economic theory. The purpose of this section is to provide examples from current undergraduate textbooks on welfare economics that highlight in both verbal and mathematical terms the assumptions listed in the preceding section and how they are used today. This is done in two parts. First, regarding individual welfare and second regarding the welfare of groups, normally termed social welfare.

Individual Utility

First it is worth noting that there is great desirability to adopting an understanding of individual welfare based on the assumptions stated earlier. This view provides a straightforward conception of mankind that covers both motivation and outcome. Individuals are assumed to be rational utility maximisers who know what will bring them satisfaction.

As Van den Ben and van Velthoven helpfully summarise:

> According to Pigou the price of a product which someone buys is an expression of what that person is willing to pay for it. Behind that lies the utility the good is offering him. For that reason Pigou considers the price as a measure of utility. Expressing all products in money terms by a multiplication of their price and quantity and summing all these amounts yields a total amount which represents the welfare of the individual.[110]

In other words, these economic assumptions allow economics both to examine motivation (because individuals are considered 'rational' which means they buy what

[110] Van den Ben, H and van Velthoven, B. *Democracy and Welfare Economics* (2nd ed), Cambridge University Press, 1993, p.24

they prefer) and to measure the outcome of this motivation by examining the expected utility, derived from the price they were willing to pay.

Next we see that the shift from cardinality to ordinality made by economists is still understood today. The quote below highlights the shift to ordinality and preference orderings.

> There is no need for cardinal measurement of utility in order to explain behaviour on our theory, since all we are concerned with is preference orderings. So even if utility is a cardinal variable (like temperature), which is impossible to prove scientifically, we can forget about this for purposes of positive economics.[111]

It is also interesting to note that happiness is often (though not always) used synonymously with utility in contemporary economic textbooks. This below quote is also of great interest because it lays out (in mathematical form) those assumptions made in the previous section.

> We shall suppose that the happiness of A depends only on how much *x* and *y* he gets. If he were altruistic, his happiness would also vary directly with what B got; if he were envious, it would vary inversely with what B got. Adding such interdependences does not alter the basic structure of the problem, but for simplicity we omit them. Thus A has a happiness, or utility, function *u* that tells us how well off he is, depending on his consumption of products *x* and *y*; so does B.
>
> $u^A = u^A(x^A,y^A)$ $\qquad$ $u = u^B(x^B,y^B)$

[111] Layard, R and Walters, A.A, *Microeconomic Theory*, p.126

> Once again, more of x or y leads to more happiness. [112]

At the end of that quote we have perhaps the fundamental assumption of welfare economics. More income allows the consumption of more goods (which goods will vary by individuals) and that higher consumption will lead to greater utility and so greater happiness.

In short, utility (or happiness) is maximised when the maximum quantity of goods at given prices is bought with the given money income. That is, the amount of money directly determines the amount of utility available to an individual. Put another way, if policy makers wish to raise an individual's utility the most straight-forward way of doing this is by increasing their money income.

The final point regarding individual utility worth noting is that part of these economic assumptions assumes a diminishing marginal utility for each good. That is, that the more a consumer has of something the less extra utility will be gained from each additional unit. This seems like a reasonable assumption and has been borne out when analysing consumer's actual behaviour.

However, what is recognised as being possible but is *not* assumed is the elasticity of diminishing marginal utility of income as a whole. That is, the more money you have the less utility it yields to you. The micro-economic models above shows that consumer's 'convert' money into utility through the satisfaction of their desires,

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[112] Layard, R and Walters, A.A, *Microeconomic Theory*, p.5

provided by the purchase of certain goods. Economics though assumes this conversion rate is constant, no matter how much (or little) money you have. In other words, a person will get as much relative satisfaction (or utility) from consuming goods when their income is £1 million pounds as when it's £10,000.

In summary then we see that because utility is only measured ordinally and not cardinally the marginal utility of money income is not considered relevant and cannot be calculated.[113]

Social Welfare

The second related but distinct development is that of social welfare. Before looking at some of the expressions of social welfare it is necessary to lay out some overall issues. First there is some argument about whether it is even possible to develop a social welfare function. Social welfare is the welfare of more than one but how many more and does that even matter? In economics these questions are normally wrapped up with the choice of a particular social welfare function. These functions in turn are not simply mathematical formulae but in themselves embody certain normative assumptions. As Layard and Walters note: "any welfare function is ultimately a value judgement.[114] Or as Bonner notes: "There are no purely objective standards of welfare measurement."[115]

There are also several different value decisions that need to be taken, and these will be examined in more detail when particular welfare functions are studied. However, another general one, not limited solely to economics but nonetheless relevant is that of *whose* welfare is being considered. That is, is the social welfare simply the aggregation

[113] Estrin, S. and Laidler, D. *Introduction to Microeconomics* 4th Edition, p.17
[114] Layard, R and Walters, A.A, *Microeconomic Theory*, p.4
[115] Bonner, J. *Politics, Economics and Welfare*, p.3

of the welfare of all the individuals involved, or is there a different welfare for the group as a whole. Either of these directions leads to other issues and again this will be considered in more depth later in this section. Also of relevance to understandings of social welfare is the nature or utility being considered, is it cardinal or ordinal? These questions are all of importance because as Bonner points out:

> The concept of social welfare is frequently used in judgements about the effects of changes in social, political and economic circumstances upon groups of individuals, and as the basis for policy prescriptions to deal with the social, political and economic problems that face these groups.[116]

This issue of how utility is measured (whether with cardinal or ordinal values) is crucial also because of the claims and conclusions that can be drawn depending on the method taken. If utility is cardinal for example, and can be measured and compared across individuals then according to Bonner, "utilitarians have a powerful and consistent index of social welfare in all possible social states."[117] What is necessary though for this argument is that for there to be equality, all individuals must convert money into utility at the same rate, (we see a similar argument with utilitarianism also). Otherwise "once it is admitted that some individuals may be better at converting income into utility than others, maximising aggregate utility leads to inequality."[118]

Another social welfare function (or approach) that relies on cardinal utility measures is an application of the welfare understandings in Rawls' *Theory of Justice*. As we have seen in Part I, Rawls argued for a 'difference principle' that sought to ensure any welfare changes would benefit the least well-off. "The application of this welfare

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[116] Bonner, J. *Politics, Economics and Welfare*, pp.1-2
[117] Bonner, J. *Politics, Economics and Welfare*, p.149
[118] Bonner, J. *Politics, Economics and Welfare*, p.153

criterion requires an interpersonal comparison of utility as well in order to be able to determine which person is the worst off. The idea, however, that interpersonal comparison of utility might be possible meets with many objections among economists."[119]

On the other hand if utility is only ordinal, that is if each individual can rank their preferences but no inter-personal utility comparisons can be made, then the only way to develop a social welfare function is by an aggregating of individual welfare evaluations. This is the form taken by Pareto welfare approaches, which is now the most common approach to examining social welfare.[120] More crucially also, as Van den Ben and van Velthoven note: "Paretian welfare economics does not have a fully specified social welfare function on offer. But it does dispose of a decision rule which makes it possible to avoid judging the distribution of utility and to draw conclusions which are valid for all distributions of utility."[121]

However, the approach of aggregating individuals' welfare has been criticised by other economists. The below quote from Knight helpfully summarises the criticisms while at the same time addressing the question considered earlier about whose welfare is being considered and what exactly is social or societal welfare. Knight notes:

> Society cannot accept individual ends and individual means as data or as the main objectives of its own policy. In the first place, they simply are not data, but are historically created in the social process itself and are inevitably affected by social policy. Secondly, society cannot be even relatively indifferent to the workings of the process. To do so would be ultimately destructive of society and

[119] Van den Ben, H and van Velthoven, B. *Democracy and Welfare Economics* (2nd ed), p.30
[120] Van den Ben, H and van Velthoven, B. *Democracy and Welfare Economics* (2nd ed), p.30
[121] Van den Ben, H and van Velthoven, B. *Democracy and Welfare Economics* (2nd ed), p.30

> individual alike. This conclusion is strongly reinforced by the fact that the immediate interest of the individual is largely competitive, centred in his own social-advancement relative to other individuals. In such a contest it is the function of the public authority to enforce the rules impartially, and still more to make such rules as would tend to keep the 'game' on the highest possible level. To this end it must maintain a standpoint distinctly different from the interest in which the individual, always more conscious of conflicts of interests than of community of interest with the social body as a whole, tends to be absorbed.[122]

Economists' work on developing social welfare functions was much complicated by the work of Arrow. Arrow mathematically demonstrated that aggregating individual's choices into a social welfare function was impossible if certain reasonable conditions were made. As Bonner notes: "Arrow's conclusion is that there is no way of amalgamating individual orderings into a collective choice which satisfies all five conditions. [...] By trying to obey the rules of collective rationality, unrestricted domain, the Pareto principle, and the independence of irrelevant alternatives, they fall foul of the rule of non-dictatorship."[123]

In mainstream contemporary economics then, there are a variety of different welfare functions that are considered. However, given the scope of the task involved, that is the consideration of all the respective welfare functions of a group of often heterogeneous and disparate individuals, economics is required to make some very large generalisations. As Layard and Walters note:

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[122] Knight, F. 'Economics and Human Action', *Philosophy of Economics* (3rd ed), Hausman, D (ed), Cambridge University Press, Cambridge, 2008, p.105
[123] Bonner, J. *Politics, Economics and Welfare*, p.62

> Economic policy usually affects so many people that some fairly crude assumptions are needed. For many purposes it may be adequate to assume that everybody has the same utility of income function *u(y)*. If this utility function is concave (diminishing marginal utility of income), then the new welfare function $W(y^A,y^B)$ is symmetric and strictly concave. Thus if A is richer than B, any transfer of income from A to B (with total income constant) raises welfare. This condition is known as the *principle of transfer* and seems a reasonable requirement of any welfare function. The more egalitarian one is, the more the isowelfare curves approach right angles. By contrast if one is indifferent to distribution, the curves are straight lines ($W = y^A + y^B$) and one simply maximises the gross national product, i.e. follow the Kaldor criteria."[124] "Thus the equity aspects of policies have always to be considered as well as their efficiency aspects."[125]

Thus it can be seen that welfare is conceived almost exclusively in terms of utility and that this, while having varying approaches, is normally conceived in an individual way. The philosophical approaches of utilitarianism and justice as fairness are considered by economists but on the whole rejected because of their need for inter-personal comparisons of utility. Paretian welfare and the ordinalist revolution has meant that now utility is conceived in terms of preference satisfaction exclusively. This leads to two general conclusions about social welfare, irrespective of the particular function used.

First, if consumers' real income is increased then they will be able to satisfy more of their preferences than before and this will result in a higher level of utility. In this first

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[124] Layard, R and Walters, A.A, *Microeconomic Theory*, pp.47-48
[125] Layard, R and Walters, A.A, *Microeconomic Theory*, p.50

conclusion then we see the logic behind the supremacy of economic growth as the primary aim of public policy.

The second conclusion is that consumers are better able to prefer if there are more things to choose from. Here then we see the importance of choice. The second conclusion leads logically to the view that the greater the choice the higher the likelihood of preferences being satisfied and so the higher the overall utility. As we saw earlier in this section neither of these conclusions address distributional or equity concerns, but, if total utility, via higher consumption (via higher income) and greater choice is happening this is increasing the social welfare of society as a whole.

The Limits of Welfare Economics

In the previous sections an overview of economic utility, including its emergence and development from utilitarianism, its key assumptions and their implication and finally what effect this had on practical applications today was discussed. However, these economic assumptions have come under increasing criticism and scrutiny from a variety of quarters. Some indeed have been economists who have been arguing for a different conception of welfare or well-being. This section looks at some of the challenges and criticisms of traditional welfare economics in both theory and practice.

As was noted in the introduction to this chapter there is a distinction drawn in economics between positive and normative economics. However, as was noted, this distinction is not always clear. One important aspect of this overlap involves the necessity to make *normative* assumptions when creating *positive* models. Or to put it another way, the mathematical models that 'predict' certain outcomes in economics are

many times themselves based on certain assumptions. These *normative* assumptions then play a crucial role in the outcome from the *positive* model.

Hausman and McPherson for example highlight several normative economic assumptions, oftentimes presented as fact, that have crucial relevance to the theoretical outcomes of many aspects of positive microeconomics. These include the focus on individuals, conceiving welfare in a purely economic and individualistic sense and measuring welfare by accepting the way the market evaluates things via prices.[126]

The Focus on Individuals, Economic Welfare and Prices

The majority of economics tends to use the individual as the basic unit of analysis. The individual is assumed to be a rational person who seeks to maximise his own utility.[127] The individual's behaviour is assumed to be based entirely on this motive, to maximise his own utility subject to his budget constraint. This assumption of individual behaviour is contested though as Veblen points out:

> Not only is the individual's conduct hedged about and directed by his habitual relations to his fellows in the group, but these relations, being of an institutional character, vary as the institutional scheme varies. The wants and desires, the end and aim, the ways and means, the amplitude and drift of the individual's conduct are functions of an institutional variable that is of a highly complex and wholly unstable character.[128]

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[126] Hausman, D. & McPherson, M. 'The Philosophical Foundations of Mainstream Normative Economics', p.228

[127] Van den Ben, H and van Velthoven, B. *Democracy and Welfare Economics* (2nd ed), p.20

[128] Veblen, T. 'The Limitations of Marginal Utility', *Philosophy of Economics* (3rd ed), Hausman, D (ed), Cambridge University Press, Cambridge, 2008, p.136

It is worth noting that the assumption of all individuals being independent utility maximises is highly contested. For example Knight makes the following point:

> The actual interests or desires expressed in economic behaviour are to an overwhelming extent social in genesis and in content; consequently they cannot be described apart from a system of social relations which itself can not be treated in purely objective, factual terms.[129]

Hausman and McPherson go on to show how mainstream economics makes choices about how it understands certain concepts. For example they show that in economics the outcome that matters for individuals is not freedom, rights or justice but welfare and that welfare is understood as the satisfaction of preferences, not as happiness or an objective good like health, achievements or personal relationships.[130]

Further they argue that economic welfare cannot be separated from other aspects of welfare. They go on to note that "welfare economics depends not only on a specific view of welfare but also on the view that inquiries into welfare can be separated from inquiries into freedom, rights, equality, and justice. [...] The notion that there is a separate dimension of economic evaluation is, as we shall see, questionable."[131] Indeed, Pigou, considered by some to be the founder of modern welfare economics, himself went further and noted that "an economic cause may affect non economic welfare in ways that cancel its effect on economic welfare."[132]

In fact Hausman and McPherson go further and argue that in contrast to utilitarianism:

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[129] Knight, F. 'Economics and Human Action', p.106
[130] Hausman, D. & McPherson, M. 'The Philosophical Foundations of Mainstream Normative Economics', p.230
[131] Hausman & McPherson, 'The Philosophical Foundations of Mainstream Normative Economics',p.240
[132] Pigou, A, C. *The Economics of Welfare* (4th ed), p.12

> Mainstream welfare economics, which was in fact influenced by utilitarianism, at first glance appears to follow utilitarianism in reducing ethical individualism – which is a plausible and humane doctrine – to the more dubious view that only individual *welfare* is of intrinsic moral importance.[133]

We saw earlier in the chapter that welfare economics tends to equate utility with price through the medium of value. Individuals are consumers who value utility based on their willingness to pay. Thus as we saw price becomes a proxy for utility. However, the assumption that the price reflects the perceived amount of utility a good will provide is just that – an assumption. It is not even held by all economists. For example Knight makes the following point:

> Thus not only do men desire more or less distinctly from valuing, but they desire because they value and also value without desiring. Indeed, the bulk of human valuations, in connection with truth, beauty, and morals, are largely or altogether independent of desire for any concrete thing or result.[134]

There is the assumption as we have seen in economics that 'value' is equal to 'price' which is equal to 'expected satisfaction' or 'utility' obtained from the purchase of the good in question. However, as has hopefully been demonstrated these concepts are not necessarily identical.

Philosophical Influences

It is hoped that this brief overview of the development of economic utility and welfare has demonstrated how the different philosophical approaches described in Part I have impacted upon operational understandings of welfare economics. As we have seen

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[133] Hausman, D. & McPherson, M. 'The Philosophical Foundations of Mainstream Normative Economics', pp.237-238

[134] Knight, F. 'Economics and Human Action', p.102

though, the operationalisation of these philosophical approaches has in some respects fundamentally altered their underpinnings.

Utilitarianism and Welfare Economics

Considering first utilitarianism we see that, as Riley notes:

> Even from a Benthamite perspective, modem 'ordinalist utilitarianism' represents a significant shift of emphasis in the utilitarian tradition. In effect, Bentham's faith in a utilitarian harmony of abundance, security, subsistence, and equality has been replaced by a virtually exclusive focus on efficiency and growth, with little concern for conflicts between these values and others (including basic rights and distributive justice).[135]

Also of note is the divergent view regarding economic growth. Welfare economics would suggest that indefinite growth is desirable, increasing peoples' welfare. However, earlier utilitarian writers like Mill in fact made arguments for a stationary state, that is a level above which mankind's activities would be devoted to 'higher' pursuits than just economic production.[136] Thus, by defining utility solely in terms of satisfaction and indirectly prices, modern welfare economics has severely limited its approach to human welfare and as Riley argues above, has diverged quite substantially from the philosophical basis on which it began.

Rawls Theory of Justice

[135] Riley, J. 'Mill's Political Economy', p.326
[136] Riley, J. 'Mill's Political Economy', p.314

Despite the intention of Rawls to provide an alternative conception to utilitarianism,[137] there are some similarities with respect to social welfare functions if not with respect to the method of measurement. Bonner provides a very helpful summary of the different issues involved:

> The distinction drawn by Rawls between basic and non-basic liberties and his reward of priority to the first over the second, and to both over social and economic inequalities is not merely a mark of his concern for justice rather than social welfare; it is also a neat solution to the problems of reconciling utility with non-utility information. Most approaches to social welfare exclude considerations of social life like freedom and justice (and beauty) because they are supposed to be intractable. Freedom and justice do not have a price like material commodities and services, and their relationship to personal utility or welfare is neither simple nor direct.[138]

In short then it can be seen that Rawls' distinction between basic and non-basic liberties avoids some of the pitfalls of a utilitarian maximising approach while also allowing the inclusion of non-utility information. However, this means that actual operationalisation and measurement of these non-utility dimensions of information is more problematic than a purely economic approach.

Sen's Capability Approach

Sen's capability approach provides another alternative to utility based measures but does so on a more fundamental level. By defining an entirely different measure, that of functionings and capabilities, rather than utility based approaches, Sen enables a much

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[137] Rawls, J. *A Theory of Justice*, p.3
[138] Bonner, J. *Politics, Economics and Welfare*, p.178

broader conception of welfare or well-being to be considered. He also identifies the issue of valuation as a fundamental one that should not be assumed to be indicated by preference satisfaction or the market.[139] Perhaps Sen's other main contribution to re-evaluations of welfare economics is his critique of the 'tyranny of required completeness'. As he says:

> It is worth emphasizing that for valuation to have content, it need not necessarily have to generate complete orderings. The tyranny of 'required completeness' has had a disastrous effect on many other problems in economic measurement (e.g., inter-personal comparisons, indexing real income), offering us a false choice between silence and babbling. Natural partial orders are either rejected as incomplete, or forced into arbitrary completeness, raising difficulties that need not have arisen. It is important to recognise that many economic and social relations are inherently partial and incomplete. Evaluation of well-being can plausibly be seen as belonging to that category.[140]

Gasper provides perhaps the most helpful summary of Sen's contribution to re-evaluations of welfare economics arguing:

> Analytically, Sen has critiqued the conflation in modern welfare economics of numerous categories (self-interest = preference = choice = satisfaction = WB) which has been exacerbated by giving several of them the name 'utility'. He has pluralized our conceptual armoury for discussion of 'human advantage', as we noted earlier and will elaborate. He recognizes, for example, how satisfaction can come both from one's own situation and from others' situations. At the same

[139] Sen, A. *Commodities and Capabilities*, p.32
[140] Sen, A. *Commodities and Capabilities*, p.31

time, he stresses that interpretations of ambiguous ideas 'must try to capture that ambiguity rather than hide or eliminate it' (1993: 34).[141]

We see then both similarities and differences between aspects of the operational approaches and their philosophical underpinnings. Indeed, the case of welfare economics perhaps most helpfully highlights the need for the link between philosophical conceptions and operational approaches to always remain a strong one.

Conclusion

It is hoped that these sections have shown how some of the key assumptions about welfare economics emerged and their centrality to the operationalisation of welfare economics. It would perhaps be helpful to briefly highlight some of the key points.

First, early economists drew on the work of Bentham and his felicific calculus to derive a 'utility function', that is a model of individual desires based on perceived pleasure. This theory was further developed by Pigou in the early 1900s in two important ways. First, Pigou redefined utility not as perceived pleasure but as 'desiredness' (to use his own words), or perceived want-satisfying power. Secondly and perhaps more importantly Pigou made explicit the link between desire and money. Money was the only available measuring rod and so also acted as a medium for measuring utility. The assumption was made that the amount of money an individual was willing to pay for a certain good was indicative of the amount of utility or pleasure they believed they would derive from it.

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[141] Gasper, D. 'Human Well-being: Concepts and Conceptualisations', *Human Well-being: Concept and Measurement*, McGillivray (ed), Palgrave McMillan, Basingstoke, 2007, p.51

Further modifications to these basic welfare tenets were made but did not dramatically alter these fundamental assumptions. As has been shown, modifications included replacing desiredness with preference satisfaction and a move away from any measures of cardinality to ordinality. This meant absolute numbers could not be allocated to specific utility variables but that now utility simply meant preference ordering. Individuals now knew not how much utility a good might provide, but just that it would provide more than another. This however is not the whole story.

As was highlighted earlier one of the advantages of the original utility function developed by early economists was that it allowed inter-personal comparisons. If ordinality replaced cardinality this would seem to be no longer possible. However, because of the work of Pigou linking money with utility, economists still had a comparable measure. In short, money became the proxy for utility.

Why is this so important? The answer lies that in while these developments and definitions were going on within economics, utility was still understood by many to embody happiness. Thus, while economics may have adapted the definition a common definition was still that of happiness. Thus when taken together it could be suggested that money was a measure of how much happiness a good or service might provide.

In other words, modern welfare economics has replaced the concept (proposed by the early neo-classical economists) of any concept of a cardinal scale and measurable utility with the concept of non-comparable preference orderings that yield satisfaction. That is utility is no longer a 'thing' that can be measured but simply a way of ranking choices according to an individual's preference. The goal is still to maximise utility, but utility

now means as much satisfaction as anything else. Welfare is promoted when consumers are satisfied. The final development of utility has then been the fairly general acceptance in economics that preference satisfaction can be measured by willingness to pay.[142]

What is fascinating about the social welfare side is that it is subject in many ways to some of the same criticisms of utilitarianism as a moral philosophy. We saw in Part I that one aspect of utilitarianism for early writers (including Bentham) was that it provided an agenda for action by specifying the taking of decisions in light of maximising the overall happiness. As we saw, if the happiness of each individual could be measured and aggregated then decisions for society could be taken in such a way to maximise the total happiness for society. This concept encountered many criticisms including that it neglected distributional effects and potentially justified taking utility away from some under a certain action if more would be obtained by another.

As we saw this was called the 'greatest happiness principle' and while it still has some proponents, now not as many would probably ascribe to it. Returning to economics in this chapter we saw how neo-classical economists appropriated the idea of Bentham's felific calculus to create a utility function. While there has been the development of preference satisfaction as the understanding of utility rather than happiness the fundamental assumption is still the same as the greatest happiness principle. As we have seen in economics income is seen as a proxy for preference satisfaction which in turn is seen as a proxy for utility. In short then the same thinking that produced the greatest happiness principle is still alive today in the form of welfare economics. If original

[142] Hausman, D. & McPherson, M. 'The Philosophical Foundations of Mainstream Normative Economics', p.233

utilitarianism believed the morally best course was to pursue the greatest good, irrespective for the individual, welfare economics proposes much the same thing. The greatest income possible is morally best, even if there are distributional issues.

Thus in conclusion, it is suggested that economic welfare has emerged as perhaps the dominant operational approach to welfare at the moment, and it is far from perfect. Indeed it is argued that in its operational modifications over the years it has lost a lot of the philosophical underpinnings that it once had. This has left it conceptually weaker than would otherwise be the case. This conceptual weakness has been more widely recognised more recently and alternative approaches have been developed. These face their own problems also, but to borrow a concept from economics, there is greater efficiency when there is competition. Economics' monopoly on human welfare has come to the end with the entrance into this 'market' of significant competition.

Chapter 5 – Objective Well-being

Introduction

After having considered the method of operationalisation of well-being through welfare economics, this chapter focuses on what is sometimes termed 'objective well-being' (OWB). While this may not be the most helpful term to describe this particular approach, it is a commonly used one and so will be used in this chapter.

While it is a simplification, one method of definition of objective well-being is that used by Gasper. It is based on measures of non-feeling aspects rather than subjective feelings based approaches.[143] OWB measures are also useful to analyse because they are built on an operational framework. They do not face some of the same challenges to operationalisation as other approaches because they are based on measured data. However, as this chapter will examine, this does not mean they are better at describing well-being but simply contribute certain dimensions of understanding. As Gasper notes objective well-being is still a normative concept because "we measure what is proposed as having value. The question is how well argued and/or widely accepted those values are."[144]

Measures of objective well-being are found most commonly in national measures used in international development. Objective well-being is concerned with defining and measuring well-being based on certain key indicators which themselves can be measured. As McGillivray notes: "While one can question whether such attribution is

[143] Gasper, D. 'Human Well-being: Concepts and Conceptualisations', p.33-34
[144] Gasper, D. 'Human Well-being: Concepts and Conceptualisations', p.35

always valid, achieved well-being measures are seen as important tools, used in the design and evaluation of policies, both domestic and international."[145]

Objective well-being measurements have strong grounds for claiming a place in operational understandings of well-being. As we will see they offer a wider understanding than that provided by a traditional welfare economics approach while at the same time relying on empirical evidence to make their assessments. It is understandable then why those who have seen the shortcomings of a solely economic approach, yet who appreciate its empirical bent and comparable conclusions have looked to objective well-being to 'fill in the gaps' that are left by economic approaches. It is easy to see then why "empirical research has proposed a number of composite indexes intended to measure multi-dimensional well-being, especially at the level of countries. At least twenty composite indices have received international attention in the last four decades."[146]

We saw in the last chapter some of the assumptions and outcomes of an economic approach to well-being and also the limitations from an economic perspective. This chapter then begins by looking at the relationship between income and objective well-being. This is followed by a look at some of the current methods of measuring 'objective well-being', their methodology and conclusions.

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[145] McGillivray, M. 'Human Well-being: Issues, Concepts and Measures', p.1

[146] McGillivray, M. & Noorbakhsh, F. Composite Indexes of Human Well-being: Past Present and Future, *Human Well-being: Concept and Measurement*, McGillivray, M. (ed), Palgrave McMillan, Basingstoke, 2007, p.113

The Relationship Between Income and Objective Well-Being

Despite still being the most common measure of well-being, GDP has been heavily criticised for its shortcomings in both development and well-being terms.[147] As Dowrick goes on to point out: "international GDP comparisons make no allowance for environmental differences, for resource depletion, for leisure, for household production of goods and services, for black market activities or for external costs and benefits associated with production and consumption."[148] Indeed, this reticence to rely on GDP as an indicator of progress can be seen in the shift from an economic growth approach to a wider 'development' approach in discussions about international development. For example, whereas thirty years ago the focus for international development organisations was more on raising GDP and economic growth there is now an acceptance that a wider approach is needed, witnessed by the Millennium Development Goals (MDGs) set by world leaders.

Alongside this widening of what constitutes development is the increasing recognition that national income is not just a variable to be maximised. Indeed, "Easterlin postulated that absolute income levels matter up to the point at which basic needs are met, and beyond that relative incomes are more important."[149] Attempts, like the Generalized Lorenz Curve (which takes the standard Lorenz curve and scales it by the mean income of the distribution) were made to enhance the GDP indicators by trying to measure equality as well as efficiency. [150] However, as McGillivray goes on to note: "Limitations of income per capita as an indicator of human well-being are well-known and often

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[147] Dowrick, S. 'Income Based Measures of Average Well-being', *Human Well-being: Concept and Measurement*, McGillivray (ed), Palgrave McMillan, Basingstoke, 2007, p.65
[148] Dowrick, S. 'Income Based Measures of Average Well-being', p.65
[149] McGillivray, M. 'Human Well-being: Issues, Concepts and Measures', p.11
[150] McGillivray, M. 'Human Well-being: Issues, Concepts and Measures', Human Well-being: Concept and Measurement, McGillivray (ed), Palgrave McMillan, Basingstoke, 2007, p.7

repeated. If we accept that well-being is multidimensional, then it at best captures only one of its many dimensions."[151] It was out of this trend towards examining other dimensions that conceptualisations of objective well-being emerged.

This recognition of the shortcoming of relying solely on income-based measures of well-being has led to the emergence of other aggregate indicators. The emergence of these indicators, both individual and aggregate, of objective well-being arose largely out of the belief that well-being involved more than simply income and wealth. As Gasper notes:

> Some major indicators of objective wellbeing show little or no improvement beyond middle-income level. People cannot become literate twice or, at present, live ever longer. And in some respects there can be deterioration: mobility can decline in megalopoli, and stress levels, suicide and mental illness levels appear often to grow. Input levels are not reliable proxies for describing or valuing the contents of a life. The input-output relationships vary greatly, according to users' skills and needs and according to the conditions in the particular time and place.[152]

Human Development Index

One of the most common aggregate measures of human well-being used today[153] is the Human Development Index (HDI) published by the United Nations Development Program (UNDP). The HDI was designed to provide a wider approach to development and well-being that was given in an analysis of GDP. Indeed, this was part of the

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[151] McGillivray, M. 'Human Well-being: Issues, Concepts and Measures', p.5
[152] Gasper, D. 'Subjective and Objective Well-Being in Relation to Economic Inputs: Puzzles and Responses', *Review of Social Economy*, Vol. 63, No. 2, pp.174-206 (2005), p.184
[153] Harkness, S. 'Social and Political Indicators of Human Well-being', *Human Well-being: Concept and Measurement* – McGillivray (ed), Palgrave McMillan, Basingstoke, 2007, p.90

argument of the UNDP that "human development and not economic growth, should be the objective of development policy."[154]

The HDI includes three different indicators: life expectancy, education and income. However the purpose of the HDI was wider than that as McGillivray & Noorbakhsh note:

> The UNDP has also sought to provide a precise definition of human development, which is analogous to human well-being, linking it to the design of the HDI. The first Human Development Report noted: Human development is a process of enlarging people's choices. The most critical ones are to lead a long and healthy life, to be educated and to enjoy a decent standard of living.[155]

We see in the analysis of the HDI two important points. First, that development (and so also well-being) ought to be understood more in terms of enlarging people's choices than simply providing access to financial resources. Second, though the HDI may have similarities with the capability approach, it operationalises Sen's concept in a particular way. It identifies three key capabilities it sees as universal (otherwise inter-country comparison would not be possible); those of life, education and standard of living and aggregates their indicators. As we saw in Part I Chapter 3, Sen's capability approach has faced criticism due to the perceived difficulties in operationalising it. Here though in the HDI we see an attempt to operationalise the approach based around three key areas that can be measured based on available data.

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[154] Harkness, S. 'Social and Political Indicators of Human Well-being', p.88
[155] McGillivray, M. & Noorbakhsh, F. Composite Indexes of Human Well-being: Past Present and Future, p.115

There is also the associated question about what is actually being measured. If the HDI is measuring certain valuable capabilities of individuals, is it really a better assessment of the capabilities than income is alone? Certainly Sen would (and does) argue that a capabilities approach is fundamentally different to a solely income based approach, but is the actual data being used (in this case child mortality, life expectancy, literacy etc.) actually best suited to measuring capabilities? In other words, if the HDI is taken (in some form) to be measuring capabilities; is that premise altered at all (and if so how) by the choice of data that is used?

For example, research by McGillivray and Noorbakhsh shows that HDI correlations to individual indicators vary quite substantially by group of countries. In developed countries the Pearson correlation coefficients of life expectancy and educational attainment to income (PPP GDP) were 0.794 and 0.765 respectively whereas for the least developed countries correlates were 0.386 and -0.044. Supporting this data are the coefficients for the HDI as a whole. Regarding income and the HDI, coefficients were 0.924 for high income countries and only 0.567 for low income countries. In other words income level was a strong predictor of the HDI level in high-income countries, but a (relatively) weaker one in low-income countries. While this is only one study, its results seem to highlight a far stronger argument for composite indexes being used in low-income countries rather than higher ones.[156]

It also raises the point that different measures can (and perhaps should) be used in different circumstances to measure the same capabilities. If there are indeed similarities in many respects between the capabilities approach and the HDI there are also some

[156] McGillivray, M. & Noorbakhsh, F. Composite Indexes of Human Well-being: Past Present and Future, p.124

differences. The main one lies in the silence of the HDI on issues of freedom. This is looked at in detail in a later section of this chapter but it is worth noting that given the emphasis Sen's capability approach places on agency and how capabilities are different from functionings that an attempt to operationalise the capability approach without including some assessment of freedom of agency only in fact sees one half of the coin. In concluding the assessment of the HDI though it should be remembered that this was one of the first and most widespread attempts to signify with a robust empirical approach that there is "more to well-being achievement than improvements in incomes alone."[157]

Basic Needs and Basic Capabilities Approach

This was pioneered first in thinking about international development and in opposition to a solely income based approach. It emerged as a response to the question of why poverty was not being alleviated as incomes increased. As Harkness points out "the basic needs approach placed emphasis on the fact that the poor require access to certain basic goods and services, and that income may not be a necessary or sufficient condition for their provision."[158] It is worth noting that this approach diverged from economics which would argue that increasing incomes would allow the poor to purchase what they needed.

In examining the basic needs approach one of the first questions that arises is regarding what needs are termed as 'basic'. This is a recognised first issue and authors who use this approach normally begin by providing a reasoning both for a basic needs approach and arguments for the inclusion of certain needs. This section now looks at some of the different descriptions of basic needs and the reasoning behind using these particular

[157] McGillivray, M. & Noorbakhsh, F. Composite Indexes of Human Well-being: Past Present and Future, p.127

[158] Harkness, S. 'Social and Political Indicators of Human Well-being', p.88-89

ones. First we examine an approach to basic needs that emphasises their universality. As McGillivray helpfully summarises:

> "Doyal and Gough conclude that universal needs do exist, and that vectors of basic and intermediate needs and degrees of need satisfaction can be identified. They identify two universal basic needs: physical health and autonomy of agency, the latter defined as the capacity to initiate and act through the formulation of aims and beliefs (Doyal and Gough 1991)."[159]

Here we see then the priority placed on objective measures of well-being (in this case health) and on freedom understood as autonomy of agency. The advantage of the universality argument and health variables allows both inter-personal and inter-temporal comparisons although as will be examined later the definition of autonomy of agency, what that involves and how it can be assessed is slightly more complicated.

Also of note about this approach is that it does not just focus on the individual but also recognises the social element to basic needs. As Gasper concludes "by focusing on the requirements of functioning as a society member, they are close to a social exclusion perspective."[160] Important to note in this approach then is that 'social inclusion' (however that is defined) can be understood as a basic need.

This concept of social exclusion and the powerlessness that accompanies it can be seen forcefully in descriptions of poverty by those in it highlighted in the World Bank's *Voices of the Poor Report*. "In explaining poverty, poor men and women very often express a sense of hopelessness, powerlessness, humiliation, and marginalization. [...]

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[159] McGillivray, M. 'Human Well-being: Issues, Concepts and Measures', p.4
[160] Gasper, D. 'Human Well-being: Concepts and Conceptualisations', p.56

In Cameroon, poverty is characterized as 'a feeling of powerlessness and their inability to make themselves heard.'"[161]

Another approach to basic needs is that taken by Nussbaum. Gasper provides a summary of her approach saying, "Nussbaum provides an objective list conception of well-being plus, in a policy context, a liberal focus on the capabilities to achieve the functionings highlighted in the list. In the Aristotelian tradition, pride of place is given to practical reason and to affiliation with others."[162]

A third approach is taken by Alkire in her book *Valuing Freedom*. "Alkire shows how, without necessarily measuring well-being directly, a deeply considered and an enriched conception of well-being (again with an emphasis on capability) can guide local planning and resource allocation."[163]

Alkire herself provides an explanation of how the capability approach has been used in understandings of basic needs or basic capabilities. As she says:

> Sen might argue that the capability approach, by defining poverty with reference to human capabilities, and by highlighting the importance of choice, brings together considerations of the basic needs approaches which, as Streeten pointed out, were dealt with in a piecemeal fashion (and which included self-determination, participation, and so on) into one coherent philosophical framework. Furthermore it is equally relevant for developing and developed countries.[164]

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[161] World Bank, Voices of the Poor – Volume I, 1999, p.32
[162] Gasper, D. 'Human Well-being: Concepts and Conceptualisations', p.55
[163] Gasper, D. 'Human Well-being: Concepts and Conceptualisations', p.57
[164] Alkire, S. *Valuing Freedoms*, p.167

It can be seen then that there are several ways of understanding 'basic' needs and that these while overlapping do also involve some divergence. It is probably fair to say that one of the main strengths of the basic needs approach, that of an objective, universal list of what these needs are is also one of its weaknesses. Still if there can be agreement around the normative elements involved and also over how these are measured, given some would be harder to measure than others, the basic needs approach still contributes a valuable additional dimension to an understanding of well-being. This is perhaps even enhanced further if the approach is seen as basic capabilities instead of basic needs.

Issues of Measurement and Universality

Measurement and Accuracy

One of the advantages of measures of objective well-being is that they normally can rely on already well known data sets. The World Bank for example publishes The Little Data Book which is a pocket edition of the World Development Indicators.[165] Data provided includes such indicators as: life expectancy; fertility rates; infant mortality; under five mortality; child malnutrition, HIV prevalence; gross primary and secondary enrolment; adult literacy; GDP; imports and exports (as % of GDP), GNI per capita and foreign direct investment to name but a few.[166] While not all data is available for every country for every year it is easy to see why an approach to well-being that aggregate indicators like those listed above would be appealing.

[165] World Bank, *The Little Data Book 2007*, The World Bank, Washington DC, 2007
[166] World Bank, *The Little Data Book 2007*, p.3

However, as has been noted with these and other data there are significant questions, particularly for lower income countries over the accuracy and reliability of the data sets. As Harkness notes:

> For many countries data collected on key social indicators is old, measurement biases and errors abound, many indicators are estimated, and data is often incomparable both over time within countries and at a point in time across countries. Even within official international organizations publications inaccuracies and inconsistencies in the data abound.[167]

When data is available there are still questions about how it should be interpreted and used. Two questions related to the accuracy and reliability of the data are those of weighting and scaling. Any aggregate measure of well-being has to decide how much weight each individual indicator has on the aggregate. Thus a value judgement on the relative importance of each variable to well-being achievement has to be made.[168] Scaling is necessary because the different indicators are measured in different units, life expectancy in years and income in dollars for example. Thus aggregate measures need to be able to deal with both these issues, weighting and scaling, in a way that does not diminish their usefulness.

A practical example of this is given by McGillivray and Noorbakhsh who argue that "component transformations – in the case of the HDI, its rescaling procedure – can introduce a form of implicit weighting. This not only applies to the HDI but potentially

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[167] Harkness, S. 'Social and Political Indicators of Human Well-being', p.96
[168] McGillivray, M. & Noorbakhsh, F. 'Composite Indexes of Human Well-being: Past Present and Future', p.125

to any index that combines transformed variables."[169] Related to value judgements about weighting is the question of whether data is measuring well-being means or well-being ends. That is, is the data measuring actual well-being or a component that leads to well-being. "In the cases of the PQLI and HDI, for example, life expectancy might be considered as an end, but adult literacy and school enrolment only as means."[170] This is related to the discussion in the previous section on basic needs and can be thought of in parallel to the question of whether the HDI is measuring functionings or capabilities, or a combination of both.

Another issue to do with the measurement and accuracy of the data is whether it accurately relates differences between people. Harkness points out: "Aggregate indicators of social development may mask large disparities by gender, region, racial group, rural/urban areas or between the rich and poor. The 1993 HDR notes that making adjustments for gender has a large impact on the HDI ranking of countries."[171] Or as Klasen also notes: "There are large and persistent gender gaps in many indicators of wellbeing across the world. They include gender gaps in control over economic resources, education, earnings, mortality, access to employment, pay, time use, safety, and power in the public and the private sphere."[172]

Thus Sen's capability approach might provide a better approach with its distinction between functionings and capabilities and the possibility of being more contextual and taking into account variations based on gender, geography, race etc. However, while it

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[169] McGillivray, M. & Noorbakhsh, F. 'Composite Indexes of Human Well-being: Past Present and Future', p.126
[170] McGillivray, M. & Noorbakhsh, F. 'Composite Indexes of Human Well-being: Past Present and Future', p.117
[171] Harkness, S. 'Social and Political Indicators of Human Well-being', p.104
[172] Klasen, S. 'Gender-related Indicators of Well-being', *Human Well-being: Concept and Measurement*, McGillivray, M. (ed), Palgrave McMillan, Basingstoke, 2007, p.167

may provide these advantages, as Alkire notes, because of these strengths it does make international comparability much harder (though she also argues that is not necessarily a problem).[173]

Universality

The issue of universality also helpfully raises the issue of purpose. Given the multi-dimensional nature of well-being there are decisions that must be taken regarding the purpose of the particular measures under consideration. For example, as McGillivray & Noorbakhsh point out:

> Universal indexes such as the HDI are currently more concerned with a measurement for ranking countries, and less concerned with the operational capability of the index in terms of policy making at a more practical level for different countries. A simple response would be simply to drop a universal index and adopt a set of country specific ones. But this would be at the cost of no longer being able to make inter-country well-being achievement comparisons.[174]

They make the point about country specific measures but this could also be extended to different groups, genders, areas etc. within a country that would enable a higher degree of contextualisation. Of course, as the authors note this would lose international comparisons but at the same time there would also be significant gains, particularly if participatory research was used which would enable it to "draw out culture, location and social group specific understandings of the dimensions of well-being."[175]

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[173] Alkire, S. *Valuing Freedoms*, p.181

[174] McGillivray, M. & Noorbakhsh, F. 'Composite Indexes of Human Well-being: Past Present and Future', p.128

[175] Pettit, J. & White, S. 'Participatory Approaches and the Measurement of Human Well-being', p.248

The second aspect of universalism, which was raised earlier in the discussion of universal needs, regards the universality of certain capabilities (or needs) to all people everywhere.

> As Anand and Sen observe, universalism is the recognition of a shared claim of every person to the elementary or basic capabilities required to lead a worthwhile life. This is in itself a defence of many composite indexes, including the HDI, as few would deny that health, education and purchasing power are universal elementary capabilities, and as such essential elements of a wellbeing vector.[176]

If this idea of universality is accepted then it enables both a universal measurement approach and contextual measurement of the same factors but perhaps in different ways depending on local circumstances. For example the balance ascribed to *quantity* (life expectancy) and *quality* of life might vary depending on the current state of the country or social group being considered.

Lastly universality might also suggest a direction for action would be based on the fact that while there may not be agreement on *all* factors that affect well-being, if there is agreement on some basic (and arguably central) factors then the work could start in that area.

Possible Future Enhancements for Objective Well-being

It seems then that while there are clear advantages to using objective measures of well-being; there still remain key problems both to do with operationalisation of certain

[176] McGillivray, M. & Noorbakhsh, F. 'Composite Indexes of Human Well-being: Past Present and Future', p.116-117

approaches (like basic needs) or issues surrounding data accuracy and weighting (like the HDI). Another issue, which this sections explores, is regarding other concepts seen as important to well-being that are not currently included in the most well-known objective measures. The issues explored here are sustainability and liberty. Both are looked at in turn and possible methods of integration into objective measures of well-being are considered.

Sustainability

A definition of sustainability must first be provided so that the possibility of integrating it into existing (or new) measures of well-being can be considered accurately. While different definitions of sustainability exist the one considered here is that of Neumayer who sees "sustainability as the requirement to maintain the capacity to provide non-declining well-being over time."[177] Neumayer goes on to give the following helpful example:

> Take the depletion of non-renewable resources and long-term environmental damage from carbon dioxide emissions as examples. They affect sustainability as, all other things equal, they diminish the value of the total capital stock available to future generations. They rightly form a component of a sustainability indicator. But neither resource depletion nor long term environmental damage negatively affect current welfare.[178]

If this definition is accepted then the issue is immediately raised of how the capacity to provide non-declining well-being is met. Indeed, Anand and Sen view "sustainability as a concern for inter-generational equity and treat its demand as a reflection of the

[177] Neumayer, E. 'Sustainability and Well-being Indicators', *Human Well-being: Concept and Measurement*, McGillivray, M. (ed), Palgrave McMillan, Basingstoke, 2007, p.193
[178] Neumayer, E. 'Sustainability and Well-being Indicators', p.197

universality of claims, applied to future generations vis-à-vis the current one."[179] Thus it can be argued that the issue of universality we saw in the previous section is not just concerned with the capabilities and well-being of people across space but across time also. So as they note, sustainability involves a balance between enabling the achievement of well-being in the current generation while not sacrificing the ability of future generations to meet their well-being needs also.

The conceptually strong approach to sustainability does raise practical questions of application though. How can these issues of measurement of both present and capacity for future well-being be integrated into one approach, or even should they? This may be partly why as Neumayer identifies, "most indicators of well-being ignore sustainability and most indicators of sustainability ignore (current) well-being. A prominent example for the former is the United Nations Development Programme's Human Development Index (hereafter UNDP and HDI), whereas the World Bank's Genuine Savings (GS) is characteristic of the latter."[180]

There is perhaps a way forward in developing such measures by examining how economics deals with future oriented problems. Indeed, for quite a while economics has identified this same issue and the need to develop models to take it in to account.[181] One measure economics has come up with is the Genuine Savings (GS) test which seeks to identify what is happening to the overall stock of capital. This is relevant because in economics it is capital that provides capacity for future production. Thus perhaps if the definition of capital was wide enough, taking into account not just physical or

[179] McGillivray, M. 'Human Well-being: Issues, Concepts and Measures', p.10
[180] Neumayer, E. 'Sustainability and Well-being Indicators', Human Well-being: Concept and Measurement, McGillivray, M. (ed), Palgrave McMillan, Basingstoke, 2007, p.193
[181] Pigou, A. C. *The Economics of Welfare* (4th ed), Macmillan, London, 1962, p.28

environmental or even human, but social capital also then as Neumayer points out: "A Genuine Savings (GS) test could be added to a measure of well-being (like the HDI) and would indicate whether "there is a danger that the achieved level of well-being is bought at the expense of liquidating the total capital available to a country, which cannot be sustainable."[182] Thus there seems to be a strong argument for incorporating some form of sustainability measure into understandings of objective well-being.

Liberty and Security

Two issues are considered here. The first is that neither liberty nor security seem to feature in some of the more common conceptions of objective well-being. The reasoning for this is examined and this leads on to the second issue. The second issue then looks at the philosophical basis for inclusion of liberty and security considerations in approaches to objective well-being how this might be included in a robust fashion.

First then as McGillivray and Noorbakhsh note, this is a component that is currently very rarely included in international comparisons of personal well-being like the HDI. As they say:

> While universalism offers a justification for inclusion of certain variables in composite indexes, it also provides a telling criticism for the exclusion of others, as there are indeed many other elementary, universal capabilities or values that ought in principle be included in them. One such value is basic human security. While human security can be variously defined, not being the victim of physical violence or other intimidation would appear to be a universal value. Yet, it is one that has received little attention in discussions centred on the HDI and other

[182] Neumayer, E. 'Sustainability and Well-being Indicators', Human Well-being: Concept and Measurement, McGillivray, M. (ed), Palgrave McMillan, Basingstoke, 2007, p.208

> composite indexes. [...] Another possible universal value is political freedoms or rights. Dasgupta criticized the HDI on these grounds, claiming that it is quite incomplete; as it is oblivious to what is commonplace to call 'human rights'.[183]

McGillivray and Noorbakhsh suggest that one of the reasons why this might be the case is because of limited cross-country availability of data and the desire to report and rank as many countries as possible.[184] However, as was noted earlier in this chapter, measurement involves a value judgement because it has to be decided what is measured. When this is remembered and considered alongside the fact that there is in fact a significant amount of data on security and liberty issues then simply leaving out certain components because of lack of comparison seems less likely. Indeed, it is not hard to imagine that issues of liberty and security would have more political baggage and considerations surrounding them than components like adult literacy.

There is also a strong argument for their inclusion as central to well-being given it can be argued well-being is seriously diminished if liberty and security are lacking. Indeed common sense would tell us that an educated, well-nourished, rich and healthy person who was confined to a cell and subject to repeated beatings was not experiencing the highest well-being, but they would receive a high score on the HDI nonetheless. In short as Harkness notes, "political and civil rights have a fundamental impact on individuals' wellbeing."[185]

Lastly then we return to issues of measurement. McGillivray and Noorbakhsh are certainly right that there would need to be some sort of indicators that enable

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[183] McGillivray, M. and Noorbakhsh , F. 'Composite Indexes of Human Well-being: Past, Present: and Future' p.116
[184] McGillivray, M. and Noorbakhsh , F. 'Composite Indexes of Human Well-being: Past, Present: and Future' p.117
[185] Harkness, S. 'Social and Political Indicators of Human Well-being', p.106

comparison for security and liberty considerations to be able to integrate them into aggregate objective measures. This is not an insurmountable issue, though, as hopefully the next paragraph shows.

Freedom House, an international NGO founded by Eleanor Roosevelt and others in 1914[186], produces a yearly report, *Freedom in the World* which analyses and ranks 193 countries and 15 disputed territories on the basis of their civil and political liberties.[187] Countries receive their 'score' based on the following system explained in the report:

> The ratings process is based on a checklist of 10 political rights questions and 15 civil liberties questions. The political rights questions are grouped into three subcategories: Electoral Process (3 questions), Political Pluralism and Participation (4), and Functioning of Government (3). The civil liberties questions are grouped into four subcategories: Freedom of Expression and Belief (4 questions), Associational and Organizational Rights (3), Rule of Law (4), and Personal Autonomy and Individual Rights (4). Raw points are awarded to each of these questions on a scale of 0 to 4, where 0 points represents the smallest degree and 4 the greatest degree of rights or liberties present.[188] (The report includes the wording of all 25 questions as an appendix)

While this certainly includes some level of normative evaluation, the procedures that are followed in the above example, and which could be followed in a indicator used in aggregate measures of well-being, would allow for both international and inter-temporal comparison. Indeed, it might even be the case that taking the argument made earlier about the political significance of aggregate measures in shaping policy, that countries

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[186] www.freedomhouse.org
[187] *Freedom in the World 2008*, Introduction, (www.freedomhouse.org)
[188] Freedom in the World 2008, Methodology, (www.freedomhouse.org)

might pay more attention to liberty and security concerns if they affected widely reported indicators of objective well-being.

We now turn to the second issue which is closely related. In the first issue we saw explanations as to why liberty and security were not included in current aggregate indicators and also arguments and methods for how they might be integrated if so desired. This next issue then is the one of why they should be so desired. In short, if the first issue was *how* this second issue is *why*. To answer this question we return to Part I which laid out three philosophical approaches to understanding well-being. It will be argued that all three (albeit in somewhat different forms) suggest that some form of liberty and security are necessary for human well-being.

First then we consider utilitarianism. It is no coincidence that Mill's work on utilitarianism was complemented with work he did on liberalism, most notably in his book *On Liberty*. Mill argued that individuals needed protection and rights not just against government but against society as a whole and the 'tyranny of the majority'.[189] As Riley goes on to elaborate: "general security is an ingredient of general welfare."[190] He goes on to describe it as a "kind of utility."[191] This view of security being a component part of utilitarianism and an individuals utility is seen also in the work of Shaw who notes: "it seeks to protect individual choice and autonomy and to give people reasonably wide scope to live as they wish, free from criticism or punishment as long as they adhere to the basic moral rules and refrain from harming others."[192] It seems then

[189] Mill, JS, *Utilitarianism*, p.73
[190] Riley, J. 'Mill's Political Economy', p.316
[191] Riley, J. 'Mill's Political Economy', p.316
[192] Shaw, W, 'Contemporary Criticisms of Utilitarianism: A Response', p.213

that a fairly strong argument can be made for the inclusion of security in considerations of well-being from a utilitarian standpoint.

We look next at Rawls' *Theory of Justice* which we saw in Part I was, in part, an explicit counter to utilitarian conceptions of human well-being. However, regarding security and liberty these are both considered 'basic' rights by Rawls. Freeman provides a helpful summary of what constitutes basic liberties and highlights the parallels with Mill.

> Rawls's first principle, the principle of equal basic liberties, parallels J.S. Mill's principle of liberty in that it is conceived as defining constitutional limits on democratic government. Rawls sees certain liberties as "basic." These include liberty of conscience and freedom of thought, freedom of association, and the rights and liberties that define the freedom and integrity of the person (including freedom of movement, occupation, and choice of careers, and a right to personal property); also included for Rawls are equal political rights of participation and the rights and liberties that maintain the rule of law. To call these liberties "basic" means (in part) that they are more important than others.[193]

What is also worth noting is that these 'basic' liberties take precedence over other aspects of justice as fairness. As Freeman notes, "because of their role in defining the conception of moral persons that underlies Rawls's view, justice as fairness assigns the basic liberties strict priority over other social goods. This means basic liberties can be limited only for the sake of maintaining other basic liberties."[194] It seems then that both

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[193] Freeman, S, 'Introduction', *Cambridge Companion to Rawls*, Freeman, S (ed), CUP, Cambridge, 2003, p.4

[194] Freeman, S, 'Introduction', p.5

Mill and Rawls see a crucial place for liberty and security in their understandings of well-being.

What about the third philosophical approach, that of Sen? The concept of liberty is central to the work of Sen also. Indeed, he perhaps goes further than both Mill and Rawls because Sen sees liberty as crucial to the understanding and assessment of capabilities.[195] Liberty is also understood by Sen as 'freedom to achieve', which leads to two evaluative spaces of 'well-being freedom' and 'agency freedom'.[196] This focus on freedom is identified by other authors also. Harkness provides a helpful summary noting; "as Sen has argued, the ability of people to play an active and critical role in their choice of leaders, to express opinions, and to be protected from abuse and other environmental factors is critical in shaping welfare."[197]

It seems then that with regard to liberty and security there seems to be substantial agreement between the different philosophical approaches that some conception of freedom (and the conceptions themselves do differ) is necessary for human well-being. Thus it is suggested that while practical and philosophical issues remain, there is a strong case for the inclusion of *some form* of liberty and security in conceptions of objective well-being.

Overall then it seems there are strong reasons to consider objective measures of well-being when looking at well-being as a whole. This would hopefully be particularly fruitful if it used the basic capabilities approach put forward by Sen and Alkire among others. As has been noted there are still though issues of measurement and accuracy that

[195] Sen, 'Capability and Well-being', p.274
[196] Sen, 'Capability and Well-being', p.275
[197] Susan Harkness, 'Social and Political Indicators of Human Well-being', p.106

need to be investigated but these should not in anyway thwart a further use of indicators of more than income in discussions about well-being.

Conclusion

It is hoped that the title of this thesis which most probably seemed somewhat obscure at the beginning is now somewhat clearer. The purpose of the title was to embody the object and questions of the thesis. That is, what is the relationship between philosophical and operational approaches to well-being. How important is it and in what ways is it important?

We saw with the example of welfare economics how what started as fairly straightforward applications of utilitarianism (with Bentham's calculus) became, through the modification of economic theory over many decades to seem quite different from its original genesis. We saw how it still held on to some of the basic concepts but also diverged from others, sometimes quite substantially. It was also hopefully shown, through the example of economics, the crucial importance of theoretical assumptions and their profound impact on the operational outcomes of particular approaches. While this may seem common sense it is a point worth noting given the potential implications.

Other philosophical approaches were also considered, those of Rawls and Sen. We saw that in some respects the operationalisation of Rawls' difference principle could be down in the same operational frame as that of utilitarianism, namely via a social welfare function. The advantages and contributions made by Rawls were also considered and potential challenges or difficulties also noted.

Alongside certain forms of welfare economics which operationalised Rawls' approach we also considered objective well-being measures, some of which drew similarities with Rawls over the need for primary or basic goods. Differences were also noted though and the evaluation of objective well-being returned us to the third philosophical approach.

The philosophical approaches then concluded with an analysis of Sen's capability approach. Both the multi-dimensional nature and distinctions between different evaluative spaces and states (i.e. well-being agency or well-being achievement) were considered. Sen's focus on functionings as determinants of capabilities and their relationship to well-being was also considered. Returning to the second chapter of Part II on objective well-being we saw the efforts of people like Alkire to operationalise Sen's capability approach in particular settings.

It is thus hoped that this thesis has contributed to the discussion and evaluation of multi-dimensional approaches to well-being and that the link between philosophical and operational approaches to well-being will be further studied for benefits for all.

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