

PHD THESIS SUMMARY:
The Measurement of Wellbeing in Economics:
Philosophical Explorations

WILLEM VAN DER DEIJL

Doctorate obtained in October 2017
Erasmus University Rotterdam

Wellbeing is a concept that describes how good life is for the person who is living it—a significant type of personal value. By studying human behavior in the context of the scarcity of resources, economics is often concerned with value in general, and personal value in particular. My thesis, *The Measurement of Wellbeing in Economics*, sets out to answer the following question: To what extent is it possible to study wellbeing empirically in economics? In an attempt to answer this question, I analyze the different methodological strands in the economic literature as well as the philosophical debate on the nature of wellbeing.

The question what wellbeing substantively is, is highly controversial and of central concern to a flourishing literature in philosophy, typically divided in three camps: 1) hedonism—identifying wellbeing with the balance of pleasure over pain, 2) desire-satisfactionism—identifying wellbeing with the satisfaction of desires, and 3) objective list theories—listing a plurality of goods that are valuable to us independent of our attitudes towards them. In economics, a variety of approaches have gained a salient position in the empirical literature. In particular, happiness economics, which uses measures of subjective wellbeing; the preference-based approach to wellbeing measurement; and the capability approach, initiated by Amartya Sen.

A significant part of the thesis deals with specific approaches to wellbeing measurement. First, happiness economics has been growing rapidly over the last twenty years, but goes straight against a prominent idea in the foundation of the subfield of economics that deals with wellbeing—welfare economics—namely, that happiness cannot be measured in a way that is interpersonally comparable. While happiness economists generally object that their measures result in reasonable findings, only explainable by the fact that they actually do measure happiness, their approach still is controversial within economics.

Two chapters (3 and 4) focus on methodological issues with measuring wellbeing through happiness. I first analyze one widespread objection against the happiness approach, namely the problem that our aspirations and preferences may adapt to bad circumstances, such that even in prolonged deprivation, people may find happiness, even though their lives are not good for them. While this problem is often seen as an objection against theories of wellbeing that identify wellbeing with happiness, I argue that there is also an alternative interpretation, namely, that in cases of adaptation, people adjust the standards by which they evaluate their own happiness, even though their lives remain equally unhappy. I argue that as an argument against the efficacy of happiness economics, the latter is more plausible and interesting. This implies that even if happiness-conceptions of wellbeing are correct, our ability to evaluate our happiness may be compromised in case we have adapted.

The subsequent chapter (4) also questions the extent to which happiness economics is successful, but this time limits itself to the question whether it is successful as a method to measure happiness itself (rather than wellbeing at large), given our most plausible accounts of happiness. The chapter notes that many happiness economists borrow Bentham's conception of happiness, but do not consider the problems that have been raised in the philosophical literature against this conception. I analyze Mill's criticism of Bentham's conception, and illustrate that taking on board a plausible part of this criticism has significant implications for our ability to rate our own happiness—a crucial assumption for the methodology of happiness economics. Specifically, the criticism is that having qualitatively new experiences changes the way we evaluate, or even understand, our own happiness. This implies that people who have had very different experiences may evaluate the same sense of happiness differently. While I argue that this problem is distinct from the adaptation problem, both problems share that they illustrate a limitation of our ability to evaluate our happiness, such that it can be compared between individuals, or even within an individual over time.

The preference-satisfactionist conception of wellbeing has been central in economic theory but is generally not used to formulate individual measures of individual welfare at large.¹ However, in recent

¹ It is often used to measure the welfare impact of particular changes in people's lives, in, for example, cost-benefit analyses.

years, in response to the developments of happiness economics, some economists have started to develop such general preference-indices of welfare. In chapter 5, I analyze the particular methodological challenges that such approaches are faced with if they aim to be a successful preference-satisfaction measure of welfare. I argue that, while it is in principle possible to successfully arrive at such a measure, a number of central commitments of preference-satisfaction theories of wellbeing are so data-demanding that in practice, satisfying them all is virtually impossible. In particular, unrestrictedness of the preference space and individuality of preferences are such commitments. Moreover, achieving a satisfactory level of measurement, such as ordinal comparability, and interpersonal comparability are features that require much information about individual preference-structures. As a result, measures of wellbeing based on preference-satisfaction are only feasible at the cost of failing to meet some of their central axiological commitments.

A potential alternative to both preference-satisfaction and the happiness approach that I assess is the capability approach. The capability approach is a broad evaluative framework that takes people's actual plurality of doings and beings—their functionings—and our ability to choose them—our capabilities—to be the central evaluative aspect of lives. The measurement of wellbeing is one of the aims of the approach. The capability approach has been formulated as an alternative to both preference-satisfaction approaches and happiness measures, and is committed to the view that our mental states are not always a good source of information about our wellbeing. Moreover, it attempts to incorporate a number of concerns about the plurality of lives in its account, one of which is the fact that certain functionings may be more important to some than to others. In chapter 6 of my thesis, I analyze to what extent these commitments jointly can be realized in the context of wellbeing measurement and argue this is not the case. As a result, the capability approach must either 1) drop its skepticism of measures of wellbeing based on mental-states, 2) deny that different functionings may matter in different degrees to different individuals, or 3) deny that wellbeing is a measurable concept.

Chapter 7 shifts the discussion from specific approaches to the measurement of wellbeing back to the general question how social scientists should develop measures of wellbeing in light of the disagreement about the nature of the concept. It introduces a term, conceptual uncertainty, to describe this difficulty. The chapter reviews

some positions about this problem, one of which is to suggest that different scientific practices can select the philosophical position that best suits their field, given the context. Another position suggests that while there is no agreement on the nature of wellbeing, there may be agreement on a large share of goods that either constitute or contribute to wellbeing, which may be used in scientific practice and policy making. I develop an alternative position, which is based on the idea that while it cannot be expected of measures of wellbeing to be uncontroversial, it can be expected that they are not based on conceptions of wellbeing that are incompatible with all major positions on wellbeing in philosophy. I argue that on the basis of this idea, two central widely shared principles can be defended. The first is an affirmation of the personal nature of wellbeing: whatever wellbeing is on a substantive level, what makes our lives good is highly person-relative. A second principle is a denial of the infallibility of our own ability to assess our own wellbeing. While these two principles create a clear tension in the development of wellbeing measures, I suggest that some social scientists are already developing measures that cut across this tension.

In conclusion (chapter 8), the thesis presents a clear challenge for the measurement of wellbeing. While I have argued that wellbeing is person-relative in a substantive sense, I have also argued that our only methods available for assessing people's person-relative wellbeing information, preference and happiness measurement, are fallible in significant ways. Based on the claims defended in the substantive chapters of the thesis, we can formulate a simple argument that denies that it is possible to develop a sound, complete measure of wellbeing across contexts:

- 1) Regardless of what wellbeing is exactly, either happiness or preference-satisfaction matters intrinsically to wellbeing (defended in chapter 7).
- 2) Our ability to measure happiness is limited (chapter 3 and 4), and so is our ability to measure preference-satisfaction (chapter 5).
- C) There is always a significant part of wellbeing that researchers have limited access to, and hence, wellbeing measures are necessarily incomplete.

At the same time, I suggest that the importance of the concept of wellbeing warrants scientific attention, and that the lack of an ideal measure should not deter scientists from studying the concept. In the end, this thesis is a call for social scientists to take a more pluralistic

outlook on the measurement of wellbeing, as no single measure should be seen as a gold standard, and all are fallible.

Willem van der Deijl is currently postdoctoral researcher at the Centre de Recherche en Ethique at the Université de Montreal. Before obtaining his PhD, he studied philosophy and economics at Erasmus University in Rotterdam. Van der Deijl has been an editor of the *Erasmus Journal for Philosophy of Economics* since June 2014. His research focuses on the concept of wellbeing in the social sciences as well as its nature and its significance to questions in ethics and political philosophy. From September onwards, he will be assistant professor in Business Ethics at the Tilburg University.

Contact email: <wjavanderdeijl@gmail.com>