

WHY ECONOMISTS SHOULD BE UNHAPPY WITH THE ECONOMICS OF HAPPINESS*

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The economics of happiness is an influential research programme, the aim of which is to change welfare economics radically. In this paper I set out to show that its foundations are unreliable. I shall maintain two basic theses: (a) the economics of happiness shows inconsistencies with the first person standpoint, contrary claims on the part of the economists of happiness notwithstanding, and (b) happiness is a dubious concept if it is understood as the goal of welfare policies. These two theses are closely related and lead to a third thesis: (c) happiness should be replaced by autonomy as the fundamental goal of welfare economics. To defend my claims I shall show that a hedonic approach to happiness leads to an awkward trilemma. Furthermore, I shall clarify the meaning of “happiness” and “autonomy”, along with their conceptual relationships.

1. THE RISE OF THE ECONOMICS OF HAPPINESS

The idea of happiness is rather elusive, but is clearly connected with the concept of welfare. Indeed, happiness was once at the centre of economic research.¹ However, things changed dramatically with the evolution of welfare economics. For instance, Arthur Cecil Pigou, one of the founding fathers of contemporary welfare economics, warned economists not to be too ambitious. In his view, economists should only focus on those

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¹ See Luigino Bruni (2004), who has carried out extensive historical research on the issue.

dimensions of welfare that can in principle be measured through the rod of money.² Consequently, investigations on happiness were foregone in the name of science, which requires objective measurements. From Pigou onwards, happiness became a more and more negligible notion. In Paretian welfare economics, every link with happiness has been severed.

Since the 1970s things have changed once more. Along with a greater optimism about the possibility of interpersonal comparison of utilities,³ an increasing number of economists are getting interested in happiness. Furthermore, moral philosophers have never ceased to be interested in happiness, and more recently, with a trend similar to that of economists, psychologists too have carried out intensive research on happiness. As a result, happiness is at the moment at the core of a comprehensive research programme which involves not only economists, but also philosophers, psychologists and social scientists in general.

The economics of happiness is supposed to support the old wisdom according to which money, after all, is not that crucial to people's happiness.⁴ This is true, even though the economics of happiness of course says much more than that. Later on I shall touch upon the general content of the economics of happiness. Here I want to emphasize the basic issue which I am interested in, whose nature is methodological. Unlike some moral philosophers, economists are not claiming that pursuing money is intrinsically wrong. In their research they strictly follow a *first person standpoint*, which means that their analyses are exclusively carried out from the viewpoint of the individuals themselves. Needless to say, this implies

² cf. Pigou (1932: 11): "The one obvious instrument of measurement 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."

³ As Easterlin (2002: x) argues: "the personal concerns that shape happiness evaluations are much more the same for most people everywhere most of the time – living conditions, family and health [...]. Hence, most people in evaluating their well-being are using quite similar criteria. This conclusion may not satisfy the purist, and it does not mean that welfare comparisons can readily be made on a person-to-person basis. But if it is groups or classes of the population in which one is interested, the general similarity of concerns suggests that meaningful comparison can be made, and this similarity helps account for the regularities repeatedly observed". Furthermore, economists frequently refer to the findings of psychologists and neurologists. For instance, Ng (1997: 1853) writes that "The compelling evidence for the Darwinian theory of evolution, the split-brain experiments and other developments in neurology and psychiatrics strongly suggest a materialist (biological/neural) basis of mind, making interpersonal comparison of utility possible at least in principle, if not yet accurately in practise". Along with Ng, cardinal and interpersonal comparable utility has widely been defended by Bernard van Praag, the founder of the "Leyden school", the research of which is based on what he calls the individuals' "verbal qualifiers". For an overview of this approach see Praag and Frijters (1999).

⁴ The title of one of the books by Bruno Frey is *Not Just for the Money*. See Frey (1997).

the rejection of paternalism. This point is well clarified by Easterlin (1974: 92) in a seminal paper:

Reliance is placed in the subjective evaluation of the respondent – in effect, each individual is considered to be the best judge of his own feelings. [...] If one is interested in how happy people are – in their subjective satisfaction – why not let each person set his own standard and decide how closely he approaches it?

The adoption of a first person standpoint clarifies why economists are keen on using the survey method, which consists in asking people how happy they feel, and what are the causes of their happiness, or lack of such. As scientists, what really matters to economists is that empirical findings correctly mirror the real feelings and desires of individuals.

Following the survey method, the level of individual happiness is measured with the help of questionnaires, and economists are well aware that answers may not reflect the real feelings of individuals. However, many ingenious ways have been devised to overcome problems of this kind.⁵ Furthermore, the survey method is not seen as incompatible with more objective measurements of subjective well-being. This is where a second approach comes to the fore. An independent test for the level of individual satisfaction is provided by neurophysiology, for instance by measuring brainwaves. Note that this second approach is also carried out from a first person standpoint, since it tries to measure the subject's mental states and feelings. Physiological methods are objective only in the sense that they provide an objective measurement of subjective well-being. As a consequence, economists do not see these two methods as mutually incompatible. Bruno Frey and Alois Stutzer (2002: 6) explain in this way the different application areas of the two methods:

The hedonic [physiological methods] are useful for many of the intricate questions posed by some psychologists. [Physiological] methods reduce the memory biases that affect retrospective reports of experience in global self-reports. Moreover, these approaches have the advantage of being precise in terms of intensities measured. [The survey method is] necessarily less precise because cognitive processes – which may differ among individuals and over time – play a major role. But precisely because cognitive factors enter into subjective happiness, these [methods] are useful for issues connected with happiness, which have a bearing on social aspects.⁶

⁵ See Veenhoven (1993).

⁶ See also Kahneman *et al.* (1999: ix–x): “The new [physiological] approaches we feature involve the collection of measures of hedonic experiences over time rather than total reliance on global retrospective evaluations, based on the memory of past experiences. [...] The distinction between real-time experience and global retrospective evaluations raises new questions [...]. How do global evaluations of an aspect of life, or life as a whole, relate to the actual pleasures and pains that an individual has experienced over time? How

As I stated earlier, by means of a scientific approach (i.e. independent of moral judgments) the economics of happiness supports the old idea that money is not that essential to happiness. Yet economists qualify such a claim. Through empirical investigations, it has been noted that the relations between income and happiness are exceedingly complex. On the one hand, they suggest that income matters for a happy life. On the other hand, they suggest that income impact on happiness is negligible or even null beyond a certain level.⁷ These puzzling findings have given rise to a vast literature on what has been named the “paradox of happiness”. Also, from a historical point of view, it is this paradox that has made happiness become noticed by the community of economists at large.⁸

The literature on the economics of happiness goes well beyond the paradox of happiness. Other features will be explained later. Here I would rather emphasize that I do not deny the interest of the data gathered by the economists of happiness. However, I shall argue that the epistemological foundations of the economics of happiness are unreliable. In fact, both the survey method and that based on physiological research give rise to serious conceptual problems. I shall show why by following the style of many philosophical inquiries. Indeed, my examples and arguments may at first glance appear rather abstract and removed from everyday reality. However, in this context the examples I am going to propose have a legitimate illustrative task, since I believe that philosophical analyses of the notion of happiness have consequences on both the normative and explanatory issues that economics traditionally addresses.

accurate are these retrospective evaluations? Related questions can be raised about the accuracy of people’s predictions of their future pleasures and pains, and about their intuitive understanding of the rule of hedonic psychology”.

⁷ In his paper, Easterlin (1974) noticed three empirical regularities. Firstly, within a country there exists a high correlation between income and happiness: at a point of time, richer people are on average happier than those who are poorer. Secondly, cross-sectional analyses among countries show that levels of happiness are only weakly correlated with the average level of national income. Thirdly, national time series give evidence that within each country an increase in national income does not lead to an increase in the level of happiness.

⁸ cf. Bruni and Porta (2005: 2): “something new pertaining to human happiness has begun creeping into economic thought. It is making its way under the umbrella of the ‘paradox of happiness’”. How can we solve this apparent paradox? One of the most widely accepted answers is that what matters is not only the level of income in itself, but also the level of income compared to some social norms. From this viewpoint, two concomitant factors seem exceedingly important: habituation and rivalry. They both are mentioned in Easterlin’s paper, though subsequently they have been systematically investigated by Robert Frank (1985, 1997, 1999), who has probably provided the best known theory among economists. However, it is also worth mentioning the so-called “relational goods”, which could be another explanatory factor. The notion of “relational goods” was initially proposed by Martha Nussbaum (1986). Finally, it is worth noting that happiness appears to be related to institutional settings. This aspect has been extensively scrutinized by Bruno Frey and Alois Stutzer. See Frey and Stutzer (2000, 2002).

In the first two sections I shall deal with the neurophysiologic foundation of the economics of happiness. Then in the following section I shall move more directly to the use of surveys. Though my line of argument is methodological in kind, I shall *not* tackle the main methodological issue that worries economists and psychologists. Indeed, I shall always assume that individuals report correctly their mental states and that individuals' feelings can be objectively detected. My philosophical worries lie elsewhere. The first main point of mine is that, contrary to the claims of its upholders, the economics of happiness is at odds with the first person standpoint. Furthermore, we shall see why the study of the philosophical foundations of the economics of happiness sheds new light on the scope of the political implications based on the results of this research program. In fact, my second main point is that happiness is a dubious concept if it is understood as the goal of welfare policies.

2. PHYSIOLOGY AND HAPPINESS: A TRILEMMA

As an example of the physiological approach to happiness, I shall examine the investigations of a distinguished LSE economist: Richard Layard.⁹ Layard claims that happiness is the overarching goal of human beings.¹⁰ I shall not question this general thesis. Indeed, I am ready to accept it. Rather, I set out to discuss critically three more specific theses of his.

The first thesis concerns the hedonistic nature of happiness, according to which happiness is a single psychological magnitude. As he writes:

By happiness I mean feeling good. [...] There are countless sources of happiness, and countless sources of pain and misery. But all our experience has in it a dimension that corresponds to how good or bad we feel. (Layard 2005: 12).

I want to stress this point about a single dimension. Happiness is just like noise. There are many qualities of noise [...]. But they can all be compared in terms of decibels. In the same way different types of pain [...] can be compared, and so can different modes of enjoyment. Moreover [...] happiness and unhappiness are not separate dimensions; they are simply different points along a continuum. They may feel quite different, like heat and cold, but they are all part of the same phenomenon. (Layard 2003: 4).¹¹

Layard accepts Bentham's approach and rejects Mill's idea that there exists a qualitative dimension of happiness along with its quantitative dimension. For Layard we should claim instead that there are different

⁹ I will refer to both Layard (2005) and Layard (2003).

¹⁰ cf. Layard (2005: 113): "we naturally look for one ultimate goal that enables us to judge other goals by how they contribute to it. Happiness is that ultimate goal because, unlike all other goals, it is self-evidently good."

¹¹ See also Layard (2005: 20–1).

causes of happiness, which give rise to increases in the same magnitude. This is the thesis of monism.

The second thesis concerns both ethics and methodology. Layard finds hedonism to be morally attractive, since it is incompatible with paternalism. In no way should economists say that some feelings are morally better than others. This is another reason why he rejects Mill's distinction between qualitatively different kinds of happiness: "Mill was right in his intuition about the true *sources* of lasting happiness, but he was wrong to argue that some types of happiness are *intrinsically* better than others. In fact to do so is essentially paternalistic" (Layard 2005: 23). For Layard anti-paternalism is a by-product of the traditional methodological approach of economics, according to which welfare should be evaluated from a first-person viewpoint. As he writes: "if we want to measure the quality of life, it must be based on how people feel" (Layard 2005: 113). This is the anti-paternalistic thesis.

The third thesis is related to the physiological approach to happiness. Layard notices that people can mistakenly report their mental states. This is why he maintains that we need to single out an objective measure of subjective happiness. As he writes: "For happiness to be a serious subject of study we need to be sure that, when people say they feel something, there is a corresponding event that can be objectively measured" (Layard 2003: 8). The existence of an objective physical measure of happiness is underlined by Layard on many occasions: "we have clear physical measures of how feelings vary over time. We can also use physical measures to compare the happiness of different people. [. . .] a natural measure of happiness is the difference in activity between the left and right sides of the forebrain" (Layard 2005: 19). It is in this context that physiology comes to the fore to help the economists of happiness. Layard enthusiastically refers to recent findings of neuroscience. For instance, he refers to some experiments carried out by Richard Davidson, which are indeed quite impressive. By referring to findings like this, Layard concludes that it is difficult to deny that people do activate different areas of the brain when they have pleasurable or painful feelings.¹²

Thus we have three theses, along with the general thesis that happiness is the overarching goal which all human beings aim at. To repeat: (A) Happiness is represented by a single magnitude (monism). (B) Hedonism is coherent with an approach based on the first person standpoint and

¹² As he writes: "In most of his studies Davidson measures activity in different parts of the brain by putting electrodes all over the scalp and reading the electrical activity. These EEG measurements are then related to the feelings people report. When people experience positive feelings, there is more electrical activity in the left front of the brain; when they experience negative feelings, there is more activity in the right front of the brain. [. . .] So we have clear physical measures of how feelings vary over time". Layard (2005: 17–19).

conversely rejects moral judgments coming from a third party (anti-paternalism). (C) There exists an objective measurement of subjective happiness (physiologism).

I shall contend that these three theses, along with the general thesis, lead to conceptual difficulties, the solution to which requires the rejection of Layard's theory of happiness. In the following discussion I shall not question the empirical findings of neuroscience. Furthermore, I am ready to accept that pleasurable feelings can be measured. However I do not believe that happiness can be reduced to a homogeneous magnitude, which is in principle measurable thanks to the progress of neuroscience. The basic problem is that this approach is not subjective enough, although it refers to mental states. Indeed, for a subjective theory it is not sufficient to refer to the mental states of a subject. For a subjective theory of happiness we should also take into consideration the subject's concern over his or her own mental states. Unfortunately, this second dimension – namely the subject's concern over his or her mental states – is completely neglected by Layard. I take this distinction to be decisive. Let me illustrate its importance through an example that I draw from James Griffin.¹³

In the last period of his life, Freud was seriously sick. However, he refused to take any drugs, because he preferred to think clearly, though in very painful conditions. For Layard, thinking freely is no more than a possible source of happiness or feeling good. However, it seems reasonable to suppose that neuroscience would have detected a *decrease* in Freud's pleasurable feelings, as a consequence of his decision not to take drugs. Should we conclude that Freud made the wrong choice, since his decision led him to experience a lower amount of happiness?

Before looking into this example in more detail, I would like to emphasize that my problem is not empirical in kind. I really do not know what neuroscientists would say about my example, though I find it plausible that they would measure a decrease in pleasurable feelings. I am only assuming that it is conceptually *possible* that a subject deliberately makes a decision that reduces his or her hedonic payoff, as measured by neuroscience. It is this merely conceptual possibility that is a puzzle for hedonism. Consequently, whoever wants to challenge the argument has to challenge such an assumption by showing its conceptual or empirical *impossibility*.¹⁴

In order to explain the puzzle, let us go back to Freud. Let us make the plausible assumption that neuroscientists would have detected a lower

¹³ cf. Griffin (1986: 8 ff.). See also Sumner (1996: 92 ff.), who provides an insightful discussion about the same example.

¹⁴ Thus it would be wrong to believe that I take for granted Cartesian dualism. We must locate the *burden of proof* carefully: it is the critic of my argument who must endorse a strong form of anti-dualism in the philosophy of mind.

level of pleasure or happiness in Freud. Assuming this, we are forced to conclude that Freud made the wrong choice. However, Freud could sensibly reply in the following way: "You should not consider only the level of my pleasurable feelings, but also my concern for such feelings. Namely, you should also consider how much I value them and how important they are in my life. As a matter of fact, I did not make the wrong choice. Rather you employ too narrow a definition of happiness".

I believe Freud would be right. Thinking freely is not merely a source of happiness, since it is included (at least by Freud) in the very definition of happiness. If "thinking freely" were only a source of happiness it would no doubt be sensible to compare its consequences with those of the decision to take drugs. Freud's answer points out that this is not the proper way to state his problem. As a reflective agent, we should rather consider his concern over his feelings. If we do not consider how Freud valued them we do not properly reconstruct his idea of happiness. Indeed, we can make sense of Freud's answer only if we include "thinking freely" in Freud's idea of a happy life. Happiness is an intrinsically pluralistic concept.¹⁵

I can further articulate this point in the following way. Layard faces a serious trilemma, the solution of which inevitably requires the rejection of some features of his hedonic approach to happiness.

Let us examine the first option. If hedonists claim that Freud made the wrong choice, since its outcome was a decrease in happiness as measured by neuroscience, then they end up adhering to a paternalistic moral philosophy, according to which individuals are not the best judges of their own happiness. By the same token, we can no longer speak of an objective measurement of subjective happiness, since we adopt the point of view of a third person who is entitled to correct the reflexive evaluation of the person in question. Therefore, if hedonists make the decision to choose this option, they must drop the first person standpoint, which characterizes the approach of economists. The second option is no better for hedonism. Let us assume that Freud made the right choice. His answer is accepted, consistently with the idea that people are the best judges of

¹⁵ Sometimes hedonists appear to be aware of the importance of considering values along with individuals' feelings and states of mind. For instance, another hedonist, Daniel Kahneman (1999: 22), raises the same problem as that concerning Freud's case. As he writes in a paper of his: "Other moral issues relate to the sources of experienced utility. For example, there may be objections to describing [individuals] as happy if [they were] maintained in an uncharacteristically euphoric state by mood-altering drugs [...]" (Kahneman 1999: 22). Yet, precisely which kind of "objections" has Kahneman in mind? The most plausible reading of Kahneman is the following: coherently with hedonism, happiness is represented by a single magnitude that can be increased by different sources; however, some of them are morally legitimate and some, such as drugs, are not. If this is the case then there are other values that people should take care of in addition to happiness. As we shall see later on, this is tantamount to choosing the second option of the trilemma I am going to explain.

their own good. However, at the same time hedonists insist that there was a decrease in Freud's happiness. This move would be disastrous for hedonism. Indeed, it implies that along with happiness there are other values in the evaluation of a good life. This leads hedonists to drop the idea that happiness is the sole and overarching purpose of human action. Finally, we have the third and last option. Freud made the right choice. However, unlike the second option, he made the right choice because we claim that his idea of happiness includes not only his mental state, but also his concern over his mental state, namely how he valued it. In this case we end up adhering to a pluralistic notion of happiness, since individuals may employ different values to assess their mental states, and such values are basic components of their subjective idea of happiness. This is the same thing as abandoning monism, one of the fundamental features of hedonism.

Thus Layard faces an awkward trilemma. Whatever option he chooses, he has to abandon important characteristics of his theory.

3. PLURALISM AND HAPPINESS: AN ARISTOTELIAN APPROACH

When facing dilemmas, people have to make choices. Which is the best option for the economists of happiness to explore when facing the above-stated trilemma? I shall argue that the third alternative appears to be the most promising, if not the only feasible one, since it is the only one allowing them to retain both the idea of anti-paternalism and the idea that happiness is the overarching goal of human actions.

As a matter of fact, only a few economists would accept paternalism and consequently would reject the first person standpoint. As we have seen the economists of happiness are no exception. The idea that welfare evaluation must be carried out from the viewpoint of individuals themselves is too entrenched in economic science to be easily challenged, and this alone makes the first alternative unpromising.

Instead, I am ready to admit that many economists and philosophers could reasonably be tempted to develop the second alternative. Following this line of research one might argue that happiness represents only a part of human well-being. This is a serious and interesting theoretical possibility, which is the same thing as rejecting the special role played by happiness and accepting a pluralistic notion of well-being. However, here we are interested in a critique of the economics of happiness, which must assume that happiness plays precisely the special role of a final and all inclusive aim. This is why in the context of this paper the third alternative of the trilemma is the most interesting: it will make us understand the potentialities of a welfare economics based on the concept of happiness. In what follows I shall further scrutinize the pluralistic notion of happiness through the analysis of its historical and conceptual origins.

For hedonism, in order to establish whether a person is happy or not we have merely to find out a way to detect his or her state of mind. Consequently, hedonists focus on the following question: "How do people feel?". Freud's case shows us that this way of looking at happiness is at the very least incomplete. We have to add a further characteristic: the set of values through which individuals assess their feelings. These values act as *standards*: happy people are not only those who feel good, but also those whose life meet some requirements. For pluralism, in order to establish whether people are happy or not we have to focus on the following different question: "Do their lives fulfil the standards freely chosen by them?". In evaluating unfavourably a life deprived of the capacity of thinking lucidly, Freud makes us notice that that life does not meet his personal standards of happiness. For pluralism, we cannot judge whether Freud is happy if his life does not fulfil his entrenched value-judgments.

The concept of "fulfilment" reveals the historical background of my analysis: pluralism dates back to Aristotle. Of course, it would go beyond the scope of this essay to fully analyse Aristotle's idea of happiness. However, this is a necessary step to make the conceptual background of my critique of the economics of happiness clearer. Indeed, though my position may rightly be defined as Aristotelian, I am keen to defend a very particular kind of Aristotelianism.

In the first book of *Nicomachean Ethics*, Aristotle analyses the *concept* of happiness as opposed to the several *conceptions* of happiness. Admittedly, people may have different conceptions of happiness (for instance, some value only pleasure, others prefer honour to pleasure), but all of them must use the same concept.¹⁶ In other words, in the first book Aristotle sets out to give some semantic constraints on the way we should understand the word "happiness". There are, more precisely, two constraints, which together clarify analytically what we should understand as an ultimate or overarching goal: (1) happiness is the final aim of all actions, and (2) happiness is self-sufficient.¹⁷

As for the first constraint, Aristotle notices that though whatever we value is always a means of achieving a happy life, happiness is never a means of anything else. For instance, for Freud "thinking freely" was a means of having a happy life, but it would be obscure, devoid of any precise meaning, to reverse the relation and claim that for Freud happiness was a means of thinking freely. This is not the same as claiming that "thinking

¹⁶ cf. Aristotle (2000: I, 4, 1095a): "Most people, I should think, agree about what [...] is called [the highest good], since both the masses and sophisticated people call it happiness, understanding being happy as equivalent to living well and acting well. They disagree about substantive conceptions of happiness".

¹⁷ Here I basically follow a seminal paper by J. L. Ackrill, which is well known among specialists. See Ackrill (1980).

freely" cannot have an intrinsic value (i.e. being an end in itself). The point is that one may want to think freely for the sake of a happy life, while happiness is never sought for the sake of something else.¹⁸

The second constraint tells us that happiness must include everything people value, and therefore it is unintelligible to claim that people want happiness *and* something else. For instance, it is not clear what we could mean by claiming that Freud wanted to think freely *in addition to* being happy, since thinking freely was an important part of what he understood as a happy life.¹⁹ The latter point is important to contrast the means/end relations envisaged by hedonism with that envisaged by Aristotle. For hedonism "thinking freely" is a means to happiness exactly like driving a car is a means of going home in that they can be independently characterized: they only show an empirical, not semantic, relationship ("driving a car" is not part of what we understand as "going home"). On the contrary, following our usual example, for Aristotle "thinking freely" is *both* a means of being happy *and* part of the meaning of happiness.²⁰

These two constraints define what the scholars call the Aristotelian "inclusive" notion of happiness. Happiness is the overarching goal of all human actions in that it includes everything people value. It is however worth noting that the inclusive notion of happiness is far from being a full-fledged Aristotelian philosophy of happiness. It simply tells us that the standards of a happy life must be included in the very concept of happiness.

¹⁸ cf. Aristotle (2000: I, 7, 1097a–b): "Happiness in particular is believed to be complete without qualification, since we always choose it for itself and never for the sake of anything else. Honour, pleasure, intellect, and every virtue we do indeed choose for themselves (since we would choose each of them even if they had no good effect), but we choose them also for the sake of happiness [. . .]; whereas happiness no one chooses for the sake of any of these nor indeed for the sake of anything else". Aristotle maintains that there exists a hierarchy of ends, some of which are 'more final' than others. As Ackrill (1980: 21) writes: "A is more final than B if though B is sought for its own sake (and hence is indeed a final and not merely intermediate goal) is also sought for the sake of A". Happiness is the final end of this hierarchy, since it is sought only for its own sake.

¹⁹ cf. Aristotle (2000: I, 7, 1097b): "we take what is self-sufficient to be that which on its own makes life worthy of choice and lacking in nothing. We think happiness to be such, and indeed the thing most of all worth choosing, not counted as just one thing among others".

²⁰ For the relation "means/end" in Aristotle, see also the well-known book by MacIntyre (1984: 139–40): "it would not be incorrect to describe the exercise of virtue as a means to the end of achieving the good for man. [However], the exercise of the virtues is [also] a necessary and central part of [happiness], not a mere preparatory exercise to secure [it]". Ackrill (1980: 19) provides some enlightening examples, which clarify well the idea that "thinking freely" is for Freud a part of his conception of a happy life: "one may think of the relation of putting to playing golf or of playing golf to having a good holiday. One does not putt *in order to* play golf as one buys a club in order to play golf [. . .]. This is because putting and golfing are *constituents of or ingredients in* golfing and having a good holiday respectively, not because they are necessary preliminaries. Putting *is* playing golf [. . .] and golfing [. . .] *is* having a good holiday [. . .].

It tells us nothing about which standards people should rationally choose. This notion of happiness is radically subjective in that people are free to choose whatever standards they like. Aristotle wanted much more. For him, the inclusive concept of happiness was only an analytic starting-point, as he looked for an objective standard, peculiar to the human being as such, and claimed that a happy life must come as close as possible to this ideal.²¹

Economic science has been rightly reluctant to accept strong forms of objectivism like this. As Richard Kraut, among others, notes: “at present we have no defensible method for discovering each person’s distance from his ideal life. And so if we drop our subjective judgements of happiness, we have no workable and systematic alternative to put in their place” (Kraut 1979: 192).²² No doubt the vast majority of economists would agree with this statement.

The pluralistic concept of happiness allows us to keep the idea that happiness is the overarching goal of all human actions. We have had to drop monism, but at least we have been able to preserve the special role given to happiness. However, this has a conceptual cost. The pluralistic notion of happiness is not very informative. It simply claims that people should make up their mind and decide what kind of life they are willing to pursue. Broadly speaking, the emphasis appears to shift from happiness to the capacity of people to decide what is best for them. Through the analysis of the role played by the survey method in the economics of happiness, we shall see why this intuition is right, and its consequences for the economics of happiness.

4. HAPPINESS AND AUTONOMY

Not all scholars are interested in a physiological foundation of the economics of happiness. They believe that the survey method provides their research with a sufficient ground. Thus, their approach is seemingly more consistent with the first person standpoint generally upheld by economists. For instance, they would have no problem accepting Freud’s claim that “thinking freely” is a basic component of his subjective idea of happiness.

²¹ As is well known, Aristotle argues that happiness consists in rational activity in accordance with virtue: “But perhaps saying that happiness is the chief good sounds rather platitudinous, and one might want its nature to be specified still more clearly. It is possible that we might achieve that if we grasp the characteristic activity of human being” (Aristotle 2000: I, 7, 1097b). And then he goes on to argue that “if it is so, the human good turns out to be the activity of the soul in accordance with virtue” (2000: 7, I, 1098a).

²² Kraut distinguishes between two forms of objectivism. The strongest claims that there is a unique ideal for all human beings. The weakest claims that there is a large class of human ideals. For our purposes, there is no need to distinguish between these two philosophical positions.

Here I shall touch upon the potential biases of the survey method, even though I am ready to admit that statistical research can in principle progressively eliminate biases, however difficult this could be. My basic concern lies elsewhere. Through the survey method, we shall realise why we have to acknowledge the role of autonomy in the way we understand, explain and measure happiness. To put things simply, *a happy life presupposes individuals who are autonomous*. However, as soon as we understand why it is so, the concept of happiness becomes *dubious* if it is understood as the basic value of our welfare policies.

It is sufficiently clear that surveys may be seriously biased. For instance, it is astonishing to find Nigeria ranked as a happy country by the *World Values Survey*.²³ The economists Luigino Bruni and Pierluigi Porta rightly wonder why, if this is the case, so many Nigerians try to emigrate.²⁴ A similar case is given by Ruut Veenhoven's empirical investigations. Veenhoven has done a wonderful job of trying to "operationalize" the concept of happiness. His definition of happiness as "the overall appreciation of one's life-as-a-whole" rightly emphasizes both the affective and cognitive components in the way individuals judge their lives.²⁵ However, the admiration for his work should not prevent us from being puzzled at the knowledge that the life satisfaction in Ghana is very high according to Veenhoven's *World database of happiness*. A result that asks for an explanation as much as the idea that Nigeria is a happy country.²⁶

Admittedly, it is not rare to find economists who are discontent with the measurements of happiness based on the self-evaluation of the interviewee. However, when analysing their reasons we soon understand

²³ See Inglehart (2004). The Nigerian score is higher than that of countries like Great Britain, France, and Italy.

²⁴ Bruni and Porta (2004: 28).

²⁵ See Veenhoven (1984: Ch. 2).

²⁶ See Veenhoven (2005). There are many possible hypotheses explaining these puzzling findings. Cultural factors are among the plausible candidates. For instance, Nigerians could be ashamed of admitting to not being happy. Or Nigerians' code of politeness tends to overestimate their degree of happiness. Or in their language the sentence "I am happy" has a different meaning. The number of explanations is potentially endless. It is practically impossible to take explicitly into consideration all these factors in the variables of the regression equations. And, as econometricians know very well, in misspecified models the outcome can be seriously distorted. However, difficulties of this kind should not be overemphasized. Let us consider the hypothesis that linguistic factors are correlated to the declared level of happiness of the interviewees. These factors can plausibly be excluded from the relevant set of variables. In fact, empirical research shows that the outcome does not change if people are asked "how happy they are", "how satisfied they are with their life", and "how they rank their life, from the best possible life to the worst" (cf. Veenhoven 2000: 270). Furthermore, bilingual people show the same level of happiness independently of the language used during the interview (cf. Veenhoven 2000, Layard 2003). Inductive methods of reasoning are usually more sophisticated than that, and rightly lead economists to be cautiously optimistic about the potential reliability of their findings.

that their discontent is not necessarily due to methodological worries. When criticising surveys, Bruni and Porta quote a passage from Sen which is exceedingly important for our purposes:

It is quite easy to be persuaded that being happy is an achievement that is valuable [...]. The interesting question regarding this approach is not the legitimacy of taking happiness to be valuable, which is convincing enough, but its *exclusive* legitimacy. Consider a very deprived person who is poor, exploited, overworked and ill, but who has been satisfied with his lot by social conditioning (through, say, religion, or political propaganda, or cultural pressure). Can we possibly believe that he is doing well just because he is happy and satisfied? Can the living standard of a person be high if the life that he or she leads is full of deprivation? The standard of life cannot be so detached from the nature of the life the person leads. As an object of value, happiness or pleasure (even with broad coverage) cannot possibly make a serious claim to *exclusive* relevance (Sen 1985: 7–8).²⁷

Here I am not interested in discussing Sen's positive theory of welfare. I am more interested in addressing his concerns within the framework established so far.²⁸ Bruni and Porta argue that in this passage Sen implicitly refers to an Aristotelian notion of happiness. I doubt this, since he clearly questions the exclusive legitimacy of happiness, and this appears incompatible with any interpretation of Aristotle.²⁹ Rather, I believe that Sen is pointing to a problem that in this paper we have not dealt with so far. As Sen notes, individuals might be incapable of self-assessment because of political propaganda or, in general, any sort of cultural manipulation. Here, we are concerned with individuals' *autonomy*, not purely with their degree of information. The two requirements – information and autonomy – are different. Unlike information, autonomy does not deal directly with individuals' knowledge, but with the individuals' critical self-assessment of their knowledge and mental states. In our thought experiments, Freud proved to be autonomous when criticizing the alleged measurements of his happiness, since he argued that the interviewer should also take into consideration his concern over his mental state. In other words, Freud's autonomy led us not only to include Freud's personal values into his

²⁷ Quoted by Bruni and Porta (2004: 28).

²⁸ It would be interesting to compare the economics of happiness with Sen's system, but this would well beyond the scope of this essay. On this issue an international conference has been organized by the University of Milan. Some papers, including that delivered by Sen himself, have been published in Bruni and Porta (2006).

²⁹ Admittedly, Sen's system is open toward possible Aristotelian interpretations. As is well-known, Martha Nussbaum invited Sen to make a move in that direction (see Nussbaum 1988). However, Sen has never explicitly endorsed Nussbaum's suggestion. Furthermore, in this paper I only use the so-called "inclusive" notion of *eudaimonia*, which is perfectly compatible with a subjectivistic approach to happiness. On the contrary, Nussbaum is keen on an objectivistic approach, which is more in line with traditional Aristotelianism.

subjective idea of happiness, but also to assume that such values are freely chosen by Freud: they are the product of his own deliberation. It is in this sense that *happiness must presuppose autonomy*. In fact, as Sen seems to suggest, if personal values are manipulated then individuals are unable to perform any serious self-assessment. In cases like this we have *heteronomy*, not autonomy: individuals' values are not the result of deliberation, as they are dependent on circumstances or someone else's will. Interestingly enough, in literature we find many cases of this kind. The characters of Orwell's *1984* claim to be happy, but they are only so thanks to a subtle and ubiquitous manipulation of their thoughts. Sen is claiming that autonomy is a serious problem also in the real world. If we want the measurements of happiness not to be biased we need to *presuppose* the autonomy of the interviewee on a reasonable ground. Without such a presumption we cannot reasonably accept their reports.

It is worth clarifying further what I mean by the claim that measurements of happiness must "presuppose" autonomy. In fact, it is well known that the logic of presuppositions is rather complicated. Many attempts have been made in order to explain their several logical meanings. However, here I simply use "presupposition" in the "weak" sense as explained by Nicholas Rescher.³⁰ Following Rescher, in this weak sense the falsity of the presupposition simply entails the falsity of the statement which the presupposition is for. Thus what I mean by the claim that "measurement of happiness presupposes autonomy" is that if it is false that individuals are autonomous then it is false that their reported degree of happiness is trustworthy.³¹

Now the problem is: what kind of empirical evidence can make us sure that people interviewed are autonomous beings? A possible answer is: no evidence, however large it may be, is sufficient for this purpose. This answer straightforwardly comes from Kant's analysis of autonomy. For Kant people act autonomously when they are free from external coercions – such as force or threats – and internal causal influences – such as passions, desires and prejudices. Given this characterization, no evidence can prove that an action or a judgment is based on autonomous evaluations. Autonomy is no more than a *possibility*, which we add in our thought to the available evidence.³²

³⁰ See Rescher (1961).

³¹ In other words, autonomy is a necessary condition to the trustworthiness of surveys. As Rescher (1961: 523), writes: "[The] weak [...] presupposition amounts simply to the familiar concept of a *necessary condition*".

³² We understand why it is so through a hierarchical model of desires. In this model, along with first order desires human beings also have higher order desires. For instance, I have the desire not to have the desire to smoke. Higher order desires seem sufficient to add the dimension of a critical and autonomous evaluation, but it is not so. Higher desires could be causally determined. Indeed, my second order desire could be causally explained by

Yet it could be argued that it is illegitimate and seriously mistaken to include a full-fledged Kantian autonomy in the notion of happiness. Being happy implies the fulfilment of desires and preferences, whereas Kantian autonomy requires that our will be exclusively determined by reason.³³ A criticism like this is correct, and this is why we need to refer to different notions of autonomy. For instance, Joseph Raz distinguishes between moral (i.e. Kantian) autonomy and personal autonomy, the latter being defined by (a) some appropriate mental abilities, (b) an adequate range of options, and (c) independence of judgment.³⁴ In a similar vein, John Stuart Mill claims that autonomy requires cognitive capacities on the part of individuals, along with the possibility of choosing among different options. For instance, he writes that "He who lets the world, or his own portion of it, choose his plan of life for him, has no need of any other faculty than the ape-like one of imitation. He who chooses his plan for himself, employs all his faculties. He must use observation to see, reasoning and judgment to foresee, activity to gather materials for decision, discrimination to decide, and when he has decided, firmness and self-control to hold to his deliberate decision".³⁵ Furthermore, Mill claims that autonomy is connected to well-being, since it allows people to develop their own individuality.³⁶ The latter point is exceedingly interesting, since some economists have recently begun to make connections between autonomy and several factors concerning human welfare. The quality of life, education, life expectancy and even environmental protection appear to be related to autonomy in both directions: they encourage individuals

the present social pressure against smoking. Neither could a third order desire do better. Indeed, this is the way science works, including the social sciences. Through alleged causal relationships we endlessly move from some phenomena to other phenomena. On the contrary autonomous actions or autonomous evaluations imply transcending the links among phenomena. As I said, it is a possibility that we add to the evidence. This characteristic of Kantian autonomy is widely recognized among scholars. See, for instance, Carter (1999: 215–16), and Sumner (1996:168–9). On the hierarchical model of desires see Frankfurt (1971).

³³ As is well-known, Kant explicitly rejects the idea that happiness can be the grounds for a moral life. For him, "happiness is an ideal not of reason but of imagination, depending only on empirical ground" (Kant 1969: iv–418).

³⁴ cf. Raz (1986: 370 fn. 2): "Personal autonomy, which is a particular ideal of individual well-being, should not be confused with the only very indirectly related notion of moral autonomy. The latter originates with the Kantian idea that morality consists of self-enacted principles [. . .]. Personal autonomy, by contrast, is essentially about the freedom of persons to choose their own life". The requirement of independence is especially fundamental to meet Sen's concern, since as Raz (1986: 387) writes: "Coercion and manipulation subject the will of one person to that of another. That violates his independence and is inconsistent with his autonomy".

³⁵ Mill (1859: 75).

³⁶ Cf. Mill (1859: 73): "the free development of individuality is one of the leading essentials of well-being".

to develop their autonomy and are improved by societies inhabited by autonomous individuals.³⁷

Thus, happiness presupposes autonomy and autonomy is related to welfare. If this is the case why should we bother to study happiness? Should we not simply focus on autonomy? These queries are puzzling, as throughout this paper I have repeatedly claimed that happiness is the overarching goal of human beings. Now it seems I want to replace it with another value: autonomy. This puzzle is solved if we stick to the first person standpoint, which is related to autonomy. As soon as we take the first person standpoint for granted, my argument becomes simple and straightforward: the more individuals have an adequate range of options, along with the appropriate faculties mentioned by Mill, or, in other words, the more they are autonomous (in Mill's sense) the more they will be able to pursue their subjective idea of happiness. To increase people's happiness, what we have to do is to improve their autonomy, because in this way we increase their chances of becoming happy in the light of standard of life freely chosen by them.³⁸ Though happiness is the overarching goal of human beings, we must carefully bear in mind which notion of happiness I am keen to defend. In this paper I have defended a pluralistic or 'inclusive' notion of happiness, where personal values are included in the very subjective definition of a happy life. Economists and social scientists are not allowed to correct personal self-evaluations in the light of their alleged better knowledge of individuals' mental states. If we want to stick to the first person standpoint then we are allowed to improve individuals' happiness only indirectly, that is to say by increasing their autonomy in pursuing their subjective idea of a happy life, since, once more, autonomy endows people with better chances of becoming happy in accordance with their own conception of happiness.

To make this point clearer, let us take an example drawn from the policies inspired by the statistical studies of happiness. As we shall see, there is no need to question the empirical findings which they are based

³⁷ Empirical studies of that kind are in their infancy as yet, and I do not want to rely on them to defend my thesis, which is theoretical. A thorough "economics of freedom" is yet to be born and there are disagreements on its foundation. For a theoretical approach altogether consistent with my arguments see Bavetta and Guala (2003) and Bavetta and Navarra (2004). These works aim at a theoretical foundation of the measurements of freedom. The best general overview on the measurements of freedom is probably given by Carter (1999). For empirical research on freedom and welfare see, for instance, Esposito and Zaleski (1999). R. Hardin has also explored the relationships between the functioning of democracy and individuals' autonomy. See Hardin (1999).

³⁸ Of course, this is not the same thing as claiming that autonomy is sufficient to become happy. Bliss does not belong to this world. A widow or a seriously sick person is likely to be unhappy, though they could be perfectly autonomous. What I am claiming is that the more autonomous they are the more chances they have of becoming happy or, at least, happier.

on. However, at the same time, in the literature on the economics of happiness these findings give rise to different policies from those which adopt autonomy as their basic value.

The example is drawn from the work of Richard Layard. Layard argues that people systematically underestimate the process of habituation to a higher income. As he writes: "One reason why happiness has not risen, despite our higher standard of life, is that we get used to the higher living standard. At first, extra comfort gives extra pleasure. Then we adapt to it, and our pleasure returns towards its former level. Indeed, the pleasure is largely associated with the change in income rather than its level" (Layard 2005: 154). Since people systematically make mistakes about the permanent increase in happiness derived from an increase in income, Layard suggests that it is rational to correct their self-evaluation by discouraging self-defeating work. This could be done by an increase in income tax. Layard tentatively even suggests that the income tax justified by this 'hedonic treadmill' is equal to a rate of about 30% on all additional income.³⁹

This is a kind of soft paternalism, since Layard is claiming that the government is justified in correcting individuals' behaviour in the light of its knowledge of what is best for them.⁴⁰ It is ironic that a scholar who always stresses the moral importance of anti-paternalism ends up infringing the first person standpoint so often. Even if empirical findings of this kind were accepted without any further discussion, those who believe in autonomy could rightly reply that policies like this cure the effect, not the cause, which lies in the lack of the faculties emphasized by Mill, such as observation, reasoning, judgment, discrimination and self-control. Consequently we should try to strengthen them. On the contrary, for Layard, the state should use its superior knowledge to lighten the burden of the exercise of these faculties. Mill would disagree, since he emphasizes that it is only through their exercise that human beings become autonomous.⁴¹ Perhaps Millian policies are too ambitious. Here I cannot discuss the merits and flaws of paternalism. What is clear to me is that

³⁹ See also Layard (2003: lecture 2), and Layard (1980).

⁴⁰ Traditional paternalism claims that the government should tell individuals what is best for them independently of their desires. Layard's paternalism is "soft" because it claims that the government should correct individuals' actions thanks to a superior knowledge of their desires. It is worth noting that in economic literature sometimes "hard" and "soft" paternalisms are defined in a different way. According to Edward Glaeser (2005), soft paternalism includes "'debiasing' campaigns, default rules and other interventions which change beliefs and attitudes without impacting formal prices faced by consumers" (p. 15), or any "other policies that will change behaviour without limiting choice" (p. 1). Consequently, Layard's proposal to change individuals' behaviour through tax rates would be considered by Glaeser as a case of *hard* paternalism.

⁴¹ This point is repeatedly stressed by Mill in Chapter 3 of *On Liberty*. As he writes: "The human faculties of perception, judgement, discriminative feelings, mental activity, and even moral preferences are exercised only in making a choice" (Mill 1859: 74).

Layard's position is not fully coherent and, in any case, is incompatible with policies based on autonomy.⁴²

5. CONCLUDING REMARKS

We have analysed critically two basic methodological approaches to happiness in economic literature. For the first approach, the economics of happiness in principle needs a neurophysiologic foundation. It claims that happiness is represented by a single and measurable magnitude. I have argued that this approach is inconsistent with the first person standpoint, which is typical of economics. Those who want to stick to the first person standpoint have to reject the idea that happiness is represented by a single magnitude measurable by neuroscience and accept a pluralistic notion of happiness, which includes not only individuals' mental states, but also individuals' concern over their mental states.

The second methodological approach ignores neurophysiology and is happy with measuring individuals' happiness through questionnaires. Admittedly, this approach can give rise to counterintuitive results. However, its basic flaw does not lie in the methodological limits of statistical investigation. Rather, its basic flaw is related to the value of autonomy. Interviewees might be unable to give reliable answers on their level of happiness because of their lack of self-assessment. To be sure that their answers are reliable we need to assume that they are autonomous beings. However, autonomy makes happiness a dubious concept for welfare policies. Autonomous individuals are individuals who have the opportunities and mental faculties to decide what the happiest possible life must be like according to their own values. Although happiness is the overarching goal of human beings, welfare policies should be interested in increasing individuals' autonomy, not their happiness, unless we are

⁴² Other economists of happiness are more optimistic on individuals' capacity to understand their long-term or "enlightened" interests. For instance, Robert Frank praises what he calls the "voluntary simplicity movement", which tries to improve faculties that Mill would have approved of, such as patience and self-discipline (see Frank 1999: Ch. 12). However, at the same time he emphasizes the existence of externalities in our consumption patterns. On this issue his position is similar to Layard's: "ordinary consumption spending is often *precisely* analogous to activities that generate pollution [...]" (1999: 272–3). This is why he suggests a progressive consumption tax, the aim of which is to change individuals' desires and wants: "certain forms of private consumption currently seem more attractive to us as individuals than to society as a whole. The simplest solution is to make those forms less attractive by taxing them" (1999), p. 211. However, if individuals are able to understand their long-term or enlightened interests, why should not they be able to cope autonomously with cases of prisoner's dilemmas? For many contemporary social scientists the real problem today is precisely to understand the reasons why some societies prove to be able to solve spontaneously (i.e. autonomously) cases of this kind. See for instance, Putnam (1993) and (2000).

keen on rejecting the first person standpoint in the light of the alleged superiority of the knowledge possessed by social scientists.

Interestingly enough, following different lines of reasoning we end up with the same conclusion: the economics of happiness shows inconsistencies with the first person standpoint, notwithstanding contrary claims on the part of the economists of happiness. Furthermore, since the first person standpoint is not usually questioned by the overall community of economists I can only conclude that there are good reasons for economists to be unhappy with the economics of happiness.

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