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**SUBJECTIVE AND OBJECTIVE WELL-BEING
IN RELATION TO ECONOMIC INPUTS:
PUZZLES AND RESPONSES**

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SUMMARY

Well-being is an umbrella concept that embraces both subjective well-being (SWB) and objective well-being (OWB). This paper confronts the problem that income, the measure that economists largely concentrate on, is not satisfactorily correlated with either. Furthermore, OWB is not closely related to SWB. So all three concepts are identifying different underlying realities and need different measures. The paper goes on to identify and discuss possible responses to these discrepancies. One is to re-specify how income, SWB or OWB are measured. Another is to ignore the discrepancies and continue to focus on measures of income or opulence. A further possible response is to replace or subsume the concepts under other ones, for example by claiming that all that matters is choice: having a choice, having more choice, getting one's choice. The paper rejects ignoring or replacing the discrepant concepts, and argues that we must respect and seek to understand the causal factors that explain the various - sometimes competitive - relations between growing economic inputs and OWB and SWB, and to face the issues involved. Furthermore, we should clarify the choices involved in giving priority to either subjective or objective well-being, for particular purposes in particular cases. To understand well-being and human development these various theoretical issues must be confronted.

Keywords: subjective well-being, objective well-being, well-being, Easterlin paradox, capability approach

Key reading: Gasper, D. (2004); Easterlin, R. (ed) (2002); Janakarajan, S. and Seabright, P. (1999); Segal, J. (1998 a); Segal, J. (1998 b).

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INTRODUCTION

I want to address the systematic and large discrepancies between direct well-being measures and the measures that economists largely concentrate on, for example the discrepancies between subjective well-being and income. I will primarily consider the significance and implications of such discrepancies and the range of possible responses. Amongst such responses much of economics has continued to focus overwhelmingly on income and expenditure, and I will examine how. To answer why it has followed that questionable route requires, however, another study.

In Section 1 we look at the allocation of attention across the various measures. Section 2 explores the issue of discrepancy between income measures and well-being measures, with special reference to subjective well-being (SWB). Section 3 rejects claims that income is satisfactorily correlated with well-being measures; they seem to misread the social significance of the many regression exercises which find weak, even if statistically significant, linkages, especially between income and SWB. Section 4 further clears the way by deepening the conceptualization of well-being. Section 5 is then able to investigate a series of responses to the discrepancies, including some evasions and arguments that SWB is of little importance and that choice is what matters – having a choice, having more choice, getting one’s choice – or else simply being active.

The terms SWB and its partner ‘objective well-being’ (OWB), have to be used with care. They refer here not to methods of measurement (self-report or non self-report) but to what is measured: whether feelings or non-feelings. The two labels are not perfect - for example, the concept of OWB is not value-free but depends on what aspects of being are considered of value, while much research in recent decades indicates that SWB can be reliably, satisfactorily measured (eg: Kahneman, et al. 1999) - but they are well-established and hence used here.

1. FIELDS OF ATTENTION IN THE STUDY OF WELL-BEING

Figure 1 presents a narrative sequence, from bottom to top: from resources through choices and activities to felt satisfaction and value fulfilments. The narrative is a proposed, incomplete, descriptive and explanatory framework; it does not imply that the level or levels with normative priority must be the final one. It elaborates the chain of categories in Sen’s capability approach (eg: Sen, 1984; 1985), which in turn elaborated the standard chain in micro-

economics. The table divides the sequence into three (in reality overlapping) domains: monetized inputs, intermediate events, and psychic outcomes. It tries in this way to compare the areas of attention in diverse disciplinary literatures.

**Figure 1: Alternative levels of focus in studies of well-being
(Adapted from: Gasper, 2004a)**

Putative narrative sequence (from bottom to top)	Who has studied the category?
III. FULFILMENT/SATISFACTION INFORMATION	
HUMAN FULFILMENT as value fulfilment	Studied by humanistic psychologists and philosophers
'Utility' – as HAPPINESS AND/OR SATISFACTION (this is, clearly, not a unitary category; different aspects can be distinguished)	Traditionally not measured by economics (instead presumed unitary and imputed via long chains of assumptions). Studied empirically in psychology, especially in SWB research, and by others.
'Utility' – as DESIRE FULFILMENT	Imputed from choice, in much economics; if (choice → desire fulfilment) is assumed. Studied directly by some other scientists.
II. NON-FULFILMENT NON-MONEY-METRIC INFORMATION	
FUNCTIONINGS (other than satisfaction)	Little studied by economics (health economics is one exception). Studied by functional specialisms, social statistics, sociology, psychology: in work on social indicators and objective quality of life.
CAPABILITY (the range of lives which a person could attain)	Hard to measure; usually functionings are the proxy. But see eg: medical measures of (dis)ability.
CAPABILITIES (people's skills and capacities); and other characteristics of people	Measured by functional specialisms; see eg: various psychological and health indicators.

CHARACTERISTICS OF GOODS, which are acquired through consumption.	Not much researched by economics, except in some basic needs work. Investigated by functional specialisms, such as in nutrition, health, education, transport, design and in psychology.
CONSUMPTION proper – viz, actual <i>use</i> of purchases/acquisitions.	Not much researched by economics, except in some basic needs work. Left to psychology, anthropology, medicine, cultural studies, etc.
I. INFORMATION ON INPUTS; MONEY-METRIC FOCUS	
PURCHASES and other acquisitions	More researched by marketing, psychology, anthropology, sociology; less intensively by economics.
'Utility' as CHOICE, which is assumed to reflect preference, and (as the default case) is weighted according to purchasing power.	These assumptions have been normal in economics; including 'revealed preference' as an <i>axiom</i> .
INCOME AND RESOURCES/POWER TO ACQUIRE GOODS/COMMODITIES	Researched by economics; not the power to acquire many other basic goods: political freedom, dignity, rewarding personal relations, satisfying meanings.

The inputs domain specified in the table, domain I, is limited to spheres of life covered by economics, as in national income measures and the 'money-metric' focus of economists' conventional studies of wealth and poverty. It does not measure achieved well-being in terms of actual functioning or satisfaction. Nor does it cover non-economic types of input to well-being, such as other types of inter-personal relations.

Besides the monetizable inputs to life, economists have traditionally referred to elements from domain III in the table, the presumed psychic outputs, notably as expressed in the mental currency of 'utility'. However, while they study inputs empirically, they have imputed the psychic outputs from people's acquisitions and choices.

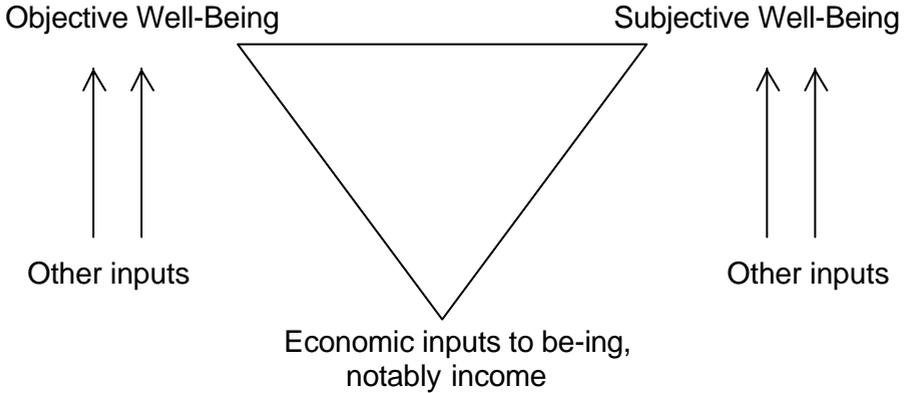
Following Sen, amongst others, the table highlights an intermediate domain, domain II, concerning what happens between acquisition of goods and psychic outputs: how are goods actually used; what characteristics do they provide; what capacities and effective opportunities do they permit and what behaviours and functionings arise. This territory was already occupied by psychology, anthropology and other disciplines. Sen's category of functionings, what people do and are, sometimes extends to cover mental functionings too. In this classification I limit it to 'non-feelings' types of behaviour and achievement, such as aspects of physical health, learning, mobility, social participation and so on. We can call this the level of objective well-being, subject to the earlier warning on terms.

So economics has concentrated on domain I, as seen in the money-metric approach to poverty and wealth, and has imputed conclusions about use-values in domains II and III. '...the standard way of operationalising well-being in empirical work [in economics remains as] a simple sum of expenditures on consumption goods', or in terms of income (Kanbur, 2003: 3). 'Thus, for example, a *ceteris paribus* increase in alcohol expenditure would be counted as an increase in well-being despite any increase in domestic violence that it might lead to' (ibid.). In fact the conclusions arising from investigations of domains II and III often diverge very significantly from those obtained by looking at income or expenditure.

2. THE PUZZLES OF SWB-OWB-INCOME DISCREPANCIES

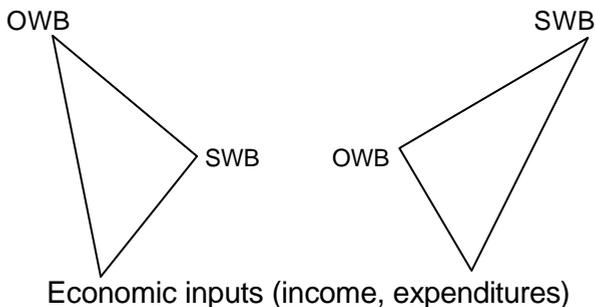
A large volume of research suggests that the domain of inputs which economics has studied in intense detail is weakly connected to the domain of ends, whether it is the OWB sphere of valued functionings or the SWB domain of satisfaction and felt fulfilment. Sometimes SWB and OWB appear not to be strongly connected to each other either. Clearly each has partly different determinants and both partly, or even largely, depend on factors other than those inputs which economists have focused on. SWB can, for example, be affected by perceptions and beliefs and by the well-being of other people. Figure 2 sketches the overall problematique. Unlike in Figure 1's extension of the traditional micro-economics framework, it gives OWB the same status and attention as SWB and highlights not only the economic inputs. Indeed whether economic inputs always promote OWB and SWB, and whether OWB always promotes SWB, are precisely the matters in question.

Figure 2a: The puzzle triangle



Our interest is in the relations between the three families of variables at the three corners of Figure 2a's 'puzzle triangle'. Particular theories of the relationships could be reflected by particular types of triangle. The triangle on the left below presents SWB as largely a step on the road towards a more important OWB. The triangle on the right presents the opposite, OWB as a step towards a more important SWB. We will examine such stances in Section 5.

Figure 2b: Diverse interpretations of the puzzle triangle



We give special attention here to the relationship between subjective well-being and income. Figure 3 indicates possible scenarios.

Figure 3: Scenarios of how SWB could vary with income

		Income		
		Low	Medium	High
Subjective Well-Being	High	7	4	[1]
	Medium	8	[5]	2
	Low	[9]	6	3

Twenty-seven scenarios of what happens to SWB as income(s) move(s) from low through medium to high are possible, even within this very simple formulation. If we consider plausible only those scenarios with no double-jumps in SWB level as income levels change, nineteen scenarios remain. Two are often declared to be true, those of steady improvement and of steady decline; while a third better fits most of our evidence.

The first scenario is the Ladder of Progress, indicated in Figure 3 in square brackets. It proceeds across the cells 9→5→1. This pathway has been widely expected, for example by the Material Well-Being school of economics of Marshall, Pigou and their myriad followers (Cooter and Rappaport, 1984). It remains the economics orthodoxy. In his plenary address to the World Bank’s 2002 Annual Bank Conference for Development Economics held in Oslo, the Bank’s Chief Economist Nicholas Stern declared that while development is multi-dimensional, income is the primary dimension. Rising incomes have been expected to deliver most good things, directly or indirectly. One might add that if income is not primary, nor will economists be. The second scenario is the reverse: a Tunnel of Regress as incomes rise: 7→5→3, as alleged by some from Post- and Anti-Development schools of thought. It is shown in bold in Figure 3.

The third scenario embodies the so-called Easterlin Paradox: that SWB stops rising beyond middle-income levels, as shown by the shaded cells 9→5→2. It provides a crude summary of what has been observed both cross-nationally and intra-nationally (eg: Easterlin, (ed) 2002). Data on SWB shows little and sometimes no increase beyond middle-income level, as we track countries across time. In cross-country comparisons, the 1990 World Values Survey ‘shows that subjective well-being increases with increases in GNP per capita, but then there is a marked levelling-off: beyond the level of \$6,000 (in 1991 dollars) there is virtually no relationship between the two’ (Dutt, 2001: 136). Sub-scenario 5→2 is the Hedonic Treadmill: constant ‘advance’ that gets one nowhere.

For the USA, Jerome Segal (1998a) provides a powerful argument for how the ratio of needs fulfilment to income substantially declined from the 1950s/60s to 1990s, consistent with sub-scenarios 5→2, 1→2, and even 4→2. Reported SWB did not increase and sometimes declined despite substantial rises in average purchasing power. The mechanisms he adduces fit a model in which rising or steady income is associated with declining OWB, which in turn produces declining SWB. The mechanisms include increased needs for expenditure in order simply to maintain one's level of physical security, to commute to work, to educate one's children to the same standards as before, to cope with stress and to pay one's divorce lawyer.

Other scenarios are found in other cases. Jodha (1989) found considerable rises in self-reported (and therefore, I presume, felt) well-being in some Indian villages despite trustworthy official figures of stagnant or declining money-equivalent incomes (9→8). Conversely, Janakarajan and Seabright (1999) in a study in Tamil Nadu, India, found a 9→6 scenario of stagnant SWB as incomes rose. Nor did they find good correlations between various other conventional 'objective' welfare indicators and people's feelings about the changes.

So we encounter serious SWB-OWB and OWB-income discrepancies, not only SWB-income discrepancies. SWB-OWB discrepancies have been recorded and analysed by social scientists and philosophers such as Sen, Elster and Sunstein and extensively in psychology by Argyle, Diener and many others. Sen brought them emphatically to attention in welfare economics with the case of women in India who had considerably worse objective health status than comparable men; yet who declared themselves more subjectively content with their situation than the men (Sen, 1985). SWB is an unreliable proxy for the content of a person's life, due to 'framing effects' (feelings depend on what one is used to/expects/perceives) and 'adaptive preference' (preferences often adjust to rationalise what one has).

However, some other consistent linkages do appear: certain OWB factors or other specifiable functionings – for example, good family life, friendship, recreation, health and religious belief – contribute both consistently and substantially to SWB, more so than do market sources (Frey and Stutzer, 2002). Amongst the market sources people's experiences during work time or unemployment can be stronger determinants of satisfaction than is the person's level of income or expenditure (Ackerman, et al. 1997; Easterlin, 2002). 'Expenditure' is a more relevant descriptor here than 'consumption',

since economists rarely investigate the actual use (and non-use) of purchases.

The relationships between measures of OWB and of income are treated in a now vast literature, especially from quality-of-life and social indicators research. (See also the annex in Kuklys and Robeyns, 2004, that surveys work on these relationships that uses the capability approach.) Marked disparities exist in both income-rich and income-poor countries (UNDP, 2001; Baulch and Masset, 2003). Some major indicators of objective well-being 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.

The literatures which reveal discrepancies draw from each of the following: cross-country data, where inter-country differences of culture and temperament have to be considered (in one recent study Nigerians top the list for declared subjective well-being); single-country time-series data; single-locality time-series data, such as in the cases reported by Jodha, Janakarajan and Seabright; and cross-individual intra-country data, as in the case reported by Sen. On the whole, the rich in each country are reportedly happier than the poor, even if not dramatically and uniformly so; yet rich countries are little or no happier than middle-income ones. This suggests that richer people enjoy their relative position, and that felt satisfaction is influenced by the extent of desires, while ever-new desires emerge.

The purposes of this paper do not require, nor do its constraints allow, fuller documentation of the various discrepancies and their exact extent and locations. These are extensively presented by Argyle, Ekins and Max-Neef, Frey and Stutzer, Kahneman and Diener, Lane, Robeyns, Ryan and Deci, Sen, Veenhoven and the UNDP Human Development Reports, amongst others. Sufficient here has been to note the main varieties and their commonplace, rather than curiosity, status.

Before examining intellectual responses to the discrepancies, in Section 5, we need to further clarify what sort of 'discrepancies' they are and what people mean by 'well-being'. Firstly, Section 3 argues that even the presence of a general correlation between broad categories could not justify

preoccupation with only one subset of them, income and expenditure. We must take seriously the huge divergences in at least some cases, and should consider slope coefficients not only correlation coefficients. Section 4 then tries to clarify the complex and confused language of well-being. Just as economists have focused on activity levels and on flows of income and expenditure more than on stocks of substantive (non-monetary) values, so their operational conception of well-being may, behind utility language, have been closer to an activist, productivist philosophy of perpetual striving and demonstrative acquisition than to one of attempted balance and fulfilment.

3. THE ISSUES OF SCALE AND SLOPE IN WELL-BEING/INCOME COMPARISONS

Whereas SWB measures can rise or fall, and are perhaps subject to an upper bound, economists' main measure of well-being increases by factors of up to 200,000%, or more. Purchasing power per individual in a country like India can range between \$200 pa and \$400,000 pa, i.e. by factors of up to 2000 and in fact more. Even an income increase of 'just' 200 times to \$40,000 pa looks fiercely impressive in percentage terms: almost 20,000%. It looks less impressive if we use a logarithmic scale: $\log 40,000/\log 200 = 4.6/2.3 = 2$, a mere doubling. But what would be the social science meaning of using a logarithmic scale? Does it not convey that extra income gradually becomes a mightily trivial matter?

Income per capita might, in principle, increase forever. Some authors, including proponents of the Index of Sustainable Economic Welfare, suggest to the contrary that there is a threshold beyond which levels of production are, or will be, no longer sustainable. But suppose they were wrong, thanks to ever new technological wizardry. Contrast then a supposed measure, or rather proxy, for well-being, which is infinite in range: income per capita, with on the other hand the variable(s) for which it is being used as a proxy, viz., human well-being, whether objective well-being or (especially) subjective well-being which is/are finite in range and not merely so in some notional remote future but already visibly or foreseeably so. This is manifest when we consider the data on SWB (Frey & Stutzer, 2002) and is plausible also for OWB if we, correctly, interpret it not as the level of commodity inputs to WB but in terms of outputs like life-years, health-quality-adjusted life years, or happiness-quality-adjusted life years (Veenhoven's measure).

Many economists and politicians insist, or presume, that all other indicators are sufficiently well correlated with per capita GDP/national income. For Tony Blair celebrating his political creed before the US Congress, after the occupation of Iraq, the self-congratulatory vision of multi-fold increase of the standard of living in Britain and America since World War II relied on the equation of standard of living to per capita national income.

For many economists the rationale appears to be that we can find a line with a fairly 'good fit' whenever we plot performance in terms of GDP per capita against performance in terms of some other indicator. The fit is often in reality not good enough when social significance is the criterion. We find enormously important outlier cases – some low-income countries with strong human development achievements, some middle and high-income countries with deplorable human development shortcomings (see eg: Anand and Sen, 2000). The meaning of 'good fit' must depend on the meanings associated with the variables concerned. McGillivray (2003) notes that the standard deviation when life expectancy is plotted against GDP per capita is five years of life. Given the meaning of five years of life one cannot call this a good fit (cf McCloskey, 1986; McCloskey and Zilliak, 1996).

Concentrating our focus on correlation coefficients, we can also fail to look at slope and the fact that we move from a phase of relatively rapid gains to a phase of small, tiny or even zero gains – and in some cases retrogression. Suppose that we have perfect fit when we plot GDP per capita against SWB. Can we then say that the GDP curve is a perfect predictor of the level of SWB, so that we have no need to use SWB indicators? Consider the following cases, which are little or no different from most of the data:

- a) the SWB curve is flat after point P which has already been attained in some cases;
- b) it is asymptotic to a ceiling to which some cases are already very close;
- c) it increases at only a negligible rate.

How satisfied can we be with an indicator which moves up by say 100%, or more, when direct measures of well-being, such as life expectancy, move up by say 4%? In some cases the indicator moves up by 1000%, yet SWB appears nearly flat. The main finding in such cases would be not that some function of GDP perfectly predicts SWB but that GDP has little or no impact on SWB. The same point applies for many OWB indicators.

To sum up: expectations have not been met for the impact of income and consumption on SWB and on many OWB dimensions. We saw that this is not because there are no factors with substantial impact. Intra-country cross-sectional comparisons indicate some more clearly influential determinants of SWB.

4. CONCEPTS OF WELL-BEING

We have so far used the term 'well-being' in a common-sensical way, roughly distinguishing between 'subjective' aspects (feelings) and 'objective' aspects (valued functionings, typically valued by an authoritative other). We need to extend the range of interpretations of well-being, as prelude to understanding how people may perceive and respond to, or ignore, the issue of discrepancies between different measures.

The concept of well-being indicates an evaluation of a person's situation, or, more fittingly, an evaluation which is focused on the quality of the person's 'being'. Well-being is thus a vague concept that can span various aspects of life and is subject to normative debate, rather than a sharply and consensually defined single thing. Arguably, 'well-living' would be a better label, more active and indicating that there are diverse relevant aspects so that the label is an umbrella for a variety of matters.

Much utilitarian philosophy and utilitarian-influenced economics approached well-being as a single entity or a set of commensurables: 'utility', a sort of mental money. Well-being was reduced to well-feeling, typically seen as pleasure; well-feeling was assumed to be one-dimensional and a component of it ('welfare', sometimes called 'material welfare') was assumed to be separable, derived from economic goods and services, and of central importance. So income became treated as the key measure of well-being in conventional 'welfare economics' and economic policy, including in much development economics. Even some authors using Sen's capability approach in applied work, such as in specifying the Human Development Index (HDI), adopt a position that 'adjusted real GDP per capita...should serve as a proxy for the material aspects of welfare' (Kuklys and Robeyns, 2004: 2). But we should remember that the HDI uses not GDP per capita but a transformation thereof that gives progressively less weight to marginal income beyond average global per capita income, and claims only that this reflects the 'command over resources needed for a decent living' (HDR, 1990: 12), not the actual content of living.

In terms of the following list of conceptions of well-being, economics has largely employed the first four, starting by talking of personal satisfaction but usually ending in practice with monetary income, wealth and expenditure.

(1) Well-being as pleasure or satisfaction

In this conception well-being means SWB. It has two variants: (1a) WB as unitary, a utilitarian conception that is used rhetorically in economic discourse, and (1b) a plural conception that is empirically investigated in SWB research in medicine, sociology and psychology, which distinguish at least positive affect, negative affect and contentment/life satisfaction, as clearly separate non-substitutable phenomena. Economics has had little connection to this research. The normative weight of SWB is admittedly limited by the range of factors which mould feelings and by the presence of perverse pleasures, such as pleasure in others' suffering, or masochism; but equal or greater criticisms can be made of monetary measures of income and consumption.

(2) Well-being as preference fulfilment

This is a conception of 'utility' which emerged amongst economic theorists in the mid-20th century. It faces some of the same normative objections as the first conception. They can be reduced but not eliminated by reference to a variant that concerns fulfilment of informed preferences or, better, informed and well reasoned preferences. Such variants are hard to measure but still helpful (Brandt, 1979).

(3) Well-being as free choice

Choices might be simply asserted to fulfil preferences, as in the doctrine of 'revealed preference', but that reduces to a questionable operationalisation of the preference fulfilment conception. Given the weakness of the assumption that choices automatically fulfil preferences, a focus on choice reduces in reality to a libertarian stance that free choice is what really matters.

(4) Well-being as opulence

Material wealth is here assumed to be the key to choice, preference fulfilment and/or satisfaction. While strictly speaking just a proxy for those

other conceptions, in practice opulence has often displaced them, as seen in the widespread preoccupation with per capita national income.

The second, third and fourth conceptions are those active in economics practice, while the first, of favourable mental states, remains in the background providing (via the 'utility' language that is shared by all four) a set of everyday associations which politicians and others employ, even though economics theory and measures have no serious connection to it. The fifth and sixth conceptions are also outside conventional economics practice: they are from work on OWB and from Sen's complex hybrid, the capability approach.

(5) Well-being as the attainment of certain values which can be specified independently of the individual concerned (eg: good health, physical and mental)

There are many such 'objective list' (Parfit, 1984) or 'substantive good' (Scanlon, 1993) theories, usually with great overlaps, and a huge body of quality-of-life research on these various aspects or interpretations of OWB. Lists are set by direct stipulation (eg: by religions or intuition), by theorized derivation (eg: Doyal and Gough, 1991), by political deliberation and negotiation, or some mix thereof.

(6) Well-being (or 'advantage') as possession of favourable capability, a favourable range of valued opportunities

This conception comes from Sen's capability approach. Sen seems ambivalent over making capability the sole element of well-being, without reference to achievement as well; and relatedly, over whether to call what capability provides 'advantage' or 'well-being'. To say that capability provides advantage, and that valued functionings provide well-being, might fit better. Who judges advantage? In Sen's formulation it is the agent herself, but in terms not of whim or unconsidered habit but of reasoned values or at least 'reasons to value'. The conception may thus lie in an SWB-OWB condominium.

Sen draws out further dimensions of plurality in the concept of well-being, which could be applied to the earlier conceptions too. He adds a family of categories, not a singular conception of well-being (Sen 1992, 1993).

- Well-Being Achievement matches OWB but can also refer to achieved pleasure (SWB) or achieved preference fulfilment or achieved wealth, if we work with those conceptions of well-being.
- Well-Being Freedom refers to the range of attainable valued lives for the agent: this is 'capability' in the sense just used. Sen then brings in a new dimension with his term 'agency', which recognises that our values concern not only (and sometimes not even primarily) ourselves.
- Agency Achievement concerns the degree of attainment of our (reasoned) values, whether those concern benefits for others or ourselves or for more general causes.
- Agency Freedom concerns our range of attainable opportunities for the fulfilment of our (reasoned) values.
- Quality of Life seems to represent an evaluative summation of the previous four categories.
- Standard of Living corresponds to an agent's Well-Being Achievement that derives only from 'the nature of his own life, rather than from "other-regarding" objectives or impersonal concerns' (Sen 1993: 37).

Sen's distinctions cast some extra light on the discrepancies between measures that derive from different approaches to well-being. We consider this in section 5, amongst other attempts to interpret and respond to the discrepancies.

Conceptions (5) and (6) have connections to the Aristotelian tradition. This views human well-being as not just a single type of sensation or action but as the fulfilment of a deep and various nature, central to which is that people are reasoning social actors (Segal, 1991). Conceptions of well-being as happiness or pleasure are called hedonic, in contrast to eudaimonic conceptions of well-being as a more complex and reflective fulfilment.

5. RESPONSES TO DISCREPANCIES BETWEEN REPORTED SWB, REPORTED INCOME AND/OR REPORTED OWB

Let us group the responses as follows. The heads partly overlap, but not problematically.

- A. Ignore the discrepancy, remain loyal to income and expenditure indicators.
- B. Check the specification of income, and/or OWB, and/or SWB: what was included, what was excluded, and what were the circumstances of

measurement. In the case of SWB for example, various conditions may be imposed for the acceptability of measures.

- C. Look for other causal factors; for example, aspects of OWB that are unreflected in income measures, 'crowding-out', and preferences and their moulding.
- D. Opt for OWB or income for explicit proposed reasons; eg: that people do not know what is good for them, or that happiness is misleading and relatively unimportant.
- E. Opt for SWB for explicit proposed reasons; eg: perhaps libertarian or other value reasons.
- F. Use a different conception of well-being (neither objective-list nor satisfaction). We will see that this response is, tacitly, very common, and must be construed to underlie the loyalty to income. There is however no plausible theory of well-being which justifies income as the lead indicator.
- G. Accept plurality/complexity. This for example seems to be Sen's position.

Response A: Ignore the discrepancies

To ignore the problem is the simplest response, and the most common one amongst economists. It offers freedom from puzzlement, freedom from tension with respect to disciplinary norms, and a high psychic benefit-to-cost ratio for the mainstream economist. Ignorance is bliss. One continues using income and expenditure as the supposedly self-evident ways to measure ('economic') welfare. Leave puzzlement for the philosophers.

The response 'look at the cross-country regressions' is an indirect way to ignore discrepancies. Humanly significant deviations are drowned out in a generalized picture and socio-economic significance is ignored thanks to preoccupation with finding a conventional degree of goodness/badness of statistically significant fit. Sometimes this in effect argues that ordinal ranking is all that we need; we don't have to consider the incongruity of a soaring indicator (income) and the virtually stagnant supposed dependent variable (subjective or objective well-being) for which the indicator is supposed to act as proxy. Sometimes the dependent variable is completely stagnant or even in decline. Intellectually, if not considered to be evasion or incompetence, this stance too may reduce to the treatment of well-being as choice, which we consider further later.

Response B: Check the specification of the categories which are directly involved

Response B1: Check the specification of income: the 'sanitize-GNP' response

GNP is grossly flawed as a welfare measure, even as a measure of valued opportunities. It includes much which should be excluded—notably, many costs are recorded as benefits—and weights inequitably whatever is included, since it weights monetarily expressed preferences by the amount of purchasing power behind them. It excludes much which should be included: it ignores the most important things, such as life duration, health, satisfying work or its lack, personal relationships, time use, and dignity. In addition, if used as a general welfare measure, it misleadingly presumes that growth of whatever it includes has no (negative) feedbacks on those excluded aspects.

Attempts exist to 'sanitize' GNP, to convert it to a defensible measure of welfare; for example, Daly and Cobb's Index of Sustainable Economic Welfare. These attempts seem insufficient. They largely respond only to the first set of objections, against illegitimate inclusion. The issue of scale incongruity might still apply. Sanitized GNP might still keep climbing indefinitely and the likelihood remains of important, even though reduced, discrepancies between recorded incomes, recorded satisfaction, and (other) recorded valued functionings.

Response B2: Check the specification of SWB

Faced with an SWB-income or SWB-OWB discrepancy, one relevant type of probing of SWB is to check whether conditions for the normative acceptability of SWB data are met, particularly the requirement that the agent is both well-informed and capable. For example, Janakarajan and Seabright's study in Tamil Nadu villages found 'a striking difference between the answers given to questions about respondents' own families and questions about the fortunes of the village as a whole. The latter are markedly more positive' (pp 339-40). Respondents were much more positive about matters on which they knew less. The grass seems greener on the other side of the hill, especially if the residents there secretly spray it green for outsiders to see.

Response B3: Check the specification of OWB

In cases of reported SWB-OWB discrepancy, one can investigate what is included and what is excluded in the measures of OWB. Janakarajan and Seabright were led to query the use of shifts to higher status foods as a measure of improved welfare in their study villages. The dietary shifts were found instead to 'owe a good deal to social and life-style pressures and are not necessarily perceived as bringing benefits to the household' (1999: 342).

They similarly investigated cases of discrepancies between women and men's perceptions of progress, and between women's perceptions and the data on income and on various OWB variables. Women in a locality with sharp income growth were 'noticeably less positive' (p 341) than men about changes in their family's situation. This became explicable once men's substantial alcohol consumption and growing alcohol abuse entered the assessment. That alcohol is frequently a 'private bad' rather than 'a private good' has been acknowledged by Ravi Kanbur (2003), but remains outside the field of vision of most economic measurements of welfare.

Responses C: Look for other causal factors

Response C1: Given an SWE-income discrepancy, check for OWB dimensions and for other unrecorded non-income sources of SWB

Faced with an SWB-income discrepancy, one should check for other sources of SWB. Some are factors that might be called aspects of OWB, for example, rest. 'Being poor is being always tired', says a report from Kenya (cited in the Norwegian Government's Development Action Plan 2002). Jodha found divergence between the stagnant real incomes figures in his set of Rajasthan villages and the self-reports of improved well-being by the majority of villagers. He traced them to distinct improvements in various aspects of OWB, including: greater ability to send children to school, greater variety of diet, security in access to food, and access to life-transforming technology such as transistor radios. Segal (1998a) followed the same strategy to illuminate the opposite paradox: rising real income figures for many American families but self-reports of decline in felt well-being. We saw how he documented a series of key areas of life in which people now had to devote much more time and effort in order to achieve the same functional results: the same quality of education for their children, the

same levels of physical security, and so on. We saw Janakarajan and Seabright follow a similar explanatory path.

Other sources/determinants of SWB are the 'other inputs' in Fig. 2 above; such as particular belief systems, even any which are illusory yet sustaining. Many studies show that poor people's lists of priorities include both material and non-material aspects (eg Narayan, et al, 2000), with the latter aspects including dignity, voice and autonomy. One factor stressed by Jodha's villagers was that over time many of them had felt able to afford to stop working as agricultural labourers. Their income had not increased; indeed it had often declined, but their SWB, their felt quality of life, improved.

Response C2: Examine the possibility of 'crowding-out'

In examining sources of SWB besides income, we should be aware that sources might be competitive rather than additive. Segal, Lane and others provide evidence that not only are extra income and consumption sometimes insignificant or very low return routes to SWB, they can undermine or replace more rewarding routes by undermining some aspects of OWB which contribute to SWB, or some of the 'other inputs' in Figure 2. For example, by undermining the quality (and quantity) of family life and other personal relationships.

Response C3: Look for possible fallacies of composition in relation to positional goods

Crowding-out can apply between lives, as well as within individual lives. 'For a single individual, income growth can, in many instances, result in greater levels of functioning. But what works for a given individual may not work for all of us collectively. When we all stand on tiptoe, not only does no one see the parade any better, but we all end up less comfortable.' (Segal, 1998b: 361)

Response C4: For SWB-income or SWB-OWB discrepancies examine preferences and their moulding

Looking at reported SWB-OWB discrepancies for men and women in South Asia, Sen raised the question of the moulding of preferences. Were women socialized to have lower expectations, or to find their fulfilment proportionately more in the flourishing of others than in their own direct gain? Agarwal (1997) disputes the general relevance of this scenario,

pointing to for example diverse ways in which women seek gains and express dissent, and how they might see their own gain as consistent with promotion of the interests of others in the family. However, for the main case that Sen raised, the contrasting relations of objective and subjective health status for certain samples of men and women, and in certain other cases, the hypothesis of different socially moulded attitudes seems appropriate. Mainstream economics closed itself off from this central issue by its treatment of preferences as exogenous.

Responses D: Give priority to OWB for explicit reasons

Concern for people's actual state, not just their self-perception, could move one to adopt Sen's concept of Well-Being Achievement, WBA. Specific reasons for this type of move can include doubts about people's judgements of their own well-being and doubts about the importance of feelings.

Response D1: 'People don't know what's good for them'.

One might downgrade the status of SWB by pointing to adaptive expectations, 'framing' effects like the tendency to judge one's own situation by comparing it with that of other people, envy, insatiability and the emergence of new desires. Let us consider the implications of those possible causes.

- a) Why is there comparison with the position of other people? Is income perhaps not a direct source of satisfaction but a proxy for self-esteem, which might be attained more reliably and effectively in other ways?
- b) Why do new desires always emerge? Are they mere surface symptoms, foci for attention when some deeper needs are not fulfilled?
- c) Why do expectations tend to adapt to the current situation? That they adapt to hardship is understandable as a coping mechanism. That they adapt also to material luxury may suggest its relative insignificance.

In effect this type of response involves rejection of WB-as-pleasure/satisfaction. Some other responses are more explicit about this.

Response D2:- 'Life is not centrally about happiness.'

'We are built to be effective animals, not happy ones', proposed Wright (1994: 298, cited by Lane, 2000: 39). Happiness is arguably just an evolved mental signal to motivate us in certain directions at certain times. Too much happiness demotivates from action. Indeed developmental psychology indicates that personal growth and learning necessarily involve some pain. An adult-child analogy and attempted justification of pain (for others) were evident in the comments on aboriginal peoples by European philosophers such as John Locke, Immanuel Kant and J S Mill. They disapproved of the lives of 'primitive' leisure enjoyed by many of these people (Parekh, 1997).

The objective-list claim is that people's lives should be judged instead in terms of some well-grounded plausible set of normative criteria concerning observable features of their lives. Authors like Sen stress the criterion of extent of freedom, but this goes rather beyond the usual specifications of OWB and will be discussed separately.

Response E: Give priority to SWB for explicit reasons

One reason for prioritizing SWB as criterion might be the adoption of libertarian values. But the reverse would not hold true: priority to SWB need not bring a libertarian stance. On the contrary, the many mistakes that people make in pursuing their SWB might lead to an SWB-priority being used to legitimate massive social engineering interventions, as in Aldous Huxley's *Brave New World* and B F Skinner's *Walden Two*.

Sen's categories point to another reason for priority to SWB. His agency-versus-WB distinction might explain some SWB-OWB discrepancies, insofar as people pursue their ideals, not their own gains, and report their SWB on the basis not of their own Well-Being Achievement but instead of their Agency Achievement, their success in fulfilling their goals, some of which concern others and not themselves. Whether external judges adopt these self-reports of SWB as the indicator of people's well-being will depend then on how far, for example, they find a danger of harmful goals and ideals.

Responses F: Use a conception of well-being that is neither satisfaction nor an objective-list

Adoption of a well-being conception that is neither SWB nor OWB eliminates or drastically reduces interest in their discrepancies with each other or income. This response has several important variants. It would be incongruous to claim that they are OWB stances in which the only valued functionings on the list happen to be, for example, free choice and/or fulfilment of preference. What odd conceptions of OWB those would be, blind to the evidence on outcomes.

Response F1: The desire-fulfilment response: 'what's good for people is whatever they want'

In this view, well-being is not about satisfaction or any objective states, but about desire fulfilment. The view is highly vulnerable for reasons mentioned in Section 4. A discussion agenda opens concerning: What are the desires? How are they produced and maintained? And, what of freedom from desire? Economists typically ignore those criticisms and/or adopt a libertarian line, to buttress a focus on income and expenditure levels as well-being measures. They are not very interested in the informed-desire interpretation of WB and make little attempt to operationalise it, unlike, say, lawyers or doctors.

Response F2: The revealed preference response: 'people do it, so they must prefer it'.

This stance rests on an absurdly crude model of persons. We saw that it in practice reduces instead to response F3.

Response F3: the libertarian response, gives overriding weight to freedom to make one's own choices, including freedom to make one's own mistakes. Such a response steps outside the chain-narrative in Fig.1 above, to prioritise freedom as a process-value. One might alternatively, or in addition, hold that one's own mistakes are usually less than the mistakes that would result if others decided for one; but that position matches a priority to SWB or desire fulfilment rather than pure libertarianism.

The next stance goes even further in the direction of asserting values which diverge from the well-being image of a well-balanced end-state, to deny the very category of mistakes.

Response F4: The activist response - 'I am therefore I do' and 'I do therefore I am'

Well-being, the values for being, involves in this stance not comfort and rest but restless striving; even striving for causes which one knows will not bring satisfaction and instead risk conflict, dissatisfaction and destruction, but which avoid boredom, provide excitement and drive forward experimentation and the selection of the fittest. Well-being is interpreted not as much-having, as in an opulence perspective, but as much-doing: an endless dance of creating and destroying. Busy-ness and busi-ness are close to godliness in one embodiment of this eschatology. Max Weber expounded another embodiment: 'It is not peace and human happiness that we have to pass on to our descendants, but the eternal struggle for the maintenance and upbreeding of our national kind' (quoted by Lichtheim, 1974: 78-9). For Dutt, what drives our busy-ness is 'the essential human characteristic...to compete with others' (2001: 151).

In the modern world, such striving has centrally been channelled into the production, acquisition and disposal of commodities. Counter-arguments include critique of what produces such striving: is it because important other needs are neglected? How far are desires for commodities promoted and fanned for commercial reasons? Is preoccupation with income and GNP an adult equivalent of the desire to have the biggest collection of marbles? One can further ask about results and alternatives. Are there alternative and perhaps more effective ways of expressing such 'animal spirits' than through commerce, consumption and resource use? How far does people's more informed and reflective consideration, including retrospectively, endorse the chase for commodities? Many, perhaps most, people's 'life of my dreams' seems to have a content different from that chase.

Response G: Accept plurality/complexity - and hopefully do not drown in it

Sen's capability approach grew out of reflection on both SWB-OWB and OWB-income disparities. Thus it began by highlighting the category of reflectively and reasoningly valued functionings, OWB. It then qualified or even subordinated this emphasis in a series of ways, whether consciously, as by Sen himself, or not, as sometimes by others. I will itemise seven ways. The overall outcome is not clear, for Sen has provided a complex package that can be used in diverse manners. But in one extreme but

observable pattern of use, income ends up revalidated as a fully acceptable welfare measure for much of life, and the disparities become treated as somewhat marginal curiosities, not as major puzzles with fundamental implications.

1. We might include SWB as one valued functioning (see eg Clark, 2002, who also cites Sen as adopting this step), especially insofar as this aggregate indicator of mood is derived in reflective, reasoning fashion. Various measures of quality of life do adopt this approach, with SWB included as one component of a multi-faceted concept.
2. Difficulties, including political difficulties, in operationalising the concept of 'having reason to value' can lead in practice to tacit use of the conventional, hedonic concept of SWB; and to its use not only for the specification of SWB itself as one type of valued functioning but as the method in specification of all valued functionings. (In principle, however, specification of valued functionings can be done reflectively by individuals or groups; as illustrated by Alkire, 2002 and Robeyns, 2002.)
3. The stress on agency might, as we saw when discussing response E, lead likewise to re-emphasis on SWB.
4. Normative priority was soon given in the capability approach to capability—defined as the range of reasoningly valued opportunities—above achievement. Sometimes it even displaces achievement altogether, although capability is questionable as a concept of well-being rather than of 'advantage', even if virtually all the relevant empirical work inevitably proceeds in terms of functionings not capabilities. This shift to defining well-being purely in terms of capability/opportunity could perhaps be a key slippage on a road that would take the capability approach away from a critical stance to become a tolerated hobby-interest which need not be taken too seriously by most economists since it doesn't, apparently, make much difference in practice.
5. Next, the capability notion links deceptively easily to the economics concept of opportunity set. The prioritisation of opportunity above achievement brings the danger that, in practice, the measure that is used becomes a sheer range of opportunities rather than the range of reasoningly valued opportunities. But we should not assume that expansion of choice-range expands well-being; for example, large-scale expansion of commodity

choice can bring the unstated price of crowding-out other, more important, types of opportunity.

6. The next step in potential conceptual slippage is that opportunity becomes partitioned into 'social' and 'economic' spheres, and that within the latter the notion of 'command over resources needed for a decent living' becomes reduced, drastically, to monetary command over commoditised resources.

7. A further step occurs when the HDI's careful use of a transformation of real GDP per capita, in order to get a relevant measure of the ability to achieve a decent living, is overlooked. People might then interpret the position that 'adjusted real GDP per capita...should serve as a proxy for the material aspects of welfare' as merely calling for correction for purchasing-power parity or at most the removal of defensive expenditures and so on, without querying the incongruity of a proxy that increases by factors of tens and hundreds. Even more problematically, sometimes people see GDP per capita as a proxy for the range of choice in much more of a person's life than only markets.

Such a version of the capability approach has by then lost much of its distinctiveness and potential to interest. It has drifted back towards conventional economics, including the somewhat problematic notion of 'material aspects of welfare' and the presumption that monetary means are the really important routes to those ends. Yet independent measures of OWB do not match very well with income measures. To declare command over commodities to be a separate sphere of welfare is then a convenient but ungrounded stipulation: convenient for those who are not interested to look beyond, and ungrounded since it is simply an asserted definition, not well backed by what we know of OWB and SWB. Many conventional economists are not interested in more than this stipulated territory of 'the material aspects of welfare' and, having reassured themselves of a statistically significant even though often socio-economically insignificant correlation in general between a GDP measure and some other measure or measures of well-being, see no reason to engage further with Sen's complex and hard to measure concepts.

A complex conception of well-being will have various reduced forms, which can be adopted in different circumstances, according to requirements. No single reduced form is canonical. However, the main points of the conception should not be lost in the reduced forms. The intended audience

is likely to conclude not only that there is little operational difference made by the new conception, but also that it is not conceptually distinct either. Sen's subtle system with its multiple distinctions—including between whether key dimensions of functioning (the elements of OWB) are identified by public reasoning or not, and whether self-judgements within those dimensions are made spontaneously or reflectively—can become crudely abbreviated to an assertion that well-being reduces to range of choice.

Sen's choice of the reduced label 'the capability approach' for an approach that distinctively attends to well being as valued functioning, as well as to capability, increased the risk of excessive reductions by other users (Segal, 1998b). His later heavy use of freedom language has perhaps increased the risk of equation of freedom with range of choice, as opposed to the freedom to live simply and avoid distraction, and also the risk of neglecting the need to apply criteria of reasoned-value to freedoms rather than as in much economics adopt a scientifically spurious ('revealed preference') or pure libertarian approach (Gasper, 2000, Gasper and van Staveren, 2003). While justly trying to reach and influence mainstream economics audiences, simplified versions and labels for Sen's approach might concede too much, contributing to its as yet very limited impact in practical economics (see eg Kuklys and Robeyns, 2004). More emphatic attention to OWB-SWB-income disparities, with the style of a Mahbub ul Haq, founder of the *Human Development Reports*, could be more effective.

CONCLUSION

We looked first at the range of relevant fields of attention in the study of well-being and at how different fields are, to a large extent, studied by different disciplines (Section 1). We noted the major discrepancies between the findings concerning people's feelings, their objective state of welfare and their command over monetizable resources (Section 2). Reflection on these discrepancies is restricted, due to the divisions between disciplines and to various philosophical and methodological stances which are adopted. These include a mistaken preoccupation with the statistical significance of correlations between income and (other) well-being measures, rather than with the socio-economic significance of the slope coefficients and degrees of dispersion (Section 3).

Economists appear to on a large scale ignore well-being, whether as satisfaction (SWB) or in terms of an 'objective list' conception (OWB), except trivially as a list with a single item, namely monetary income or

expenditure. This is a remarkable phenomenon, in both explanatory work and normative and policy work. As Segal notes (1998b: 361), the most fundamental of reasons for pursuing economic growth, the hypothesis that it improves human lives, seems to have received, relatively speaking, oddly little—and certainly insufficient—direct systematic attention in economics.

Economists typically treat WB instead as: i) desire fulfilment, but in a libertarian way, eg: via a revealed preference doctrine, without the qualification of requiring informed desire; or, ii) freedom, in a libertarian way without Sen's qualification of reasoned freedoms; or, iii) sheer activity. The adequacy, let alone sufficiency, of those three conceptions of well-being, individually and in combination, is questionable.

A research implication arises from this combination of a remarkable gap and questionable substitute conceptions, as well as from the morally egregious aggregation of the measures of individual well-being according to agents' purchasing power (Gasper, 2004b). Investigations in the psychology, sociology and politics of economic studies in this field are required, in the same way as for economists' frequent misuse of statistical regression (McCloskey and Zilliak, 1996, 2004). There is more behind economics' stances on well-being than simply the choice of a certain set of philosophical positions, for few economists have ever directly considered such issues or consciously made such choices. Patterns of influence and interest need to be examined; likewise the possible inherited presumptions about human personality and human salvation (Nelson, 1991, Buarque, 1993).

There remains scope for influence through better evidence, counter-theorization and ethical examination. Widespread continuing adherence to the presumptions of the Material Well-Being school, for example, has rested also on genuine belief and idealism: the hope to use economics to contribute to (an under-considered notion of) well-being. Similarly, in Louis Brandeis's words about the founders of the United States, 'They believed liberty to be the secret of happiness' (Jay 2001, *Oxford Dictionary of Political Quotations*). As Isaiah Berlin explained, unfortunately 'liberty is liberty, not equality or fairness or justice or human happiness...' (*Two Concepts of Liberty*, 1958). But debunking a belief-system may not have much impact unless an alternative channel for hope is provided. The modern commitment to unending material advance as a secular quasi-religion arose in part as a re-channelling of the 'passions' into the 'interests', to move out of a long era of violent religious and sectarian conflicts in

Europe (Hirschman, 1977). Are there alternatives available for new re-direction, not back to the thrills of violence, demonisation of other groups or the self-righteousness and obsessiveness of some older belief-systems? The fascinating, growing evidence on human well-being and its sources offers elements of hope that perhaps there could be.

The main part of the paper, Section 5, tried to identify and order some of the intellectual options that arise in the face of the discrepancies between reported SWB, reported income, and/or reported OWB. Figure 4 summarizes the argument, and connects the different sections.

Figure 4: Responses to discrepancies between movements in income/ expenditure, SWB and OWB

Response	Theory of Well-Being	Assessment
A. Ignore the discrepancies	4. Opulence	Inadequate
B. Check specifications of the apex variables		Important
C. Look at other inputs and the other apex		Important
D. Opt for Objective Well-Being	5. Objective list	Often defensible
E. Opt for Subjective Well-Being	1. Pleasure or satisfaction	Sometimes defensible
F. Reject OWB and SWB – adopt another conception of well-being	2 / F1. Preference fulfilment 3 / F3. Choice - / F4. <i>Activity/hedonic treadmill</i>	Usually questionable
G. Complex synthesis	6. eg: Capability approach	To be refined

Neither Response A, to ignore the discrepancies, nor Response F, to drastically downgrade their significance by adoption of a well-being conception that is neither SWB nor OWB, appears to me adequate. Economists should join other social scientists in examining the specifications used for income, SWB and OWB (Response B), and in looking for other causal factors (including, not least, diverse preferences) and their possible competitive relations with economic inputs to well-being (Response C). We must join too the philosophers in thinking about the profound choices of priority between SWB and OWB (Responses D and E); and engage with the unfinished projects of Amartya Sen and others to try to build well-argued syntheses (Response G). The interdisciplinary terrain of well-being studies offers exciting challenges and promises great rewards.

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