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Bentham or Aristotle in the Development Process? An Empirical Investigation of Capabilities and Subjective Well-Being

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Summary. — *Life evaluations and emotional states* are distinct subjective well-being (SWB) components. We explore the relationship between opportunities and SWB dimensions, distinguishing between *actual* capabilities and means (education, employment, and income) and *perceived* opportunities (autonomy and health perceptions and belief in hard work). We find a link between capabilities and SWB (particularly, life evaluations), which varies across world regions. Capabilities can be associated with stress and anger; and seem to matter the least for the happiest respondents. We also explore the determinants of the least studied well-being dimension: eudaimonia, or life purpose, which is an underlying objective of the development process.

Key words — evaluative well-being, hedonic well-being, eudaimonic well-being, capabilities, freedoms, variance decompositions

1. INTRODUCTION AND THEORY

(a) *Human well-being and capabilities*

Human well-being is a multidimensional concept and defining and measuring the distinct well-being elements can broaden and deepen our understanding of social welfare. Subjective well-being (SWB) metrics complement income-based, indicators, such as Gross Domestic Product (GDP), to, furnish a more comprehensive view of the human condition. Moreover, a fundamental well-being component, which is the focus of this study, is the individual capacity to make autonomous choices and pursue a fulfilling life. The purpose of this paper is to contribute to our understanding of actual and perceived aspects of this capacity and their empirical relationship with SWB dimensions (i.e., *hedonic*, *evaluative*, and *eudaimonic*, which are defined below). We implicitly argue that human development and well-being are ultimately about enlarging individual choices and opportunities, so that people can pursue the kinds of lives they choose and value (Sen, 1999). [1]

Adapting concepts from the human development approach, we define "agency" as the capacity to pursue a purposeful and fulfilling life (Graham, 2011) and "capability" as "the freedom to achieve various lifestyles" (Sen, 1999). [2] Furthermore, the human development approach distinguishes between *functionings*– which are acts and expressions of being and doing such as being fed, being hungry, being sheltered– and *capabilities*– which comprise the freedoms and opportunities to act to achieve desirable functionings (Hall, 2013). Agency is the capacity to choose among different opportunities to achieve valuable states of being and doing.

Recognizing that there are alternative perspectives and approaches, in this paper, we conceptualize of capabilities as manifestations of the capacity to live a purposeful life and are interested in how different capabilities relate to SWB dimensions. As in other quantitative studies on capabilities and SWB, in our analysis, capabilities are social indicators related to people's quality of life (Robeyns, 2005). Assuming that SWB is a function of capabilities, the goal is to identify and measure a set of such capabilities. [3] Currently, no procedural method exists for selecting capability metrics (Robeyns, 2005), and scholars use different approximations. There are several attempts to measure capability indicators based on questions in existing surveys (Anand, Hunter, & Smith, 2005; Ramos & Silber, 2005; Veenhoven, 2010) and specially designed questionnaires (Anand *et al*., 2009; Anand, Krishnakumar, & Tran, 2011; Anand & van Hees, 2006; Simon *et al*., 2013). Anand and van Hees (2006) argue that survey questions about the "scope to achieve things" and "limitation of opportunities" can capture capabilities (p. 279).

Building on these studies, we use self-reported measures available in the Gallup World Poll (GWP) as proxies for capabilities and means. Our goal is to select variables that capture whether respondents have the opportunities, tools, and means to live the kinds of lives they have reason to value. In the absence of a set list of capabilities and consensus on how to measure them, the selection of capability proxies based on existing data is subject to epistemological errors. Because these debates are still ongoing, we include variables that have been used in previous studies and attempt to capture a range of capability concepts. We further distinguish between *objective* and *perceived* opportunities and means to achieve things in life. The perception variables include: (i) perceptions of health; (ii) belief in hard work as a means of getting ahead; and (iii) satisfaction with freedom to choose in life. The objective metrics are: (i) household income (a proxy for means); (ii) education; and (iii) employment status. Ideally, we would like to measure all capability variables using objective indicators (as opposed to self-reported subjective metrics) but are constrained by the question availability in GWP (Table 7).

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(b) *Subjective well-being metrics*

As noted above, SWB has three dimensions: *hedonic*, *evaluative*, and *eudaimonic* (Figure 1) (Durand & Smith, 2013; OECD, 2013; Stone & Mackie, 2014). First, *evaluative* well-being is a reflective assessment of one's life as a whole rather than a description of an emotional state. Judgments about life satisfaction could also be applied to specific life domains such as work, health, community, and relationships (Stone & Mackie, 2014). This SWB dimension is measured through survey questions about satisfaction with life as a whole and the Cantril ladder of life question (which asks respondents to rank their current life relative to their best possible life) (Cantril, 1965), among others.

Second, the *hedonic* subjective well-being dimension, or affect, reflects affective states and emotional experiences related to people's job quality, their immediate health conditions, daily work commutes, and social networks at a particular point in time.[4] Hedonic well-being (which some scholars call "Benthamite") is about how people experience their lives rather than how they assess them more generally (Kahneman & Krueger, 2006). This dimension encompasses negative emotions, such as worry and stress (i.e., negative affect), and positive emotions of pleasure, enjoyment, and happiness at the moment (i.e., positive affect). It is measured through survey questions about experiencing positive and negative feelings (e.g., "Were you happy yesterday?" and/or "Did you experience stress yesterday?"). It is important to distinguish between positive and negative affect (Figure 1) as one is not the inverse of the other and they track differently from evaluative well-being and from one another (Stone & Mackie, 2014).[5]

Research shows that respondents clearly distinguish between affect and life evaluations and answer these questions differently. For example, a very destitute person might report to be happy in the hedonic sense while also indicating low life satisfaction (Helliwell, Layard, & Sachs, 2013). From a public policy perspective, this distinction matters and can allow policymakers to better target poverty and destitution.[6] In this paper, we propose that and test whether evaluative well-being is better related than hedonic well-being to the opportunities that people have to exercise choice and to pursue fulfilling lives (i.e., their capabilities and autonomy).

Eudaimonic well-being captures people's perceptions of meaning and purpose in their lives and reflects the Aristotelian notion of happiness as life purpose, challenges, and growth (Stone & Mackie, 2014). This concept goes beyond reflections of life as a whole and experienced emotions and focuses on flourishing and the realization of human potential (OECD, 2013). While this is the least well-researched SWB dimension, it is arguably the most important from a development perspective. Eudaimonic well-being is about living well in terms of realizing one's human potential (Deci & Ryan, 2008), which implies having the means and freedoms to fulfill one's true life purpose. While it is intuitively best captured in evaluative assessments, it may also be reflected in hedonic constructs, as there are discrepancies between what people find pleasurable and enjoyable – such as watching television as opposed to what they find rewarding or meaningful – such as reading the same story repeatedly to a child (Adler, Dolan, & Kavetsos, 2014; White & Dolan, 2009). While there is a general consensus about the measurement, validity, and reliability of evaluative and hedonic well-being, the conceptual framework for eudaimonic well-being is less well-established (OECD, 2013).

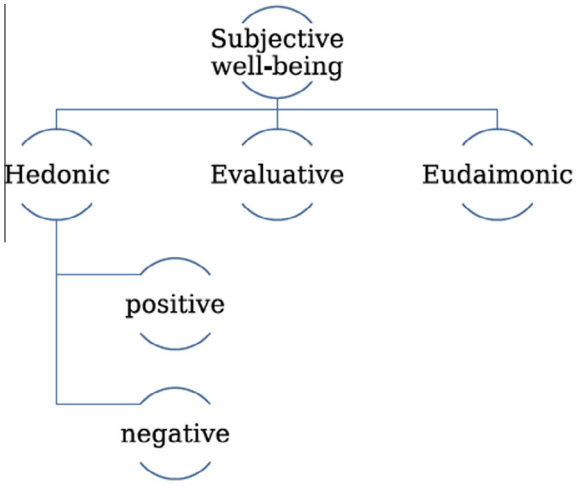

Figure 1. *Subjective well-being dimensions.*

Evaluative and hedonic SWB metrics are valid and reliable, psychometrically sound, internally consistent and comparable across individuals, different levels of development, and over time (Diener, Inglehart, & Tay, 2013; Diener, Suh, Lucas, & Smith, 1999; Helliwell, Barrington-Leigh, Harris, & Huang, 2010; Krueger & Schkade, 2008, Blanchflower and Oswald, 2004). Furthermore, are increasingly used in public policy and economic analyses, and have become a part of official statistical gathering efforts in countries such as the United Kingdom (Di Tella & MacCulloch, 2006; Diener, Lucas, Schimmack, & Helliwell, 2009; O'Donnell, 2013; Stone & Mackie, 2014).[7] The growing SWB literature indicates that SWB determinants are consistent across different societies and levels of development. In particular, unemployment, divorce, and economic volatility are negatively associated with SWB, while health and stable partnerships have a positive association with it (Graham, 2011; Kahneman & Krueger, 2006). Furthermore, women have a higher average life satisfaction than men (OECD, 2011), except in low-income countries (Graham & Chattopadhyay, 2013). Age has a U-shaped relationship with SWB, with the turning point occurring around age 40 (Frey & Stutzer, 2002), and both absolute and relative income matter for SWB (Clark, Frijters, & Shields, 2008; Easterlin, 1995; Senik, 2009). There are two main challenges related to the use of subjective well-being scores (OECD, 2011). First, people may adapt to bad circumstances and learn to be happy or take pleasure in immoral behavior. As a result, SWB metrics should complement rather than substitute objective metrics. Second, SWB indicators may be non-comparable across individuals and may be affected by transient external factors (OECD, 2011). The literature shows, however, that the latter concern is largely unjustified and that SWB metrics are comparable across individuals, countries, and time and predict behavior reasonably well (OECD, 2011).

The literature shows that evaluative and hedonic well-being have different correlates. Kahneman and Deaton (2010) find that health, caregiving, loneliness, and smoking better predict hedonic well-being, while income and education (which are objective capabilities and means) have a greater association with evaluative well-being. The positive correlation between hedonic well-being and income ends at about $75,000, but the association between income and evaluative well-being (i.e., best possible life) continues linearly. This suggests that beyond a certain threshold, additional income cannot enhance daily emotions (although insufficient income is clearly linked to suffering and negative moods), but higher levels of income