Happiness, Ethics, and Economics

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Preface

Sometimes it is worth the while to state the obvious. What is remarkable about the recent boom of books and articles on happiness is not so much the novelty of the findings, but the apparent necessity to restate what has for long been taken as self-evident: that economic progress should make us happier, or else something must be going wrong.

Beyond a restatement of the obvious, this study attempts to analyze how exactly we have to rethink the relationship between happiness and economics out of an ethical perspective, i.e., out of a concern for what is good and right. It is this perspective that marks the novelty of this contribution: while there is, by now, a considerable body of literature on happiness and economics, practically all of these contributions take either a psychological perspective (trying to describe the determinants of happiness) or a welfare economic one (coming up with prescriptions of how to maximize happiness). This book, by contrast, is the first attempt to reassess the findings described in the literature out of a truly ethical perspective, i.e., by analyzing how we should think about the normative relevance of happiness without anticipating the results of such thinking.

This book draws on a number of academic disciplines, employs a variety of methods, and touches upon a diverse set of issues. It was therefore natural to write it in a language that addresses a non-specialist audience, and to be rather didactical whenever more complex concepts are introduced. The reader is therefore asked to be patient with didactical repetitions or extensive discussions of concepts he happens to be familiar with. In particular, this will concern readers familiar with the methods and the vocabulary of modern ethics.

Moreover, the reader should be aware of the fact that a good part of the analysis and the resulting critique, in particular in chapter III, is in fact an analysis from an inside perspective, i.e., using the mainstream methods and terms of the respective discipline (economics or psychology) alone. This is not to be understood as an implicit approval of the underlying paradigms, but rather as an attempt to demonstrate their *internal* inconsistencies (or, for that matter, consistencies). The perspective will be broadened only later on by throwing an ethi-

cal light on the same issues, thus identifying those shortcomings that can only be discerned from an outside perspective.

I had the privilege to research and write this study in quite different geographical, economic, and cultural settings. Of three and a half years, I spent two years in St. Gallen (Switzerland), 12 months in São Paulo (Brazil), and 3 months in Thimphu (Bhutan). Each of these places taught me unique experiences and widely different cultural perspectives on happiness, economics, and ethics. However, owing to the universalistic (or "theoretical") approach to the research problem, these experiences could not find much explicit expression in the text. By contrast, they contributed immensely to a more careful and better reflected discussion of culturally relevant questions.

Other major sources of inspiration were regular meetings with other students doing research on the intersection of ethics and economics. There were the semi-annual meetings of the "Berliner Forum" which provided a great opportunity to present one's research to each other in a scholarly and at the same time amicable atmosphere. There were also occasional retreats with a small group of doctoral students from St. Gallen's Institute for Business Ethics in the picturesque setting of a black forest cottage. These weekend meetings, which we came to label the "Wittenschwand Talks" after the place where they took place, were as inspiring intellectually as they were rewarding personally. I am grateful to Matthias Glasmeyer for making these meetings possible.

There are a lot more persons and institutions towards whom and which I feel indebted. Prof. Peter Ulrich was not only the major intellectual source of inspiration for this whole undertaking, but also an exceptionally dedicated thesis supervisor. Prof. Dieter Thomä, my second thesis supervisor, gave valuable guidance in the vast terrain of philosophical thought. Ulrich Thielemann of the Institute for Business Ethics sacrificed lots of his time in numerous conversations about fundamental questions of ethics and economics. Prof. Eduardo Giannetti of the Ibmec São Paulo gave valuable advice and spent many hours answering my questions and discussing the growing manuscript. I also want to thank the directorate of the Ibmec São Paulo for the overwhelming hospitality and the excellent research conditions I enjoyed during the 12 months I spent there. On my second research stay abroad, at the Centre for Bhutan Studies, it was Karma Ura, the Centre's director, and Karma Galay who deserve particular mention for their support of my research and for organizing a memorable field trip for me. Finally, I want to thank the Swiss National Science Foundation (SNF) for one year's generous funding of my research abroad.

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Follow-up information on this book and related research can be found on the website www.johannes-hirata.de.

J.H., September 2006

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Chapter I

Introduction

A good society will be inhabited by happy people. They need not be euphoric all of the time and may even experience occasional episodes of unhappiness. A good society will also be characterized by many other distinct features apart from happiness. But if most of a society's members are not generally happy most of the time, we would hardly speak of a good society.

Even a good society will not be perfect, however. Believing in the possibility of the reality of a perfect society would not only be naïvely utopian but would also sketch a problematically deterministic image of the ethical idea of goodness. Societies do not make up a scenario of the perfect society after which they strive, but they nevertheless seek to improve their condition. Even with an incomplete and vague notion of the ultimate ideal destiny, it is of course still possible to meaningfully reason about what ought to be the next step in the right direction. This is the challenge of good development—the dynamic corollary of the static idea of the good society—, and all societies are confronted with it as long as they are not perfect—in other words, for eternity.

If happiness is a characteristic of a good society and development a gradual movement towards a good, or better, society, then happiness appears to be a natural candidate as an objective for development policies. Yet, if happiness is not the only characteristic of a good society, good development cannot simply be the maximization of happiness regardless of all other possible considerations. The role of happiness will therefore have to be more subtle than this. This is what the following reflections are about.

The problem

Earlier generations could not have imagined the speed and extent of the technological and economic progress that has taken place in the wealthier countries over the last several decades. In only about a hundred years' time, then revolutionary luxuries like telecommunication and automobiles have become standard goods accessible to most households. In less than 10 years, mobile phones, personal computers, e-mail, and internet access have become widely available and affordable, radically changing people's daily lives.

Yet, at the same time these same societies continue to struggle with social ills. High unemployment is a problem in many high-income countries. Violence, crime, and vandalism show no sign of abatement, with some societies having close to 1% of their population imprisoned at any given point in time. Loneliness, depression, alcoholism, and suicide continue to afflict wealthy societies and even appear to have risen in some countries. Obesity and other diseases of affluence are rising rapidly around the world, and work-related stress and sleep deprivation are becoming serious concerns in an increasing number of societies.

The disparity between economic progress and continuing social ills is striking. One need not believe that we are on the whole living worse than earlier generations to be convinced that we should be living better than we are. There is an apparent paradox: We clearly have more options to choose from, more resources to transform into what we like, better living conditions to satisfy even our fanciest needs, but yet our lives appear to be riddled with many of the same problems as those of our forefathers, minus some that we have managed to reduce (such as mortality and morbidity), plus a couple of new ones (such as obesity and stress).

For a long time, the question of whether we are happier today than were earlier generations was a rather speculative debate, based on purely intuitive inferences from some arbitrary selection of indicators and therefore easily refutable. Recent empirical research on happiness, however, now allows us to come to much more precise conclusions. More importantly, it allows us to analyze the relationship between a person's degree of happiness and her living conditions and life concerns. Whereas the answer to the question of whether we have become happier or not will merely satisfy a curiosity, detailed evidence on the relationship between happiness and other factors promises to deliver some valuable insights and ultimately a better understanding of the effects of economic and technological progress on our well-being.

Research question

Getting a better understanding of what makes us happy would be a formidable achievement, but, if it is agreed that happiness does not exhaust the relevant concerns of a society, it would not by itself provide any normative conclusions. Knowledge and understanding of happiness can only become normatively meaningful when they are embedded in a comprehensive conception of good development.

The question that organizes this text is therefore as follows: *What is the appropriate role of happiness within a comprehensive conception of good development?* The implicit ambition is thus to understand if and to what extent good development is a matter of happiness.

This question naturally raises a host of related issues and problems that will need to be discussed in this context. However, for the sake of focus and coherence, not all problems and concepts that will be touched upon will be dealt with in depth. Instead, the focus is on five interrelated elements of a coherent chain, or rather network, of reasoning. These elements are (1) the analysis and interpretation of the empirical evidence on happiness, (2) the clarification of a conception of ethics, (3) of a conception of happiness, and (4) of a conception of good development, and finally (5) the policy implications of the insights gathered.

Perspective and methodology

The research question is clearly normative, as indicated by the terms "appropriate" and "good" (as an attribute of "development"). The answer to a normative question must of course also be normative; any attempt to give a positive or "objective" answer would be bound to miss the point. Yet, the kind of normative answer that the above question demands is not of a prescriptive nature but rather of an orientating one. In other words, instead of moral judgments of what ought to be done, or technical knowledge of what can or will be done, we will be looking for ethical *orientation* that ought to guide our judgments.

The systematic basis for this kind of normative reflection and affirmation is not a given set of values that is intuitively affirmed or not, but rather the universal grammar of reason that we implicitly adhere to—and expect others to adhere to—each time we sincerely engage in an argumentative conversation, i.e., in a discourse (cf. ch. IV).

The natural way to proceed on this course is a critique of the normative content of incumbent theories of happiness and of development. Contrary to what their proponents might believe, such theories are never value-free or value-neutral—and neither should they try to be. The challenge is therefore not to separate the "pure" theory from its normative "contaminations", but to come up with a well-reflected normative conception and to bring it to the light of day (Ulrich 2001/1997:13, 95ff). Only such a normatively well-founded conception will be able to provide normative orientation that can meaningfully guide judgment. It cannot, however, deliver a toolbox of prescriptions or precise evaluative criteria for "optimal" development.

The deeper reason for this has to do with the nature of ethics itself. Dealing essentially with the question of the proper use of human freedom (of will and of choice), ethics must be inherently indeterminate. This is a major, perhaps the fundamental, characteristic that distinguishes the ethical perspective from other scientific disciplines. Respecting indeterminacy means that one must not expect to find a grand unifying principle and that one must be prepared to live with theoretical incompleteness and irreducible ambiguities. This methodological problem reflects the normative-practical problem of the normative irreducibility of conflicting interests (which in turn is a corollary of freedom itself). Since it is apparently not possible to ethically defend a grand "objective" principle by which conflicts of interests could be "solved", the "correct" intermediation between conflicting interests becomes a matter of an (indeterminate) discursive appraisal of the specific reasons the concerned individuals' may have. The implications of the indeterminacy of ethics will be a recurrent theme throughout each of the following chapters.

While the perspective of this study is ethical and therefore theoretical, it will make extensive use of empirical evidence to inform and test the theoretical conclusions. To be sure, empirical evidence itself cannot deliver any normative conclusions out of itself, a common error known as the naturalistic fallacy. Yet, ethical theory would remain purely formal, and therefore of little significance to real-world problems, if its general principles were not explicated with respect to concrete situations, however contestable any such exercise must ultimately remain. After all, ethical problems are always posed by real life, and practical ethical orientation therefore always requires the concretization of formal ethical principles.

An evaluative approach to questions of societal development can take one of two basic forms. It can be historical, comparing the state of a given society at different points in time or of different societies at the same point in time. Such

an approach would answer questions of the type "Are we living better today than fifty years ago or than society *X*?". Alternatively, the approach can be systematic, investigating to which degree a society is realizing its potential, answering questions of the type "Are we living as well as we could?" The approach adopted here will be the systematic one, even though some historical comparisons will also be made to enrich the analysis.

Ambition and scope

The theme of this study revolves around the two concepts that dominate the research question: happiness and good development. These two concepts will therefore form the gravitational centre around which the reflections will be organized and which defines the boundaries for the discussion.

Happiness is a concept that can be looked at from a number of angles. In the present context, happiness will be of interest in so far as it relates to the question of societal development. To clarify the concept as such and to prepare the ground for a meaningful discussion of happiness with respect to development, a number of different approaches to happiness will need to be touched upon. These include a psychological and social psychological, a linguistic, and a philosophical approach. Notably, and in contrast to most recent contributions to the happiness literature, the approach taken here will specifically address the problem of conflicts between one person's happiness and that of others. This also means that a society's aggregate happiness will only be referred to as a statistically informative figure but not as an indicator with immediate ethical significance. In other words, the harmonious idea of "social welfare" as the consolidated ethical balance of a society's well-being (cf. p. 134) is dropped in favor of a more adequate and conscientious, albeit technically less accessible, appraisal of the normative aspects of happiness.

The discussion of the concept of good development will be restricted to two disciplinary approaches. Primarily it will be analyzed as an ethical concept. In order to keep the argument comprehensible, even for those unacquainted with ethical theory, and to avoid misunderstandings due to particular presumptions, the conception of ethics adopted here, including its key concepts, will be explained and defended. As will become clear, a conception of good development will depend fundamentally on a conception of the good life, which therefore will need to be included.

The discussion of good development from an ethical point of view will then fade into the (closely related) perspective of political philosophy. The latter will allow us to develop some policy implications. However, instead of formulating "policy recommendations" as known from, e.g., normative economics, the practical conclusions will be embedded into a refined concept of democracy, specifying *in which way* the results of this study ought to affect policy decisions, rather than which precise policy decisions ought to be taken.

Economics will come into play in two different roles. First, its normative theory of good development and its model of human decision making will be the object of a critical analysis. Second, the argument will make use of economic theory to understand the nature of economic growth and of competition.

The concept of development will be looked at in a wider sense. In particular, it will not be understood merely as a matter of policies or "rules of the game", but also as a matter of individuals actually being able to do particular things and to be who they want to be ("capabilities", cf. pp. 104). What is more, the question of the good life will be considered not only as a matter of living conditions (what people could do), but also as a matter of what people actually do within these conditions, including how they feel and how they evaluate their lives and the state of the world they live in.

Outline and reading guide

The text will begin with a presentation of the problem described above, i.e., the "happiness paradox" of the coexistence of tremendous economic growth and stagnating subjective well-being (SWB). Chapter II will present the relevant empirical evidence after some introductory clarifications concerning the concept and methodology of subjective well-being research.

Chapter III will deliver an interpretation of that evidence from within the (welfare) economic perspective, suggesting a set of concepts that may (partly) explain the observations. As will become clear, however, the empirical method provides only limited access to the phenomenon of happiness, making it necessary to take a broader perspective.

This is the starting point for chapter IV, in which happiness is discussed from an ethical perspective. The first part of that chapter will clarify the ethical point of view, making a distinction between a teleological and a deontological perspective (a recurrent theme). Subsequently, the concept of happiness itself will be

discussed, culminating in a normative conception of happiness as a self-transcendent phenomenon.

The connection of the concepts of happiness and good development is the subject of chapter V. It begins with a discussion of the normative notion of good development along the lines of the two-dimensional conception of ethics introduced in the preceding chapter. The subsequent section addresses the question of how the ideal notion of good development relates to the practice of development in the face of concrete challenges, arguing that practice must always be oriented by ideal ethical principles ("regulative ideas", cf. p. 18). Finally, the role of happiness within a conception of good development will be discussed.

Chapter VI is concerned with the practical implications of the findings on the practice of development under the premise of democracy. It will not formulate any prescriptions ("policy recommendations"), though. Instead, it will explain how the way of thinking and decision-making—of individuals or societies—might change when happiness is taken seriously. The chapter concludes with an outline of the limitations of the happiness perspective.

The conclusion (ch. VII) will close the text with some general reflections on the results obtained. It will close the circle that has been opened in the problem statement through a reassessment of the role of economic growth in good development.