1. Happiness and quality of life reconciled

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The professed object of Dr Adam Smith's inquiry is the nature and causes of the wealth of nations. There is another inquiry, however, perhaps still more interesting, which he occasionally mixes with it, I mean an inquiry into the causes which affect the happiness of nations or the happiness and comfort of the lower orders of society, which is the most numerous class in every nation. I am sufficiently aware of the near connection of these two subjects, and that the causes which tend to increase the wealth of a state tend also, generally speaking, to increase the happiness of the lower classes of the people. But perhaps Dr Adam Smith has considered these two inquiries as still more nearly connected than they really are; at least, he has not stopped to take notice of those instances where the wealth of a society may increase (according to his definition of 'wealth') without having any tendency to increase the comforts of the labouring part of it. I do not mean to enter into a philosophical discussion of what constitutes the proper happiness of man, but shall merely consider two universally acknowledged ingredients, health, and the command of the necessaries and conveniences of life.

(R. Malthus, 'An essay on the principle of population', ch. 16)

1 HAPPINESS AND QUALITY OF LIFE

Once upon a time, when many basic needs were unmet, economic indicators were a very good first approximation of how well a nation was doing. As nations became wealthier and basic needs were largely met, standard economic indicators (such as GDP) increasingly missed their target. We have argued to this point that national economic indicators alone are now 'out of sync' with national well-being in the developed nations. While wealth has trebled over the past 50 years, for example, well-being has been flat, mental illness has increased at an even more rapid rate, and data, not just nostalgic reminiscences, indicate that the social fabric is more frayed than it was in leaner times. These inadequacies lead us to advocate that an ongoing system of indicators be instituted by governments and organizations to track well-being over time.¹

Economists, however, have only in the last decades begun to be interested in happiness, an interest that represents a methodological revolution greater than the happiness research alone. In the last two decades, behavioural and experimental economics have shown that *homo*

2 Research methods and applications in happiness and quality of life

oeconomicus is more complex than both empirical evidence (that is an old truth) and economics models show. We economists are discovering not only that genuine people in real economic and social interactions behave differently than hypothesized by mainstream neoclassical economics (maximization and instrumental rationality), but that even the purest economic choices – studied in lab experiments where any frictions of non-economic factors are controlled – differ from the *homo oeconomicus* models, as shaped by Pareto and his followers in the twentieth century (from Hicks to Samuelson to Binmore). Mainstream economics now is recognizing that there is no reason for continuing to do economics based on a priori assumptions that do not help to understand and predict even simple economic actions and choices.

The most recent happiness research has to be situated in congruence with the quality of life movement, which began in social sciences around the mid-twentieth century. In fact, happiness in economics can also be interpreted as the confluence of different strands of research in other sciences: the quality of life research on the dark side of economic progress, and social and experimental psychology. These two streams of research have both influenced Easterlin (via Cantril), Scitovsky, Frank and the other economists who are pioneers of happiness in economics (Bruni, 2006).

In fact, social scientists other than economists have been working on the theme of subjective well-being for decades. Sociologists were perhaps the first to find ‘empirical’ indicators of the *standard of living* that went beyond the GDP per capita. Back in the 1920s William Ogburn² launched a social research programme on ‘quality of life’ which generated the important ‘movement of social indicators of the quality of life’ which, a few years later, spread from the United States to Europe.³

The rise and diffusion of this movement were favoured by the cultural climate of the 1960s which sought to overcome a pure economic conception of the process of economic growth. There were many economists (for example Myrdal, Galbraith, Hirschman) who were also working outside of the mainstream of pure economic theory. Their works were sources of inspiration for many social scientists, and fostered research projects on the definition of social indicators. The aim was to find operational solutions capable of effectively quantifying the concept of ‘quality of life’ in order to arrive at a sort of ‘social accountability’ (Veenhoven, 1994). This ‘quality of life movement’ (Offer, 2003) emphasizes mainly ‘objective’ and normative (or ethical) ingredients of a good life, while the later ‘happiness movement’ is characterized by a more ‘subjective’ approach, based on self-reported evaluations (questionnaires). In fact, mostly thanks to Sen and his school, the category of *quality of life* tends to encompass

new indicators such as democracy, social capital, health, rights, freedom, working conditions and fundamental capabilities. In the 1990s, a 'list of fundamental human needs' was drawn up that was mainly based on Sen and Nussbaum's theory of capabilities. It later developed into the United Nations' Human Development Indicators, or HDI.

Thus, Sen widens the vision of well-being in its scope and definition, and emancipates it from the mere absence or scarcity of material goods. For the past few years, Martha Nussbaum has been seeking to wed Sen's approach with the basis of an Aristotelian and Stoic theory of happiness in order to arrive at an *objectivization* of the 'good life'. In her search to objectify and operationalize the *capabilities* approach, she concentrates her analysis on constitutional and political applications. Martha Nussbaum proposes a *normative* approach to well-being. Her theory is based on a list of fundamental capabilities, called *Central Human Functional Capabilities*, which equip human beings with the capability of *effectively* doing and being well. Though Sen shares the idea that the good life is not merely a subjective perception and that it should be measured by how people actually live, the methodological consequences of Nussbaum's response put him off:

I certainly have no great objection to anyone going on that route. My difficulty to accepting that as the only route on which to travel arises partly from the concern that this view of human nature (with a unique list of functionings for a good human life) may be tremendously over-specified, and also from my inclination to argue about the nature and the importance of the type of objectivity involved in this approach. But mostly my intransigence arises, in fact, from the consideration that the use of the capability approach as such does not require taking that route, and the deliberate incompleteness of the capabilities approach permits other routes to be taken which also have some plausibility. (Sen, 1993, p. 36)

Thus both the quality of life and the capability approaches consider self-reported happiness to be only *one* component of well-being (a capability or a functioning) that has to be anchored on more *objective* bases.

At the same time, happiness came to economics also as an internal evolution of a peripheral (but not irrelevant) component of the economics tradition. In particular, an important role has been played by the behavioural methodological revolution in economics. In fact, even though the lab experiments in happiness research are few, nevertheless most happiness research is based on subjective evaluations of people, and therefore all research is based on an assumption that would have scandalized economists such as Pareto or Samuelson: the cardinal measurement of happiness and interpersonal comparisons that the neoclassical paradigm had criticized and considered to be wrong for serious scientific analyses. Happiness research, in fact, as Pantaleoni (1889) was claiming against Pareto, should

interrogate people directly, because subjective analyses can profit from more information than the ‘naked fact of choice’, as Pareto says.⁴

Contemporary happiness studies combine with research on the quality of life, giving life to a sort of new ‘well-being movement’, where subjective and objective dimensions are intertwined. This movement directly inspires research projects for new national (subjective and objective) indicators that include essential elements of well-being (on the basis of self-reported data), such as the spacial dimensions of quality of life in the urban life, the happiness–wealth nexus (Ryff and Singer, 1998), or the importance of the ‘consumption’ of cultural goods and fine arts in human well-being.

This *Handbook* on happiness and quality of life is an expression of this new tendency to merge subjective and objective dimensions and indicators of well-being, with a special emphasis on methodology in indicators, on the history of ideas and the *relational* and eudaimonian dimensions of human well-being.

2 HAPPINESS AND WEALTH

Economic variables such as income, wealth or employment are important goals for a good life, individual and social. Wealthier people usually enjoy better health, longer lifespans, lower infant mortality rates and greater access to goods, services and education, and, in general, they have a greater freedom to choose. From the enjoyment of such benefits it should take just one short step to affirm that, on average, those who possess more are happier than those who possess less. Moreover, it is not difficult to agree with the thesis that it is very hard to be happy and run a good life under extreme poverty.

On the basis of these hypotheses, classical political economy, on its long journey of more than two centuries, began to investigate the means for living well, for reducing unhappiness by means of reducing material poverty, and so gained an ethical status. Then it became known as the ‘science of wealth’, with the ‘hope that poverty and ignorance may gradually be extinguished’ and ‘that all should start in the world with a fair chance of leading a cultured life, free from the pains of poverty and stagnating influences of excessive mechanical toil’ (Marshall, 1890, pp. 3–4).

Although its goal is far from being met, it has inspired economists to study the nature and causes of the wealth of persons and nations, with the hope and promise that an ever-increasing number of people will be able to enjoy basic material needs, therefore increasing public happiness.

In the last decades, however, something very subtle pertaining to human

happiness has begun to creep into economic thought. Doubts about the moral value of economic growth and the ethical bases of progress have arisen, fostered by the recent financial and economic crisis. A stream of inner critique of the values of modernity and market economy has characterized modernity since its very beginning. J.J. Rousseau is the main representative of this anti-modernity tradition, pointing out that in the luxury, avarice and the search for wealth lies the very main vice of modern ages. Not only socialism and Marxism, but also utopian socialists, some branches of the cooperative movement, a stream of the social doctrine of the church, have continued Rousseau's radical critical attitude toward the market and modern economy, which has flowed in parallel to the capitalistic river. During deep and long economic and social crises this anti-market-economy tradition is rising again, and is gaining a consensus in the public audience, the media and among intellectuals.

The literature on the 'paradoxes of happiness' offers material for the present-day critique of capitalism. In this chapter I will try to show that the messages that the issue of happiness has for economic life and theory are many, complex and old.

Since people's happiness began to be measured using questionnaires, then compared to traditional economic indicators such as income, wealth, unemployment and so forth, first in the United States, then in Europe, and now somewhat around the world, happiness has come to the fore in economics. Today it can be said that the theme of happiness is quietly but decisively changing how the economics of well-being is understood. In this regard the economist Giacomo Becattini wrote:

I could be wrong, of course, but if I am not mistaken, a paradigmatic revolution in economic studies is in preparation, though at the moment humbly, marginally, nearly clandestinely. A new 'economics of well-being' is subverting the apparently unchallenged domain of economic analysis of what, in the light of the dominant paradigm, is considered social reality. (2004, p. 1)

Even the earliest studies of the phenomenon known as the 'paradox of happiness' in economics suggested a more complex (with respect to the common understanding among economists and policy-makers) correlation between income and subjective happiness, or between economic well-being and well-being in general.

This paradox was preceded by a methodological innovation that the social psychologist Hadley Cantril implemented in 1965. He hypothesized something that economists would have considered simply naive, if not provocative: measuring subjective happiness, and in particular comparing the happiness of different individuals among themselves. Cantril administered questionnaires to people in 14 countries around the world,

from Nigeria to Japan, thus to a highly heterogeneous mix of cultures and levels of economic development. Among the various questions aimed at measuring people's 'hope, fear and happiness', the following question was included: 'Think of the worst situation in which you could find yourself and assign that 0 points; now think of the absolutely best situation and assign that 10 points. Now evaluate your present situation with a choice between 0 and 10.'

The challenge of Cantril's method – and of all the 'economists of happiness' after him – was that of thinking that a 7 by a Nigerian was comparable to a 7 by an American (a hypothesis entirely foreign to economics, as least from Vilfredo Pareto on),⁵ based on the hypothesis that these procedures are so fundamental that they are not significantly altered by cultural elements. Each person would know how to imagine his or her own best and worst worlds, as a cognitive operation that pertains to the human condition.

A strong thesis, to be sure, but it resulted in a notable series of studies in which the subjective dimension was taken seriously (the benefit of a methodological question is measured primarily by how fruitful it is over time). Prior to this period of studies on happiness, in economic orthodoxy it was recited that if you have more income or consumption, your well-being must increase, otherwise too bad for you! Or, in other words, economic growth can be expected to bring wealth and well-being, not happiness. If, however, wealth produces unhappiness, then the discourse becomes tremendously more complex.

A second stage is represented by the work of the American economist and demographer Richard Easterlin, who in 1974, originating from Cantril's data, officially opened the debate around the paradox of happiness in economics (in fact it is also known today as the Easterlin paradox). Easterlin collected data over a long period based on the subjective self-evaluation of happiness (not an 'expert' evaluation external to the person). His study essentially produced the following results:

1. Within a single country, at a given moment, once a certain threshold value of income is exceeded, the correlation between income and happiness is not always significant and robust, and the wealthiest people are not always the happiest.
2. The comparison between countries does not yield significant correlations between income and happiness, and, once a certain threshold has been exceeded, the poorest countries are not significantly less happy than the wealthiest.
3. Through the course of a lifecycle, people's happiness seems to depend very little on variations in income and wealth.

A third important step came in 1976, with Tibor Scitovsky's *The Joyless Economy*. Unlike Easterlin, Scitovsky was a prominent American economist, among the most famous and influential of his generation. That book actually lowered his reputation, since the economic science of that time was too caught up in the objective measure of wealth to believe that the lack of joy was a serious topic for economic research. That denunciation of unhappiness was prophetic though, and only today is its full import understood.

The Joyless Economy was part of a revolutionary phase of economic science between 1970 and 1977, a phase opened by the works of George A. Akerlof and Albert O. Hirschman and closed by the work of Amartya Sen. Between them came the contributions of Richard Easterlin on happiness (1974) and of Fred Hirsch on 'positional goods' (1976), both of which move in the same direction – a direction followed later by Ng (1978).

That direction was – as Hirschman would have said – to 'complicate' economics, contaminating it with other disciplines and other dimensions of human choice. As a matter of fact, until that time economic science was dominated by the analysis of equilibrium and the hypothesis of perfect competition, two ideal types which nevertheless functioned as a steel curtain that impeded economists from seeing the imperfections of real choices. This is why Akerlof, in introducing the concept of information asymmetry with his 'Market for "lemons"' in 1970, began a slow but inexorable process of rethinking rational choice. Hirschman achieved a similar result when, in his work *Exit, Voice, and Loyalty* (1982[1970]), he proposed thinking of the market not just in terms of 'exit' (as the then-current theory of markets proposed), but also in terms of voice, an instrument that the theory of that time considered the exclusive preserve of the political sphere. 'Rational fools' by Sen (1977) developed, and in some ways closed, the movement critical of rational choice (to which the works of Richard Easterlin and that of Tibor Scitovsky had contributed, though in different styles and modes of argument), precisely by examining the relationship between happiness and economics.

With the data on American society,⁶ Richard Easterlin showed the non-existent or highly restricted correlation between people's income and well-being, or between economic and general well-being. His work drew from experimental psychological research during those years. In particular, in 1971 the psychologists Philip Brickman and Donald T. Campbell, extending the theory of adaptation (or set point) to the study of individual and collective happiness, concluded that improvements in the objective circumstances of life (income and wealth included) produce only temporary, not lasting effects on people's well-being. In this manner, during those years something new in economic studies began to emerge.

Actually, *The Joyless Economy* presents far more than only the paradox of happiness that Richard Easterlin and Hadley Cantril previously highlighted. Tibor Scitovsky's work is essentially a critique of the American way of life, and, in a certain sense, the Western model of development of that time (and even more of our time). The book first associated with *The Joyless Economy* was Thorstein Veblen's *Theory of the Leisure Class* (1899[1998]). They share many similarities, including the European origin of both authors and their simultaneously internal and external view of the American reality. First, both are economic works, but both are also sociological and historical analyses. Both Veblen and Scitovsky drew upon the psychology of their time, looking to psychology for a more realistic and scientific foundation of human rationality than the simplified form of neoclassical science. Both indict the individual and collective illusion concealed behind the fever of conspicuous consumption, though Scitovsky is less critical of the social effects of conspicuous consumption. Finally, both Veblen and Scitovsky are critical of the American society of their times, but their analyses go beyond the historic and cultural context of those times, and in this regard both are capable of speaking to the current condition. Scitovsky levelled bitter and disappointed criticism against both the economy and the society of his time. He claimed that people have the technological and economic means to live a good life, but foolishly remain trapped in psychological and economic mechanisms fuelled by the interests of large corporations and by the requirements of their economies of scale. This is why the descriptive analysis of *The Joyless Economy* is constantly intertwined with normative and ethical considerations; without the ethical inspiration that flows through Scitovsky's work, only with difficulty can *The Joyless Economy* and the entire debate on economics and happiness be understood.

The expression 'paradox of happiness' refers to empirical data about two main but different issues:

1. Income and happiness at a particular point in time and place (country): richer people, on average, report higher subjective well-being.
2. Income and happiness over time: Easterlin (2002), Layard (2005) and many other economists claim that the available collected data 'do not encourage the idea that economic growth leads to greater well-being' (Oswald, 1997, p.1818), since the percentage of Americans, Europeans or even people from developing countries who in the questionnaires answer 'very happy' is decreasing.

In a nutshell, per capita income has risen sharply in most countries in recent decades, whereas average happiness has stayed constant or has

declined over the same period. The explanations of the paradox are many and controversial (Frey and Stutzer, 2001, 2002, 2005; Bruni and Porta, 2005, 2007; Oswald, 2012; Easterlin, 2005, 2010). There is, however, an idea present in all economic theories: economics, focused on its key variables (income, wealth, consumption), neglects something important which affects people's happiness. There are, in other words, some 'happiness externalities' that are not calculated in the standard economic analysis of income/wealth. In the 'transformation' of goods into well-being, something occurs to make the process more complex than standard economic theory supposes.

But apart from the technicalities of the debate on the economics of happiness today (where we find many nuances and controversies about data and interpretation), there is a very clear cultural message: in contemporary market societies, wealth and income, both at the individual and social levels, are linked in a deep relation with well-being or happiness, both individually and socially. The most important words about our lot are those embodied in the 'transformation problem' of goods into well-being, of *wealth* into *weal*. Neoclassical or mainstream economics, however, shows no interest in the transformation of commodities into happiness, stopping its discourse at the backyard of our well-being.

3 RELATIONSHIPS AND WELL-BEING

After more than two centuries from the 'public happiness' of the Italian Civil Economy, contemporary social sciences too now widely recognize the decisive role of interpersonal relations, particularly of *relational goods* (Gui and Sugden, 2005; Bruni, 2012, 2015), in the development of a good life. Research concerning the so-called paradox of happiness shows that it is the quality of genuine relational life (in a non-instrumental sense) that carries the most weight, even compared to income, in people's estimation of subjective well-being (Bruni and Porta, 2005).

Psychological studies in particular contain much empirical and experimental evidence on the subject. Daniel Kahneman, for example, has done extensive research that demonstrates the importance of relationality in the happiness of human beings. In a famous study, 900 Texas women were asked to assess how they spent their time, using his Day Reconstruction Method (DRM) (Kahneman et al., 2004). The results showed that in 14 out of 15 activities carried out during a day (in all except prayer), the women interviewed reported a greater self-evaluation of their own well-being when their activities were carried out in the company of other people. Two economists, Stephan Meier and Alois Stutzer (2004), on

the basis of German panel data⁷ from 1985 to 1999 (the German Socio-Economic Panel, or GSOEP), showed a robust correlation between voluntary activities (chosen as a sign of nascent relationality from intrinsic motivations) and subjective well-being. Furthermore, when psychologists analyse the characteristics of those who consider themselves more satisfied (and who are considered so by others), it emerges without exception that these people have meaningful and positive interpersonal relationships (Diener and Seligman, 2002).

Psychological studies thus offer much data that confirms the importance of relationality for people's happiness and satisfaction. Some scholars have defined relatedness as a primary need essential to well-being (Deci and Ryan, 2001). In particular, scientists who, inspired by Aristotle, consider themselves part of the eudaimonistic school of thought hold that there is a universal nexus between the quality of human relationships and subjective well-being: 'The evidence supports that the bond between relatedness and subjective well-being is complex. The studies suggest that, of all the factors that influence happiness, relatedness is very near the top of the list. . . . Furthermore, solitude is significantly correlated in a negative manner with affection and life satisfaction' (Deci and Ryan, 2001, p. 154).

Finally, in research at the CISEPS research centre at Milano-Bicocca University (Bruni and Stanca, 2008), carried out on the basis of data from the World Values Survey (264 000 observations originating from 80 countries, between 1980 and 2003), a strong correlation emerged between the time that a person spends in activity with a relational component (with friends, family, or in volunteer work) and the self-evaluation of subjective well-being (or happiness), a correlation that remains robust even when controlling many other variables (age, geographic region, education, culture, and so forth).

This brief and partial overview suggests that empirical studies convey a clear and universal message: people's happiness depends in large measure on genuine relationality (relational goods).

For about forty years happiness – or rather, unhappiness – has come back into focus in economic science, thanks to several empirical studies showing that in affluent societies happiness is not only not increasing, but is probably decreasing. For some this fact may be a paradox; for those who have followed my argument thus far it is not at all, since unhappiness, the lack of blessing, is the principal outcome of an economics that has sought to avoid being 'wounded' by the other. Today, in fact, the theme of happiness is found in major publications on economic theory, academic journals dedicated to the study of happiness are increasing, and there are repeated scientific conferences on the issue. Only a few modern scholars recognize that happiness was a component of economic science

during its early stages in Italy, but this should not come as a surprise, given the nearly total lack of historical sensitivity among most economists who work with data and formal models.

4 TREADMILLS AND SOCIAL COMPARISONS

Cantril, Easterlin and Scitovsky were undoubtedly the pioneers in decrying the unhappiness in contemporary economics, known today as the ‘paradox of happiness’.

The ‘paradox of happiness’ signifies a large body of data (still largely controversial) that, beyond the various successive theories and interpretations, nevertheless substantially agrees on one point: once per capita income has exceeded a certain threshold that permits one to live ‘decently’, it no longer remains an important factor in people’s subjective happiness, or in any case it is far less important than other factors, such as relational and family life or health.

Today the explanation for the lack of correlation largely revolves around the metaphor of the treadmill: an increase in income brings with it an increase in something else, exactly as with a treadmill, on which a person runs while actually remaining stationary because the belt moves in the opposite direction underfoot.

Daniel Kahneman (Kahneman et al., 2004), a psychologist and a Nobel laureate for economics, distinguishes between two types of treadmill effect: the hedonic treadmill and the satisfaction treadmill. The hedonic treadmill draws from the theory of adaptation level – those with a low income, for example, use utilitarian cars, which generates a ‘hedonic’ (or pleasure) level of a ; when income increases they purchase a new luxury car which, after having caused an increase in well-being for a few months ($a + b$), soon falls back to the same level of well-being of the utilitarian car (a) due to the effect ($-b$) of a psychological mechanism of adaptation.⁸ The treadmill of aspirations, however, depends on the level of aspiration, which ‘marks the boundaries between satisfactory and unsatisfactory results’ (Kahneman et al., 2004, p. 98). When income increases, it so happens that this improvement in material conditions causes people to demand more and more intense pleasures to maintain the same level of satisfaction. The satisfaction treadmill – which normally is added to the hedonic treadmill – thus works in such a way that subjective happiness (the self-evaluation of one’s own happiness) remains constant despite the increase in objective happiness (the quality of goods consumed). Thus in the example of the car, with the higher salary my aspirations about the ideal car increase, and this makes it such that I will experience the same level of satisfaction

before the increase in income (although I am objectively more comfortable in the new car). Advertising is a powerful mechanism that leverages these ‘treadmills’ precisely.

It is interesting to note that in the realm of material goods, adaptation and aspirations have a near total effect – increases in comfort are almost completely absorbed after a more or less brief time. These effects thus determine a ‘destruction of wealth’, or better yet, a non-efficient use of the same. Why? Because there are other, non-economic environments in which adaptation and aspirations play a lesser role, such as in family, emotive and civil environments. To give an example, it has been amply documented that, on the average, people who maintain deep emotional and stable relationships are relatively happier. So in family life, though there exists an effect of adaptation and aspiration, the adaptation is not total, and a rich family and relational life makes one happier (Easterlin, 2005).

A third explanation of the paradox of happiness, the one most widely accepted by economists, places emphasis on the ‘positional’ effects of income and consumption. This hypothesis – which historically goes back to Thorstein Veblen’s work on ‘conspicuous consumption’, and more recently on ‘relative consumption’ by James S. Duesenberry – lies in the insight that the pleasure we draw from consumption depends primarily on the relative value of the consumption itself, that is, how the absolute level of our consumption differs from that of others with whom we normally compare ourselves. As an example, if my income increases, say, by 10 per cent, but that of my office co-worker increases even more, say, by 15 per cent, I could find myself with an increased income along with increased dissatisfaction. A human being, it seems, values his or her things through the eyes of others. The interesting point is that these ‘positional’ mechanisms lead to failures of economic rationality – or how economics has traditionally understood it. This is the well-known dynamic of so-called ‘negative externalities’; consumption by others ‘pollutes’ my well-being, a case in which market competition is not civilly beneficial but destructive of individual and collective resources. That is why some authors (Richard Layard and Robert H. Frank, in particular) propose using taxation to reduce consumption of such conspicuous or relational goods, just as demerit goods are taxed (for example distilled spirits) because they are considered socially harmful and addictive.

These three brief explanations of the paradox incorporate a certain sociality; on Robinson Crusoe’s island such phenomena, which presuppose society (at least the presence of Friday, the native islander), would not occur.

5 A CRITICAL EVALUATION OF THE DEBATE ON HAPPINESS

At this point a crucial question must be raised: which happiness and which sociality do contemporary scholars have in mind when trying to explain the paradox of happiness in economics? In general the theories set out above suffer, in varying degrees, from a high degree of anthropological reductionism. In these the individual human is essentially envious, vying with others over goods. Layard states that whether we like it or not, human beings are rivals, and it is time for mainstream economics to incorporate 'this key element of human nature' (Layard, 2005, p. 147).

No one denies that humans are *also* like that; in my view, however, it is a mistake to think that envy and rivalry are the fundamental anthropological characteristics that explain human happiness. While it is not difficult to agree with many economists that frustration and dissatisfaction are a consequence of high expectations (driven by advertising) and positional comparison with others, I do not believe that we can consider human happiness as something limited to the dimensions of envy and competition. In other words, current prevailing theories seem to me to be good explanations of unhappiness and frustration, but I am not convinced that they are positive theories of human happiness, which is more than and different from having a car or house more or less as large as those of the neighbours. Indeed, comparison with others is frequently frustrating, but we hardly consider our lives happy or fulfilled because we consume more than our co-workers.

That does not mean that current studies on happiness do not represent an important innovation. More should be done in areas that include the relational dimension within the analysis of happiness. Indeed, although scholars of happiness, and in particular of so-called behavioural economics (studied by scholars such as Daniel Kahneman or Robert Sugden), may have made a few advances with respect to the 'official' neoclassical economics, I do not think that the question can be considered settled. In particular, Daniel Kahneman was among the first to propose a more objective measurement of happiness (with respect to the simple subjective approach of the hedonistic economists of the late nineteenth century, such as William S. Jevons or Francis Y. Edgeworth) with his Day Reconstruction Method (DRM), but more still needs to be done.

On the one hand, in studying human feelings empirically, the economics of happiness is not closed to the feelings that arise from intrinsic motivations and social and relational needs. In this approach, relational goods are ranked on the basis of the happiness and pleasure they bring to the individual (as previously mentioned in reporting the results of Kahneman's

surveys). On the other hand, however, the approach of the psychological economists is still hedonistic (based on pleasure) and not eudaimonistic (based on happiness, in the Aristotelian sense of 'the good life'). In fact, no real distinction is made between pleasure and happiness, and the entire evaluation of happiness is entrusted to subjects who must self-assess their own level of subjective well-being (as in Cantril's methodology). What problems might such a method contain?

At least two. The first could be called 'the Scitovsky effect'. If the perceived pleasure of a good is entrusted solely to self-evaluation, it must be kept in mind that there is a strong tendency to exchange creative goods for comfort goods; these may appear equivalent in terms of immediate pleasure, though in the long term the 'objective' happiness acquired from the two types of goods is quite different, as will be discussed later. We systematically commit 'short-sighted' errors in consumption.

The second we might call 'the Kahneman effect': there are important cognitive errors in the process of self-evaluation of subjective happiness.

Even if some day the DRM could be utilized extensively, the problem of adaptation would still remain. People adapt to goods, and, due to treadmill effects, in short order they no longer subjectively perceive an improvement in happiness, even though objectively they are better off. This adaptation produces an excessive (that is, inefficient) tendency to change and to acquire new goods that do not objectively improve our standard of living, but which subjectively 'deceive' us. I would like to draw attention to the fact that relational goods (spouse, children, friends, and so forth) are also subject to an 'adaptation effect'.

Can the quality of life, of happiness, be evaluated solely by subjective perception? Probably not, precisely because the adaptation effect can carry so much weight; making subjective self-evaluation the principal or sole indicator of happiness invites many mistakes.

For example, it invites assigning less value to civil goods such as rights and liberty, which are difficult to translate into terms of subjective happiness, but which instead carry a great deal of weight in objective terms (consider what happens when they are taken away). If Americans today were asked whether they would prefer a 5 per cent reduction in income tax or an analogous increase in democracy, it might not be surprising if most (not all, obviously) would barter their 'birthright' of democracy for a 'lentil stew' of income.

Or, for a second and final example, consider an emotionally stable family life that has 'adapted' less happily than the life of someone who changes partners as soon as he or she becomes bored with the previous one, looking for new stimulation and emotions.

Subjective happiness is certainly important, but it alone is not sufficient

to evaluate the goodness of life: the evaluation of well-being cannot be entrusted solely to self-evaluation. Just as the Gross Domestic Product (GDP), which measures the wealth of a country, is insufficient as an indicator of well-being, so it cannot be replaced with an alternative indicator of subjective happiness. Certain civil values indispensable for 'human flourishing' (or *eudaimonia*) are not easily translated into either GDP or individual perceptions of happiness. Sometimes a greater liberty can be emotionally costly and will not translate into pleasurable sensations (at least in the short term), and may require great injury to be endured before enjoying great blessing. If pleasurable sensations were enough, then the whole question of human happiness could some day be resolved with the appropriate psychoactive drugs or technological equipment.

The thesis of Amartya K. Sen on the 'happy slave' is always relevant in this regard:

It is quite easy to be persuaded that being happy is an achievement that is valuable, and that in evaluating the standard of living, happiness is an object of value (or a collection of objects of value, if happiness is seen in a plural form). The interesting question regarding this approach is not the legitimacy of taking happiness to be valuable, which is convincing enough, but its exclusive legitimacy. Consider a very deprived person who is poor, exploited, overworked and ill, but who has been made satisfied with his lot by social conditioning (through, say, religion, political propaganda, or cultural pressure). Can we possibly believe that he is doing well just because he is happy and satisfied? Can the living standard of a person be high if the life that he or she leads is full of deprivation? The standard of life cannot be so detached from the nature of the life the person leads. (1993, pp. 39–40)

For Sen, here in perfect agreement with Aristotle, the good life is measured on the basis of how much people do and can do (capabilities), not on the basis of what they feel (subjective happiness). So, as these examples demonstrate, if people adapt to the vicissitudes of life (as Kahneman explains), their overall self-assessment of happiness can simply be wrong.

Modern democracies need more indicators of well-being, in addition to GDP – and this *Handbook* says this clearly. Any *reductio ad unum* always places democracy and freedom in danger since, paraphrasing Plato, happiness is one, but happinesses are many. What then does the study of happiness add to the understanding of social reality and well-being?

If happiness is just a new name for utility, then why disturb (and perhaps devalue) this ancient and honourable word? If, with respect to classic utility, happiness were to add only the empirical dimension of self-evaluation, then it would be sufficient to speak of subjective utility, or self-evaluated utility, rather than happiness.

Jeremy Bentham transformed hedonic happiness into utility; perhaps

today more is necessary. If, instead of utility, the word ‘happiness’ is used today with a new and truly relevant meaning for civil life, then the Aristotelian tradition (happiness as *eudaimonia*) must be taken seriously, as well as neglected categories such as ‘relational goods’ (Becchetti et al., 2015). Economics needs a therapy of relationality: this *Handbook* can be a modest but not irrelevant contribution in this direction.

PIER LUIGI PORTA (1945–2016)

Pier Luigi Porta, the co-editor of this *Handbook*, passed away on 29 January 2016. The day before I sent to him the first draft of the (beautiful) cover of this *Handbook*, to which he devoted his remaining energies in the last three years of his scientific activity. This volume is dedicated to his memory.

He was an economist and an outstanding historian of economic thought. He retired from the University of Milan Bicocca (of which he was among the founders at the end of the 1990s) last November. His life ended together with his job, that he intended and lived as an authentic vocation, from the beginning to its end. He wrote about 150 scientific works. He studied economics at Bocconi University in Milan, with Professors Giovanni Demaria, Innocenzo Gasperini and Tullio Baglioni. Then he went to Cambridge and studied with Nicholas Kaldor, Luigi Pasinetti, Joan Robinson, Richard Kahn, Austin Robinson, Phyllis Deane, and in particular, with Piero Sraffa. After a long and deep work on the classical school, in 1992 he edited a manuscript of Ricardo, published as a companion volume of the *Collected Work of David Ricardo* by Piero Sraffa (*Notes on Malthus's ‘Measure of Value’*, Cambridge University Press). He felt very close to the spirit of the Cambridge tradition, where economics was intended to be in structural dialogue with human welfare, history and ethics. From the early 1990s, owing to his original interest in Ricardo, Marx, Sraffa and Smith, he opened two new research projects. He started to be interested in the theory of *civil society*, on the basis of a new reading of the classic figures of the Milanese and Italian economic traditions: Verri, Beccaria, Cattaneo. He was among the first to rediscover the Italian *Economia civile*, a long systematic work that was crowned by the editing of Pietro Verri's economic works (*Scritti di economia, finanza e amministrazione*, Edizioni di Storia e Letteratura, 2006–2007), that was awarded the Eshet prize for the best monograph. Finally he started to work on *Economics and Happiness*, organizing many conferences in Milan, and edited a book that is now a classic of the field (*Economics and Happiness*, Oxford University Press, 2005). Pier Luigi was a very generous

and kind person, who devoted extraordinary care in teaching and following young scholars, myself included. He has been an authentic master and a very dear friend. It is hard to publish this *Handbook* without Pierluigi. *L.B.*

NOTES

1. On the quality of life in urban cities, cf. also Glaeser et al. (2014).
2. It began with a brief article in the *American Journal of Sociology*. It was composed almost entirely of 41 graphs that demonstrated the course of a few social variables chosen as gauges of the quality of life in America during the great depression (Ogburn, 1935).
3. In 1954, the United Nations nominated a commission for the task of improving the studies on living standards by defining more precisely the items which make up the *standard of living* concept as well as their indicators.
4. On the historical foundation of this present debate see Bruni and Sugden (2007).
5. In fact, over about the last hundred years, following the work of Vilfredo Pareto (and later Samuelson, Robbins and many others), economic theory no longer considers interpersonal comparisons useful, because it considers individual minds inscrutable. From this point of view, then, the economics of happiness takes up the economic methodology from the utilitarian period prior to Pareto, when such interpersonal comparisons were considered perfectly legitimate.
6. In fact Richard Easterlin used Hadley Cantril's 1965 data, which drew upon different countries around the world, including developing countries.
7. The panel data is relative to one sample of subjects followed over time, making possible several types of intertemporal analysis, which is important for following the evolution of a given characteristic over time (for example the relationship between changes in income, health or subjective well-being).
8. For Daniel Kahneman, it is the experience of something new that leads to an increase in pleasure, which however, by definition, is short-lived. Returning to the example of a new car, in the early months when we drive the car we are always thinking about its newness, and we enjoy the technological innovations, accessories, and so forth; after a few months we listen to the radio while driving, and we no longer perceive the increase in subjective well-being.

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