

## Are Subjective Well-being Indicators Subjective?\*

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**Abstract:** If I add six tea spoons of sugar in my cappuccino, and I find it tasty to the extent that I am satisfied and happy with my breakfast, who is that other person to tell me that the indicators of subjective well-being, according to his findings, reveal the otherwise? To what extent do subjective well-being indicators remain subjective, when they are detected, codified, standardized and published by a third party? In this paper I argue that a successful attempt to standardize the determinants of subjective well-being has nothing else but the enhancement of our understanding of objective well-being indicators. Scholars and policymakers may attempt to codify varieties of subjective well-being methodologies and indicators, but only to realize that the standardization reduces the meaning of subjectivity of indicators. This is because, and that is how I see it, subjective well-being indicators make sense when they are left to be subjective. I argue that in order to understand the determinants of the methodology and indicators of subjective well-being we must start, as the first step, observing the personality and the role of policymakers and scholars in improving the well-being of other individual subjects in the society. This is an important step to be used to remind policymakers and scholars about the quality of the expected outputs and about the fact that they should not pretend to know subjective well-being better than the way individual subjects in the society perceive their own subjective well-being. Scholars and policymakers may detect, codify and standardize determinants of subjective well-being, however if they were not well prepared for such a task, they will find out that immediately after publishing them, the extent of subjectivity of these indicators is questioned.

**Key words:** subjective indicators; objective indicators; natural events; unnatural events; experts of well-being of others; subjective methodology; objective methodology

**JEL codes:** B4, I3

### 1. Introduction

May I start this presentation by asking stimulant questions: If I add six tea spoons of sugar in my cappuccino, and I find it tasty to the extent that I am satisfied and happy with my breakfast, who is that other person to tell me that the indicators of subjective well-being, according to his findings, reveal the otherwise? To what extent subjective well-being indicators remain subjective, when they are detected, codified, standardized and published by a third party?

To answer these questions I will first start by classifying two types of events that are related to well-being:

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natural and unnatural events. Then I will observe the personality and the role of experts in improving the well-being of others. This will be followed by a classification of these experts into four groups according to the type of indicators and methodology they use. Then at the end I will give answers to the questions.

## 2. Natural and Unnatural Events and Happiness

From anthropological point of view, a society, whether is open or closed, has a culture. And in every culture there are happy and unhappy moments caused by natural and unnatural events. Natural events, as it is used in this paper, refer to those phenomena that occur beyond human control. A good example of natural events that may lead to unhappiness in the society is the breaking news of the death of a person or when there is an extended drought and when there are other natural disasters and calamities such as El Nino that destroy harvests, properties and other assets and even may physically hurt people and displace them. These are negative natural events that when occur the society becomes unhappy, despite the fact that the victims usually do not find somebody who is directly responsible for their unhappiness. "It is God's plan". That may be a well-known justification of the effects of these natural events.

On the other side there are also natural events that bring happy moments to our societies, or at least do stimulate those moments of time when people in the society celebrate the way they lead their lives. These are the moments of happiness that are expressed, for example, when a new infant is born, when there is a good rainy season and when the harvests are better beyond historical averages. These are times when the society behaves like the way the Germans do in *Oktoberfest*. It is the time to dance, eat and drink as the society gather together to celebrate and to appreciate the fact that they are still living. I see it as a manifestation of natural happiness from natural events. These are natural events in human life, if you look at them as they present themselves in the society. Wherever the society is found (in Africa or Europe or in the Americas), these moments of happiness are due to natural events and are always interesting to observe.

On top of natural events there are 'unnatural' ones. These are human-made events that affect the life of people and they have a great impact on the way people perceive life. These unnatural events are planned and executed by human beings either as individuals or as a coordinated group in either private or public, local or international organizations. Think about government intervention in the economy and how it makes people either happy or unhappy. Think about the outcome of political campaigns and political elections. Think about social, economic, political exclusion and inclusion, civil wars and all kinds of social segregation, class struggle and systemic oppressions in the world. Today we even talk more about how people are denied the right to medical care, employment, leisure, education, ownership of properties, etc. Most of these phenomena are human-made and have an impact to the life satisfaction and eventually happiness of the people in the society.

**Table 1 Natural and Unnatural Events and Happiness**

	Natural events	Unnatural events
Happy moments	Good Rainfall, Good weather	Social, financial, economic and political security and achievements.
Unhappy moments	Flood, hurricane, death, Earth quakes	Poverty, civil wars, Diseases, oppression, Exclusion.

Source: Author

## 3. The Expert of Well-being of Others

At the heart of these natural and unnatural events comes a third party who is interested in the life satisfaction

of people, well-being of people and happiness of people<sup>1</sup>. Whether this person is known as a scholar or policymaker, a technocrat or philosopher, and so forth, I call this person an Expert of Well-being of Others (EWO). The agenda he has is to use certain indicators and methodologies of life satisfaction, happiness and well-being to reach certain goals such as rating of happiness in the society. The EWO can also benchmark the results to find out who is relatively happier than the other and eventually use the finding for policy design, policy evaluation and offering suggestions to the authorities on how to monitor and manage people given the level of their happiness. It is a common practice for the EWO to conduct well-being research and to give values to the outcomes of natural and unnatural events in relation to the well-being of people. Hence, in most cases the information an expert has from the field is not the ends to itself but rather it is to be used as the means to attain certain objective ends.

Not very long ago experts were focusing on the maximization of material and financial wealth as the ultimate goal the society or organization should achieve. Profit maximization and utility maximization were seen in microeconomics to be essential in making people satisfied, and hence happy. On the level of macroeconomics, the experts once considered the GDP maximization as the dominant indicator of progress, growth and development of the country. Experts created their own formulas, models, theories, ideologies and various indicators that, from their own point of view, when applied could maximize profit, output and utility and hence improving the quality of living and eventually making people happy. However, these neoclassical-monetarist and classical-Keynesian positions (once known to dominate the schools of economics) are heavily criticized by most of today's EWOs who argue that the accumulation of material and financial wealth on its own does not guarantee long-term happiness. The happiness of people and their well-being is influenced by many other factors beyond material and financial gains. A good example of these factors is the degree of social participation and social engagement. Imagine the society is celebrating a good harvesting season, and you are excluded from participation, not because you had poor harvests, but your race, ethnicity, religion, nationality and even your socio-political and economic status make you undesirable. Will you be happy in such a community? Can we say good harvests, seen as material gain, on its own are everything for your happiness and well-being?

Despite the good progress the EWOs have already made today, especially in determining the indicators of well-being as they fill the gaps created by the dominant schools of economics, two types of indicators can still be considered to be the substance of further researches and debates. These are objective well-being indicators and subjective well-being indicators.

Objective well-being indicators are created by EWOs and usually represent a list of requirements that need to be satisfied if people want to lead to a good life. These requirements are detected and codified by the EWO, sometimes without even consulting people on the ground, and they are used as standard indicators in the evaluation of well-being. Just to give an example: an EWO, let us say from Jamaica, is designing indicators of well-being to be used in the evaluation of happiness in a certain village in Asia, and he travels to Asia to conduct research and after a time he publishes a research paper in happiness journals describing how happy people are in that Asian village. Such an expert may be alien to most of natural and unnatural events occurring in Asia, yet he is paternalistically applying his home-made well-being indicators to determine the well-being of others in Asia. In other words, his home-made indicators are considered to be objective because of the fact that he has detected them, codified them and standardized them without consulting people in Asia, yet he considers them to be the best indicators of the goodness achieved, not by himself, but Asians. Upon his return to his home after data collection, this expert use the

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<sup>1</sup> These terminologies are used interchangeably in the literature despite of the fact that they may have slight different definitions.

finding to declare the well-being of others and probably benchmarking the results with other results.

Subjective Well-being indicators, on the other hand, are created to fill the gap that is left open by the paternalistic nature of objective well-being approaches. A number of factors that raised concerns on the objective well-being indicators such as the lack of recognition of natural and unnatural events that affect the personality and culture of people, which might be considered a source of bias in terms of measuring actual well-being, are a matter of consideration in subjective approaches. The subjective indicators are supposed to base their notion of well-being on the fact that “people are reckoned to be the best judges of the overall quality of their lives, and it is a straightforward strategy for an expert to ask these people about their well-being” (Frey & Sutzter, 2008, p. 8). These subjective indicators are also supposed to contain people’s multidimensional evaluation of their own lives, including cognitive judgments of life satisfaction as well as affective evaluations of moods and emotions (Eid & Diener, 2003). Actually the definition of subjective well-being according to OECD’s *Guideline on Measuring Subjective Well-being* covers three relevant concepts: (1) *Life Evaluation* which involve a cognitive evaluation of the respondent’s life as a whole (or aspects of it), (2) *Affect* which capture the feelings experienced by the respondent at a particular point in time, and 3) *Eudemonia* (or psychological “flourishing”) which reflects people’s sense of purpose or meaningfulness of life. Well designed determinants of subjective well-being indicators, according to this OECD document, are supposed to allow the expert to only extract data on the above three concepts from the persons under investigation and use such data to determine their well-being by taking into consideration that there were no paternalistic influences of relevant concerns from the expert that disrupted the validity of collected data. In other meaning, as it has been argued by Pavot and Diener et al. (1991), experts are supposed to analyze “standards” constructed by individuals that they perceive as appropriate for themselves, and then comparing the circumstances of their life to that standard. Hence, while objective measures of well-being come from observed and actual conditions as perceived by the EWO and do not depend on the respondent’s perceptions, subjective well-being measures respondent’s perceptions as communicated by the respondent himself.

#### **4. Types of Experts of Well-being of Others**

From the discussion above I can identify four types of EWOs according the methodologies and indicators used: Experts who use objective methodology and objective indicators, Experts who use objective methodology and subjective indicators, Experts who use subjective methodology and objective indicators, and experts who use subjective methodologies and subjective indicators.

Type One of these experts refers to those experts whose methodologies and indicators are detected, codified, standardized and published by either themselves or their organizations with little or no engagement of people under investigation. Most of traditional economists (classical, neoclassical, monetarists and Keynesian), whose methodologies and indicators were limited to maximization of material and financial gains and utility; belong to this group of expert who use objective methodology and objective indicators.

Type Two refers to those EWOs who use objective methodologies but have determinants that recognize subjective indicators. Amartya Sen (1977, 1999) and other scholars who are using the capabilities approach are a good example. Motivated by the claim that freedom should play a key role in social evaluation, the capabilities framework suggests that experts should consider what it is that people are free to do, as well as what they actually do. The argument is that, as it has been explained by Anand P. et al. (2005), it is the opportunity to live a good life, rather than the accumulation of resources, that matters most for well-being, and that opportunities result from the

capabilities that people have. The capability approach thus focuses more on people and less on goods. In it, resources do not have an intrinsic value; instead their value derives from the opportunity that they give to people. The other example of a scholar to belong to this group is Martha Nussbaum with her functioning approach. Even when there is a slight difference between her approach and capability approach, she reasons that the respect we [... as experts] have for people and their choices means that even when we feel confident that we know what a flourishing life is, we would not respect people if we dragooned them into this functioning (Nussbaum 2001). According to her, the goal of the political process should be to set the stage and allow people to present whatever arguments they have in favor of a given choice, but the choice is up to each individual. On my point of view, the common argument of the EWO who belong to this group is seen on their understanding of the weakness of objective indicators. However they are faced with increasing difficulties on the setting of relevant subjective indicators that should be fit for well-being purposes.

Type Three of the EWOs is made up of those who use subjective methodology but objective indicators. As it is used in this paper, subjective methodology intends to solve problems and provide well-being solutions to individuals by using their subjective perceptions of well-being, but because of difficulties in communication due to the fact that an individual's perception cannot be efficiently shared without appropriate communication tools, the EWOs who belong to this group are using subjective methodology while applying objective indicators. In this methodology, to a greater extent, the rules of objective logic remain the same as the one of Type One (those who use objective methodology and objective indicators), but the rules of evidence and data collection are subjective. In other words, the EWO of this type are those who have recognized the fact that each person may have different individual perceptions, and there is a need to know these perception if we want to provide the best well-being solutions to the people. The EWOs of this type have also recognized that subjective well-being relies on how a respondent (to a set of open-ended survey questions, an interview, or a ranking instrument) places him or herself on a scale provided by the expert (Smith & Patricia, 2010). For example, imagine the situation in which a student who is attending a fine art class is instructed to paint a car "yellow". But he ends up painting it "blue". The student does not know that he is colorblind. Since each individual's perception is unique, it is now up to the teacher, as an expert, to identify the problem and to design the best solutions that can help this student improve his artistic capacities and hence happiness, somehow in a paternalistic manner. The OECD's "Guidelines on Measuring Subjective Well-being" is designed to fit the use of this type of approach. The guideline strives to provide the best subjective methodology to collect subjective data for national statistics purposes, despite the fact that indicators used are objective.

Lastly but not least, is the Type Four of the EWOs. These are those who use subjective methodologies and subjective indicators in approaching well-being of others. My view is that this group is still in its infancy stage, as it is still faced with a lot of challenges on methodologies and determinants of indicators that can be seen to be fit for the purpose of well-being studies. The EWO of this type have not only gone as far as to denounce any form of paternalism behind well-being indicators and methodologies but they also want to see individual freedom and liberty in deciding what life to lead. A good example, which is also an extreme example, is seen from Sugden's (1993) work. He argued that experts should abandon the idea of evaluating the good of society, and even of evaluating the good of individuals. Instead, within rules which govern collective choice and social interaction, judged against procedural criteria such as fairness, agreement, or the non-violation of rights, society should allow individuals to act on their own preferences, without asking what lies behind those preferences.

Figure 1 below offers a summary of the above discussion. From it we can allocate the positioning of all four

types of the EWOs in a scale which polarize type one and four on extreme right and left respectively. Type two and three are found at the center of the scale although they overlap on both sides. This is because their methodologies and indicators have elements that belong to both left and right. The direction of the arrow of each type of the EWOs portrays the direction of well-being. For example, if we adopt Sugden's views without casting any doubt on its weaknesses, we are going to move to extreme left where all objective methodologies and objective indicators are neglected as we stop discussing any idea related to the fate of people's preferences. On the opposite side, as it is the direction of the arrow of EWO Type one, it leads us to the era of dominant schools of economics thought (classical, Keynesian, neoclassical, monetarist schools) from which subjective well-being discussions are negated as they were before 1990.

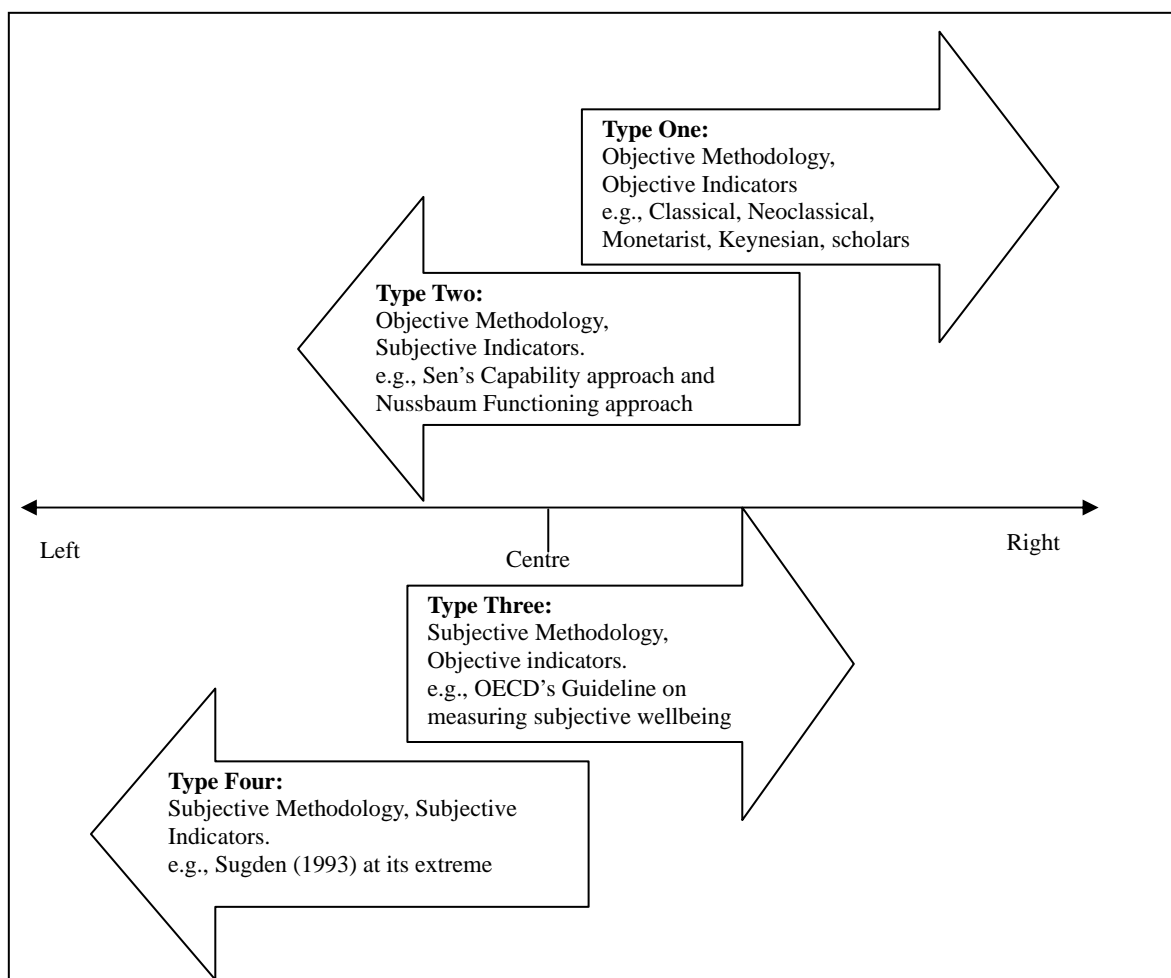


Figure 1 The Polarization and Integration of Subjective and Objective Indicators and Methodologies

Source: Author

The Figure 1 above can also be used to explain how subjective and objective indicators and methodologies compare, how they perform and differ and how they can be used to assess the impact of policy-making. Each indicator and methodology has its own strength and weakness to the extent that it is not easy to say which type of the EWO is the most relevant and important school compared to others. The frontiers of studies on integrating subjective and objective indicators, on the methodologies for measuring subjective indicators and on the

determinants of subjective well-being should focus of strengths and weakness of arguments of all these types of experts of well-being of others.

## 5. The Question: Are Subjective Well-being Indicators Subjective?

Now it is the right time to respond whether subjective well-being indicators are subjective. The answer is “Yes” and “No” depending on five main factors presented below:

- **The type of EWO behind the indicator.** Do we identify the expert to belong to type one, or two, or three or four? Where do we position him on the Figure 1 above? For example, if the expert belongs to type one, then it is hard to have any reason to believe his indicators will be subjective.

- **Methodology used on the indicators.** This refers to the methodology used in the process of identification, codification, standardization and publication of indicators. Also it refers to the methodology used during data collection and analysis. In other words, in which ways did the expert engage himself and people in the entire process of determining their well-being? Was the process valid and fit for subjective well-being purposes? Again, it will be hard to have any reason to believe that his indicators are subjective when the methodology used was objective and paternalistic.

- **Type of stated indicators.** Here the attention is on the outcome of the methodologies that has produced the stated indicators. To what degree can we classify the stated indicators subjective? In other words, we ask ourselves whether given indicators are fit for the purposes of subjective well-being analysis. For example, there are other subjective indicators of objective measure. A person who is sick and he has fever cannot state his body temperature subjectively. He will need an objective measure to determine his subjective temperature.

- **Types of natural and unnatural events:** It refers to the influence and interference of events occurring in the society before, during and after data collection that shapes the culture, emotions and attitudes and behaviors of the people. To what extent natural and unnatural events have influenced quality and credibility of information and back-and-forth communication between the EWO and his respondents?

- **Types of people under investigation.** It refers to the fitness for subjective purposes of the people under investigation. The extent of our understanding of people under investigation can help us understand the criteria, instruments, processes and methodologies used by them as they evaluate and manage natural and unnatural events and their well-being. Who are the respondents? Are they psychologically, physically and mentally fit for well-being analysis? Can they communicate efficiently and effectively to the EWO? How many are they? What are the geographical areas they cover? What are their level of education, health condition and so forth?

So when I add six tea spoons of sugar in my cappuccino, and I find it tasty to the extent that I am satisfied and happy with my breakfast, the EWO to tell me that the indicators of subjective well-being, according to his findings, reveal the otherwise will be subjected to my evaluation based on the five points explained above. In better words, the extent to which the conclusion of his results will remain subjective to me, will depend on the answers given on the five points above.

## 6. Conclusion

As a matter of conclusion, I leave you with three among many points to remember. Firstly, we must remember that subjective well-being indicators are subjective only when they are “people’s indicators” rather than “EWO’s indicators”. Any successful attempt by an expert to standardize the determinants of subjective well-being

has nothing else but the enhancement of our understanding of objective well-being indicators, because those indicators will be a “product” of the EWO. Scholars and policymakers may attempt to codify varieties of subjective well-being methodologies and indicators, but only to realize that the standardization was a “top-down” preference that reduces the meaning of subjectivity of those indicators. Subjective well-being indicators make sense when they are left to be subjective. Of course, this fact makes pure subjective indicators “less fit” for the purpose of national statistics, unless they turn to be “objective” by the means of standardization.

The second point to remember regards the direction the EWO are taking us to. Figure 1 above contains dynamic elements that are flexible for modification. For example, you may identify yourself to belong to type four but still refuse to reject any form of discussions of people’s well-being and preferences as Sugden suggested. We know that each individual person tend to give a personalized intrinsic value to every perceived natural and unnatural event before expressing his reaction and preferences towards it. Mutual understanding of such perceptions, reactions and preferences is always a necessary step towards a life of harmony with others. Hence, an expert may identify himself to belong to type four without necessarily being in agreement with everything of *Sugdenism*. And that is also an indicator of the goodness of subjectivity and freedom to preference.

Lastly but not least, I conclude that in order to understand the determinants of the methodologies and indicators of subjective well-being we must start, as the first step, observing the personality and the role the policymakers and scholars play in improving the well-being of other individual subjects in the society. This is an important step to be used to remind policymakers and scholars about the quality of the expected outputs and about the fact that they should not pretend to know subjective well-being better than the way individual subjects in the society perceive their own subjective well-being. Scholars and policymakers may detect, codify and standardize determinants of subjective well-being, however if they were not well prepared for such a task, they will find out that immediate after publishing them, the extent of subjectivity of these indicators is questioned.

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