
Book Review

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Happiness Explained: What Human Flourishing is and What We Can Do to Promote it

by: Paul Anand

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Happiness Explained is an enjoyable introduction to the research of happiness. Paul Anand offers an excellent excursion through some of the existing studies from economics and psychology that underpin the field of subjective wellbeing.

Anand starts by claiming, quite convincingly, that national income is insufficient as a measure of human wellbeing, that “if we are concerned about the quality of our lives beyond the financial aspects, national income is limited”. He argues further that models can be built that help us quantify and measure human wellbeing.

The human flourishing approach is a multi-dimensional framework that draws from the work developed by Amartya Sen and Martha Nussbaum. In this framework, wellbeing depends on the resources available, not only financial, but also natural, human and social, as well as skills. Anand stresses that people differ in their talents and skills and this has an impact in their ability to work with the resources available. The framework ‘focuses both on the opportunities and constraints that people face’ to convert the resources into experiences that are valuable.

The book’s approach is to cover a ‘dashboard of indicators’ containing several aspects related to wellbeing and in the context of the different phases of life: from early child development, to life in adolescence and to the wellbeing at the very end of life.

Anand discusses happiness and wellbeing in different domains such as work, family, social and physical environment, access to services and health. The author also looks at the relevance of psychological aspects that contribute to wellbeing such as friendship and prosocial behaviour.

It is unclear at times how some of these aspects can be developed into policies as they can contradict each other. For example, Anand refers to research highlighting that “school-aged children are happier when in the company of peers from families of similar wealth levels” and even though he points out that this “potentially poses challenges for attempts to promote social integration”, he does not expand on how to resolve these challenges. Perhaps we are asking for too much here? But it seems reasonable to at least expect some discussion of possible policy options.

Also, when discussing some of the factors that correlate to wellbeing, the question of causality is only raised a few times. For example, in chapter 3, the author asks if “getting

married brings about happiness or do happy people chose to marry?” In this particular case, Anand refers to the work of Zimmerman and Easterlin to resolve this and concludes that “the predominant relation is from being in the states of marriage”. The issue of causality could have been addressed further as the relevant causal relationship is crucial when developing public policies.

In the end, Anand offers four fundamental principles that contribute to happiness and wellbeing: community, autonomy, fairness and engagement. The fact that we are ‘social animals’ and that communities clearly contribute to our wellbeing is pointed out, as well as the fact that we value autonomy, for ourselves and those we care about. The concept of fairness and finally the importance of a ‘person’s engagement with life’ are obviously relevant as Anand points out “we have an ingrained capacity to react when treated unfairly” and “significant disengagement at any age is potentially a cause for concern”.

In the final chapter, Anand addresses “what individuals can do for themselves” and “what might societies do to help”. It would have been interesting to have seen this latest point developed further and see details of how the human flourishing framework can be translated into public policy. But that might be a topic, a challenging one, for another book.

This is a readable and enjoyable book that presents and explains human flourishing approach with clarity and suggests that there is a way for governments to look beyond GDPs. The book is likely to appeal to anyone interested in the social dimensions of happiness research as well as those looking to get to grips with this area from a policy perspective. However, it is important to note that, readable as the book is, it lays the groundwork but remains short on concrete policy proposals.

Book Review

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The Oxford Handbook of Well-Being and Public Policy
by: Matthew D. Adler and Marc Fleurbaey
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The main forms of policy evaluation in use in OECD countries today are predominantly welfarist, measuring the worthiness of a policy in terms of impact on human welfare. Policymakers have to assess the well-being benefits of individuals for a variety of interventions which, in turn, raise important questions: Can we still use tools like GDP, cost-benefit analysis, and inequality and poverty measures to assess public policy in light of individual well-being? Or should we consider a more comprehensive and multidimensional indicator such as subjective well-being (SWB)? If so, how are we to properly measure such a subjective and multifaceted construct? How can we reach an overall verdict regarding policies that benefit some individuals but make others worse off? *The Oxford Handbook of Well-Being and Public Policy* provides a treatment of those questions through a detailed methodological and comprehensive lens. In particular, the two editors and the 38 contributors to the 29 papers focus on:

- 1 traditional and new policy assessment tools (part 1, nine papers)
- 2 conceptions and metrics of individual well-being (parts 2 and 3, 13 papers)
- 3 challenges to correctly interpret well-being policies (part 4, seven papers).

GDP is an important, albeit sometimes over emphasised, indicator of production and economic activity. It is not itself a measure of social welfare or well-being but it is commonly established that production (i.e., GDP) correlates positively to key determinants of social welfare (i.e., household income, consumption and distribution) and material well-being. Rather than looking into correlations, the authors of the first nine papers of the book review established and emerging policy tools underlying especially the characteristics of their measurement. Traditionally, the well-being benefits of public policies are evaluated through social welfare functions based on individual preferences and utilities. Those functions, indeed, are incorporated to established policy tools such as the cost benefit analysis (CBA), the cost effectiveness analysis (CEA) or the inequality and poverty indicators.

Given the complexity in properly and directly measuring individual well-being, new metrics are now presented such as the so-called 'social ordering functions' based on fair-allocation rules or the QALY model – which allows a direct measurement of

well-being in the health sector. Still, most of the available indicators use money as a metric, relying on the willingness to pay or to accept policies with monetary outcomes such as public investment projects, tax-transfer policy reforms, regulations or social expenditures. Even for non-monetary outputs (health sector, environmental or defence projects), some tools (e.g., CEA) may include a valuation in monetary terms. The authors of the nine contributions in the first part of the handbook thus provide a critical review of those older and emerging policy tools underlying clearly the need to consider a more comprehensive and multidimensional indicator: the subjective well-being.

The benefits of policy are traditionally valued using preference-based methods. But the things that we desire most are often not those that we will enjoy best. Asking about SWB allows measuring how policy-related outcomes affect the experience rather than the preference of people in their lives. The second part of the handbook, and its related five chapters, focuses on this distinction between preference-based nature (i.e., economic view) and experience-based nature (i.e., psychological view) of well-being. The authors also underline that the conception of well-being depends on the object that is under evaluation (judgements) or experienced (affects). The mental-state view of well-being states, for instance, is related to three mental states: pleasure, emotional well-being and life satisfaction. An alternative view, based on objective goods, considers that some objects are good in our life regardless of our attitude towards them. Thus, knowledge, moral virtue and achievement can contribute to our well-being even if we are not looking for them. The nature of well-being is, indeed, surrounded by ongoing debates and a variety of approaches.

However, when it comes to measures of individual well-being, there is a general agreement in considering the main dimensions of Hedonia and Eudaimonia. Philosophers, psychologists and economists generally measure people's evaluation of their lives and fulfilment (Eudaimonia) through life satisfaction questions in several domains (e.g., state of health, social network, and work quality) but also through positive and negative affective states and responses (Hedonia). Still, as underlined by the eight contributions from part 3 of the handbook, disagreements exist regarding the importance of each component and the precise ways that these constructs should be assessed. Nonetheless, policymakers have the opportunity to use the appropriate dimension(s) and metric(s) of well-being for policy design and assessment. SWB surveys can either be monitored over time, similar to other indicators such as the GDP measure, to track the progress of a society or they can be used to assess the effectiveness or worthiness of different policy interventions. Two additional insights should be mentioned at that stage. One is that alternative forms of multidimensional indicators, which may also be appropriate, are poverty metrics. A second aspect that should be mentioned concerns the concept of fairness and its measurement which argue against the view that well-being and its distribution are the normative criteria for evaluating policy.

Whatever the method applied or the dimension operationalised, there is a series of challenges that anyone seeking to design a methodology in light of individual well-being should, in principle, address. The last part of the handbook and its related seven papers cover some additional important issues to consider. Among them, the topic of uncertainty is a main issue that is fully discussed. For example, policy makers need to be able to choose interventions with incomplete information about the final distribution of individual well-being. Time is also an important challenge. Individuals' lifetime well-being should, for instance, be the concern of policymakers rather than well-being on

a period-by-period basis. Measuring the effect of a policy on future generations need also to be considered. Overall, *The Oxford Handbook of Well-Being and Public Policy* provides simultaneously a comprehensive view of well-being (i.e., philosophical discussions of individual well-being), a normative account of human welfare models (i.e., formal analysis of the methods related to social choice theory and welfare economics) and a methodological review of the properties of established and emerging tools in assessing policies in the light of individual well-being.

Book Review

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Measuring Poverty and Wellbeing in Developing Countries
by: Channing Arndt and Finn Tarp (Eds.)
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Beyond the methodological and theoretical debate, the book under review pays specific attention to the relevance of computing relevant and real inequality values. With emphasising on the latter, the book offers insight into the relevance of the composition of the consumption bundle and the effect that the distribution of income has on the structure of the consumption bundle for the country cases in this volume. The publication is the result of UNU-WIDER's Growth and Poverty Project (GAPP) and features 11 countries. The book is divided into three parts, introducing the reader to methodological and theoretical debates in the first part, providing country specific case studies in the second part and providing reflective conclusions in the third part.

The volume is meant as a companion to Arndt, Tarp and McKay (2016) *Growth and Poverty in Sub-Saharan Africa*. The volume focuses on two specific approaches but stresses the importance of several other approaches as well; hence, the two approaches selected for this edited book are not meant to be restrictive. The book's merits lie in the depth focus on these two approaches and its aims are not tarnished by this.

Welfare comparisons are made considering consumption poverty and multidimensional poverty. These are expressed as two analytical domains: measurement of absolute consumption poverty and a specific approach to multidimensional analysis of binary poverty indicators. In many cases, the impact of growth on poverty reduction is considered. All the country case research is conducted in collaboration and in participation with analysts from developing countries. The work intends to provide tools for researchers in developing nations and move away from a research culture where economic research in developing countries is often carried out by researchers in developed nations.

The researchers employ two approaches to poverty line identification: cost of basic needs (CBN) and multidimensional poverty employing the principle of first order dominance (FOD) to identify the relevance of dimensions. There are two tools that are used for the identification and analysis of the two dimensions. The method for capturing consumption poverty is the Poverty Line Estimation Analytical Software (PLEASE), and the tools for generating insight into multidimensional poverty are a code stream called estimated first order dominance (EFOD). The book dedicates an entire chapter for the

methodological and technical discussion of these. The book further highlights that these two methods (PLEASE and EFOD) will equip researchers in developing nations with employable techniques in their analysis of wellbeing. These methods have the advantages that the researcher can construct their own relevant models; for example, the method of FOD allows the researcher to make use of binary indicators (for example, deprived versus not deprived) and it allows for both spatial and temporal multidimensional poverty without having to make extensive assumptions and being data-intensive.

The reader is also reminded of theoretical and conceptual discussions of private and public consumption poverty. As part of this, for example, we are told that utility is unobservable, so poverty thresholds are often considered on the basis of actual observable consumption. It is acknowledged that this measure might be violated across space and time due to unobservable reference utility levels and difficulties in estimating expenditure functions. Much of the discussion addresses attempts to measure consumption poverty in terms of food intake and non-food consumption. Here, the reader would further benefit from supplementing the volume at hand with Ravallion's *Economics of Poverty* for more detailed considerations. Much of the underlying methodology is based on Ravallion and the focus on the cost-of basic needs approach. Subsequently, poverty lines are considered as sums of food and non-food poverty lines and Foster-Greer-Thorbecke's poverty gaps are relevant. Chapter 2 offers a very good overview of the advantages, difficulties and challenges of using CBN and multidimensional poverty methods, and the FOD approach is introduced in much depth. The comparison of populations' wellbeing is approached via the so-called robust methodology of dominance concepts where the ordering of dimensions does not rely on weighting of individual dimensions of wellbeing on for example the basis of societal judgements. FOD is sought via linear programming to use a multitude of dimensions to capture states of wellbeing.

The reader is presented with practical examples and instructions for the CBN and FOD approaches. The PLEASE uses consumption data of value of food and non-food consumption value, which include purchased and home-produced goods (not services), gifts, consumption of durable goods and rent on owner occupied housing. A careful selection of the spatial domain is recommended to recognise regional differences in attitudes, consumption patterns and prices. The researcher is also reminded to be more minimalist when defining spatial domains as too many domains might provide useless results. Food poverty lines are computed on relative caloric intake, typical food choices and prices are references against a default household that is considered poor. Here again the authors, following Ravallion, arbitrarily select a bottom percentile of ranked households. Regional poverty is then established with a reference set of poor households. Methodological instructions for EFOD focus on the careful selection of binary poverty dimensions. When constructing the domains, the researcher needs to be mindful of the aim of the research. It is assumed that its results aim to inform public policy, identify meaningful goals and equip for policy evaluation.

The second part of the book contains country specific research, explaining the challenges encountered and the particular choices made by the researchers. All case study research was carried out in collaboration with researchers in the respective countries. A major issue that was identified as a result of the actual research was consistency in time analysis; in some cases the underlying circumstances changed which made the aim of consistency challenging. This is useful for future projects as researchers identified various potential and actual problems. When estimating utility-consistent poverty for

example, researchers had to adapt the methodology to the specific circumstances. The county chapters highlight the need to identify relevant and meaningful poverty lines, both relevant in space and time. In the case of Mozambique, researchers identified 13 spatial domains, with six rural ones and seven urban domains. This spatially aware research produced results which stress the differences to official statistics in Madagascar. The volume highlights that the researcher needs to adapt to the case at hand, in contrast to the large number of domains in Madagascar, in other cases spatial domains might have to be aggregated. The methodology was adapted for instance in the Ethiopian case where the first iteration was useful in some regional Ethiopian domains but other regional domains had to be combined due to the small number of observations in given domains. The approach used in Ethiopia produced strong conclusions in that substantial improvements in wellbeing were recorded and that the urban poverty rate dropped much more than the rural one between 2005 and 2011. Several of the country chapters (11 in total) highlight the divergence of results from more sensitive research to those that are estimated by official statistical offices (for example, in Malawi and Pakistan). The need to respond to changes is accentuated in the chapter on Uganda where rapid economic growth and changes in food prices influenced consumption patterns. The reader should consider this chapter in conjunction with Berk's work on real inequality measures (chapter 17). Developments in multidimensional poverty were estimated using FOD for the Democratic Republic of Congo. This study achieved counter-intuitive results in health development and provides caution in that the health indicator (usage of bed nets) should act as an informative indicator and be excluded from the FOD analysis due to varied spatial exposure to Malaria and varied use of insecticide spray. A comparative analysis is provided in the chapter on child poverty in Ghana where multidimensional deprivation is compared with income poverty and a detailed methodological explanation is provided. A further methodological comparison is provided in the chapter on Tanzania, where FOD and Alkire-Foster approaches are employed and lead to similar results. In Zambia, it was found that despite progress in multidimensional poverty indicators, economic growth did not reduce rural agricultural household poverty.

The volume concludes in its third part with reflective summaries and conclusions, and interesting limitations of the FOD approach are highlighted. The editors and Kristi Mahrt recommend that further work needs to be done to interpret the meaning of FOD and the net probability of domination. In cases with non-domination, attention needs to be paid to the reasons for non-domination.

The book sets out to inform researchers in developing countries. Its aim is to provide tools of analysis, methodological insight and understanding. Through this, it is hoped to reduce the reliance on researchers from, or based in, developed countries. The volume achieves this by not only conveying conducted research methods and results but also by providing software user guides in the appendices. Bringing the tools closer to the source of the analysis allows a quicker identification and response to changing circumstances via researchers in developing countries.