

The purpose of this policy memo is to explore the role of subjective wellbeing (SWB) in public policy. It presents the advantages of SWB relative to the more established objective wellbeing measures in policy design and evaluation. It also recommends ways in which SWB can be further integrated to public policy.

Central to public policy is the question: “On what basis should society’s decisions be made?” To date, policymakers mainly rely on two types of objective measures. The first is the “preference-fulfillment account” which assumes that wellbeing is derived from individuals’ ability to satisfy their preferences. Based on this approach to wellbeing, individuals with higher income can satisfy more of their preferences; therefore, income is used as a proxy for wellbeing. However, individuals often act against their better judgments and their choices are influenced by factors that are irrelevant to wellbeing (Strack & Deutsch, 2004; Kahneman, Diener, & Schwarz, 1999). Therefore, an increase in income does not necessarily guarantee that individuals will satisfy their preferences and improve wellbeing.

The second is the “objective list account”, which asserts that individuals can have a good life only after basic needs such as income, health, and education are met (Sen, 1999). However, the objective list account is in some ways ambiguous: it is an index that combines the measures of various life domains, but the relative importance of each life domain (weights of the index) are arbitrarily assigned by the policymaker. Therefore, it is not possible for policymakers to make resource allocation decisions that are

empirically accountable.

In the light of these problems, policymakers should consider SWB as a measure of wellbeing. SWB is measured by directly asking respondents to evaluate their overall life situation and report their wellbeing as a single value (rank from 0 to 10). Using the respondents' self-evaluation and other socioeconomic information, regression analysis is used to determine the life domains that are important for wellbeing. There are two areas in public policy where SWB can add value, as discussed below.

Informing Policy Goals

The main advantage of SWB is that it directly measures wellbeing. While the objective list account requires policymakers to define the constituents of a good life and the relative importance of different life domains, SWB is a bottom up approach that empirically determines the key factors of wellbeing from individuals' self-evaluation. This allows policymakers to define population-specific policy targets that are based on SWB data, rather than using a "one-size-fit-all" target that is based on generalized assumptions on wellbeing. The relative importance of life domains can also be determined from statistical analysis on SWB data, thus allowing policymakers to prioritize resources to the key drivers of wellbeing.

Policy Evaluation

Compared to monetary cost benefit analyses, SWB data facilitates a more comprehensive approach to policy evaluation because it ensures that a wide range of life domains are considered. In Bhutan, the Gross National Happiness Index (GNH) was developed to evaluate the impact of policies on nine life domains that includes health, education, and social cohesion. GNH provided the empirical basis for policymakers to implement policies that focus on environmental conservation and equitable economic development. SWB data can also be used to quantify the effects of non-market goods/bads that are often overlooked in policy evaluations. For example, the authors in (Praag & Baarsma, 2005) used SWB data to compute the monetary valuation of aircraft noise for households that are close to an airport. Based on cost benefit analysis, they concluded that an efficient policy option would be to expand the noise-insulation program for all households in the affected area. Thus, SWB data enables policymakers to assess different policy options in a more holistic way.

Recommendations

Instead of targeting SWB as the primary policy goal, it is more practical for policymakers to use SWB data alongside objective measures to improve policies. First, people tend to adapt to changes in life domains such as income and health (Easterlin, 1973; Frank, 2008). Therefore, based on SWB data alone, policymakers might fail to intervene for individuals who have poor objective life circumstances but report satisfactory SWB

(“the happy slaves”). In this case, policymakers can use objective and subjective well-being measures to assess the cost of adaption to changing life circumstances and provide resources to offset the loss of SWB (Menzel, Dolan, Richardson, & Olsen, 2002). For example, they can determine and provide the appropriate level of income and psychological support for individuals who are recently disabled. Second, policymakers can monitor the divergence between SWB and objective wellbeing measures to facilitate efficient resource allocation. For example, if there is reported fear of crime in a community despite a low crime rate, then resources should be used to disseminate accurate information to the community rather than to improve the police force. Finally, some studies show that there is bidirectional causality between SWB and various life domains such as income and health (Lyubomirsky, King, & Diener, 2005). Therefore, in situations where SWB cannot be used as a policy objective (perhaps due to the lack of political support), SWB can still be targeted by policymakers to indirectly improve objective wellbeing.

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