

Entry to University Challenge 2017

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TOPIC 4: The Treasury uses a Living Standards framework to guide its policy advice. Use a current policy issue to describe the advantages and disadvantages of multi-dimension approaches (such as the OECD's Better Life Index) compared to single-dimension approaches (like an increase in GDP) that use narrower economic indicators.

1. Introduction

By its own account, the Treasury aims toward a high degree of prosperity for New Zealanders that is at the same time sustainable and inclusive.¹ Although the institution still has a strong tendency to focus on economic performance measures², its recent adoption of the Living Standards Framework indicates a growing recognition that what ancient Greek philosophers called *akrotaton agathon* and ancient Romans *summum bonum* – the highest human good that represents the ultimate end of all intentional action³ – cannot be reduced to anything less than living well, thriving, or flourishing in the fullest sense of these terms. Even if the Treasury were to primarily focus on managing the economy, the final purpose of its activity must be the promotion of sustainable and inclusive flourishing of Aotearoa's citizens and communities⁴, because that is most plausibly the function of New Zealand's government as a whole⁵. Thus, the Treasury's work must be assessed on that basis too, both regarding its overall performance and concerning its handling of individual projects⁶ like the pursuit of policies for the eradication of poverty.

¹ New Zealand Treasury (2015).

² For example, even though the most recent *Statement of Intent* mentions the Living Standards Framework, the section on prosperity is almost entirely limited to discussions of economic performance (GDP per capita), labour productivity, and business connectedness (New Zealand Treasury, 2015, especially p 7).

³ Aristotle (1941a: 1094a18-22).

⁴ I will ignore here the possibility that the Treasury may also have a responsibility to promote the flourishing, or at least to alleviate the worst forms of languishing, of foreign individuals and citizens (eg, through international aid).

⁵ Many modern political doctrines take a much more restrictive view with regard to the legitimate function of government. For example, libertarianism strictly limits the role of government to the protection of property rights (eg, Nozick, 1974). By contrast, I will follow the view of ancient Greek politics that the purpose of government is the promotion of its citizenry's *eudaimonia* (eg, Aristotle, 1941b), which is best translated as 'living well' or 'flourishing'.

⁶ The Treasury distinguishes between five project categories, namely economic policy advice, financial management and advice, state sector leadership, performance management and advice, and commercial policy advice and operations (New Zealand Treasury, 2015: 6).

As in many other highly developed countries, in New Zealand the alleviation of poverty of various groups or social strata represents an urgent policy issue. For example, Aotearoa has witnessed significant levels of child poverty since the early 1990s, with the current percentage of destitute children being significantly higher by various measures than it was when poverty began to be consistently quantified and recorded in 1982.⁷ As the poverty rates for Māori and Pasifika children indicate, the problem affects some ethnicities significantly more than others.⁸

For the moment, I will abstractly define poverty as objective and substantial deprivation with regard to certain important interests of an individual or group. My use of *objective* ensures that our standard of deprivation does not, or at least not entirely, rely on the judgements of the deprived (and those who are in a position to help), which represents the route taken by, for example, the social consensus approach. It determines poverty levels on the basis of public opinion.⁹ Unfortunately, due to the problem of adaptive preferences, public opinion with regard to what does and does not represent substantial deprivation can be insidiously, enduringly, and significantly distorted. Some groups quietly accept their destitution and bad fate because, having been habituated into their underprivileged social positions and destinies over long periods of time, they consider them normal.¹⁰ By contrast, the pampered and cared for may feel an unjustifiably high degree of discontent when the level of luxuriousness to which they have become accustomed no longer obtains.¹¹ In other words, while the former underestimate their deprivations, the latter overestimates them, perhaps drastically. For these reasons, poverty conceptualisations that are grounded in objective standards must be used instead.¹²

Multi-dimensional instruments like the OECD's Better Life Index¹³ and the Treasury's Living Standards Framework¹⁴ are highly relevant to the policy issue of poverty alleviation. Not only do they direct us toward various statistical measures of human deprivation, but they actually help us conceptualise and detail different kinds of poverty to begin with. In section 3, we will consider these points in more depth. First, though, we must critically evaluate uni- and multi-dimensional approaches to prosperity.

2. Approaching Human Prosperity/Flourishing

To begin with, we require a more precise distinction than the one implied by the essay question. As the following matrix illustrates, approaches to human flourishing can be distinguished into a) approaches

⁷ By other measures, New Zealand child poverty has fluctuated without displaying a distinct trend but, importantly, it has not declined by *any* measure (Boston & Chapple, 2014). Using a contemporary median threshold of below 60 percent of the median household income after housing costs, an estimated 28 percent of dependent <18 year olds (approximately 295,000 total) were living in income poverty in 2015 (Perry, 2016).

⁸ Current poverty rates for children of these ethnicities are twice as high as those for Pākehā offspring (Boston & Chapple, 2014).

⁹ Piachaud (2009).

¹⁰ See Sen (1984, especially ch 13).

¹¹ See Nussbaum (2000, especially ch 2).


¹² That is not say that subjective conceptualisations have no useful role to play. The first step toward eliminating discrepancies between objective deprivation and subjective perception of poverty is the recognition that they exist (and the establishment of their magnitude).

¹³ Cf OECD (2011, 2015).

¹⁴ Cf Gleisner, Llewellyn-Fowler, & McAlister (2011).

that rely on a uni-dimensional conceptualisation of prosperity versus those that do not and b) approaches that pick out a single dimension of human flourishing versus those that do not.

Illustration 1: Dimensionality Distinctions

		a) Approach relies on a	
		uni-dimensional conceptualisation of prosperity	multi-dimensional conceptualisation of prosperity
b) Approach picks out	a single dimension of prosperity	Q1 <i>Hedonism, conativism</i>	Q2 <i>Household income, GDP, GNP</i>
	multiple dimensions of prosperity	Q3 	Q4 <i>Better Life Index, Living Standards Framework (Objective List Theory, Human Needs Approach)</i>

Sub-section 2.1 is dedicated to approaches that are uni-dimensional in one or both senses (Q1 and Q2).¹⁵ In 2.2, I will address those that are entirely multi-dimensional (Q4).

2.1. Uni-Dimensional Approaches

Let us begin with quadrant 2. While household income picks out a single dimension of personal flourishing (or rather, as we will see below, a precondition for it), GDP and GNP pick out a single aspect of communal prosperity each. All of these approaches focus on economic thriving, but it would be uncharitable to assume that those who use, say, household income believe that human well-being is actually reducible to monetary earnings. Obviously, income is only one of the things relevant to well-being. It represents a particular kind of means to the things that *actually* constitute well-being, for example, the active pursuit of meaningful projects. The approaches in Q1 have the major advantage of relatively straightforward measurability. However, due to their narrow selection of a single aspect of flourishing (or even just a particular measure thereof) they are completely blind with regard to large parts of the wide spectrum of prosperity dimensions. Thus, what they measure provides little insight into and help regarding the improvement of human well-being.

The approaches in quadrant 1 actually assume that well-being is uni-dimensional. According to hedonism, well-being is exhausted by pleasure alone; conativists argue that a life goes well if (and only if) a person’s desires or preferences are satisfied. Problems associated with these theories have been discussed by various scholars.¹⁶ The criticism most relevant to this essay can be summarised as follows: while each approach captures a particular, and arguably even a major, element of human well-being, the reduction of human prosperity as a whole to that element renders flourishing anaemic and implausible. For example, we

¹⁵ Quadrant 3 is necessarily empty because an approach cannot conceptualise flourishing uni-dimensionally and at the same time pick out multiple dimensions.

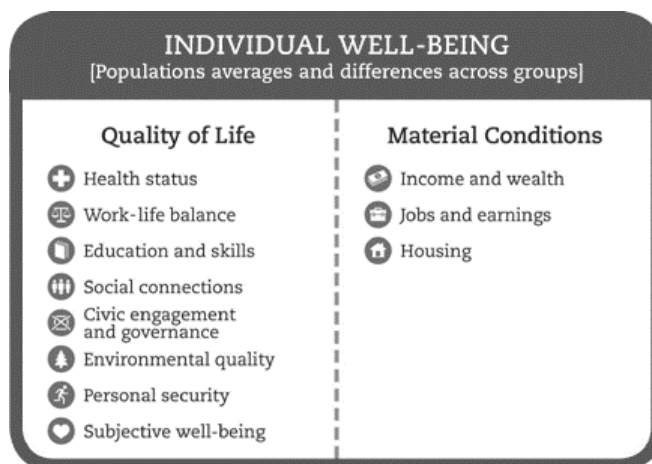
¹⁶ Kraut (2007) does a particular fine job.

can grant that a life without pleasant experiences is hardly worth living, but some of the most worthwhile projects involve surprisingly little pleasure. In fact, the enduring and overcoming of adversity – which will rarely, if ever, be pleasant – is precisely what makes some endeavours so character-shaping and meaningful.¹⁷ Similarly, a life in which a person never or hardly ever gets what she wants represents a poor existence. However, often we are actually better off by getting what we wish to avoid¹⁸, by getting what we fail to desire¹⁹, or by not getting what we crave²⁰. Importantly, conativism has a more basic conceptual problem too: it is generally not actually the case that the satisfaction of a desire as such represents flourishing. Rather, a person thrives if (and because) the state of affairs to which the desire refers obtains.²¹ Thus, in a sense conativism radically misconstrues well-being.

2.2. Multi-Dimensional Approaches

Quadrant 4 incorporates approaches that conceptualise human prosperity multi-dimensionally and that do not limit their attention to merely one of these dimensions (thereby ignoring the rest).²² For example, the OECD's Better Life Index (BLI) incorporates 11 domains of well-being. While three of them are considered material conditions, the other eight represent actual quality-of-life aspects.

Illustration 2: OECD Framework, Individual Features²³



¹⁷ Said adversity may be primarily of a physical nature (eg, consider the pain, the cold, the lack of oxygen, and the hunger that high-altitude mountaineers encounter), or it may be largely psychological instead. Almost paradoxically, adversity can throw the features of our ordinary existence into sharper relief and provide a striking contrast. Its link to pleasure is that it can thereby elevate and intensify small pleasures that we typically fail to even notice.

¹⁸ For example, people regularly wish to avoid visits to the dentist (because they tend to involve pain). Yet, dental work almost always makes a patient better off.

¹⁹ Such failure may be grounded in a lack of awareness.

²⁰ Addiction to recreational drugs is a rather obvious example.

²¹ For example, I desire that my essay makes it into the final selection. If my essay makes it into the final round indeed, I fare well because my work was selected (due to its quality), not because my desire is met.

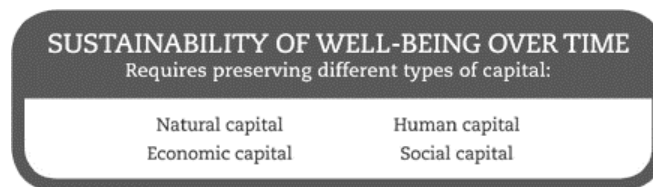
²² Due to the word limit, I cannot address objective list theory and the human needs approach, both of which can provide valuable insights regarding the essay topic, at all. For some details, see Grix & McKibbin (2015).

²³ OECD (2015: 23).

The two groups should be neither confused nor mixed with each other, because (as the terminology suggests) the items on the right in Illustration 2 do not represent aspects of well-being as such. Instead, they are conditions that must be met if the items on the left are to obtain. Accordingly, on conceptual grounds alone the former cannot actually be part of an actual well-being index. What is more, mixing items from the two groups would result in double-counting.²⁴ Thus, both sets ought to be represented as separate indices that could then be used to assess causal effects and temporal differentials.²⁵

The BLI also makes reference to various resource stocks. Although the OECD does not put it that way, I would argue that these stocks represent the communal counterpart to the individual aspects of human flourishing discussed above because they indicate how well a group – eg, a tribe or an entire country – does, and in which sense(s).

Illustration 3: OECD Framework, Communal Features²⁶



Clearly, communal and individual aspects of human flourishing interact with each other. For instance, *natural capital* (eg, clean air and water) represents resources that individuals require to maintain their *health status*. Greater *education and skills*, on the other hand, promote the cultivation of communal resource stocks like *economic capital*.

Importantly, the different types of communal capital account for the sustainability of individual human flourishing in two ways. Firstly, by preserving natural resources and cultivating human, economic, and social capital now, the members of a collective enable themselves to flourish correspondingly in the months and years to come. Secondly, by preserving and cultivating various types of capital, the members of one generation of people ensure that the members of future generations are able to thrive as well.

Considering the various options in Illustration 1, the approaches in Q4 are clearly superior from a conceptual point of view. Without construing prosperity multi-dimensionally and picking out multiple aspects, an approach will simply be unable to represent human flourishing realistically. It will be unable to distinguish between individual and communal flourishing (and thus to account for concepts like sustainability), and it will lack the capacity for considering interactions between different aspects or dimensions. Naturally, approaches like the BLI make it difficult to see how the various dimensions can be consolidated and represented in the form of a composite measure of human well-being.²⁷ However, that

²⁴ For example, assume that income and health are both part of a prosperity index. If people use growing income to improve their health, then the index will overestimate the increase in well-being. Ultimately, earnings are a mere means to the actual constituents of well-being.

²⁵ Conceptually, changes in conditions precede changes in well-being, and the latter may occur long after the former. What is more, changes in conditions affect different aspects of well-being at different speeds (OECD, 2015: 33 suggests as much).

²⁶ OECD (2015: 23).

²⁷ That said, the Canadian Index of Wellbeing incorporates just such a quality-of-life composite (Michalos et al., 2011).

difficulty is simply an expression of the reality that human prosperity is irreducibly multi-dimensional (and in that sense messy).

None of that is to say that approaches like the BLI are not subject to various other kinds of criticism, of course. Due to the limited scope of this essay, these points are relegated to the Appendix.

3. Well-Being Approaches and Poverty Alleviation

Based on the discussion in the previous section, my initial characterisation of poverty – objective and substantial deprivation regarding important interests of an individual or group – can now be refined. Firstly, *important interests* can be conceptualised in terms of the aspects or dimensions of human well-being: if, and to the degree that, the constituents of well-being fail to obtain, the entity²⁸ in question is deprived in some way(s) and fares correspondingly poorly.

Secondly, the multi-dimensionality of human flourishing implies that poverty is equally multi-faceted. Given that each aspect of human prosperity represents a distinct dimension of living well that cannot be reduced to other aspects, that may interact with them, and that may develop along a particular temporal trajectory, the same applies to each facet of human poverty.

Thirdly, a deprivation with regard to a specific aspect is *substantial* if (and only if) it results in a significant drop in overall flourishing, possibly below a minimum baseline. Plausibly, not all deprivations result in lower flourishing, because the latter has a certain robustness. What is more, a deprivation with regard to one aspect can be compensated by improvements along other dimensions.²⁹ In these cases, we cannot speak of poverty because overall well-being is not compromised.³⁰

Returning to the BLI, both the quality-of-life aspects and the different types of capital lend themselves to poverty assessments, though in different ways:

- Individual poverty: a person is subject to deprivation if she is poorly educated or skilled, has poor health, is poorly socially connected, *et cetera*.
- Communal poverty: a community is subject to deprivation if it has poor natural, human, economic, and social resource stocks.³¹

Plausibly, interactions occur within each kind and across the two types. To illustrate the former, poor education and skill likely promote poor health both directly (eg, due to lacking or defective self-maintenance routines) and indirectly (eg, due to limited income potential). With regard to the latter, increasingly poor communal resources promote increases in various individual deprivations (at varying speeds); for example, poor natural resources (eg, polluted water and air, contaminated soil) have rather direct effects upon individual health that may manifest themselves very quickly. Conversely, individual deprivation

²⁸ By *entity* I mean a person or a community. I will return to this point below.

²⁹ Relatedly, see also my final point in the Appendix.

³⁰ For that reason, being able to judge overall prosperity through something like a composite index is essential.

³¹ In either case, poverty exists only if overall prosperity is compromised. Thus, we need composite indices for both individual and communal flourishing.

promotes communal poverty because it jeopardises the maintenance/cultivation of various stocks; for example, natural capital may erode due to mismanagement that is grounded in poor education and skill (eg, consider over-exploitation).

4. Summary, Conclusion, and Final Thoughts

Having properly distinguished between uni- and multi-dimensional approaches to human prosperity, our discussion quickly established the superiority of the latter over the former. Any plausible conceptualisation must reflect the rich nature of human flourishing, which it cannot do without accounting for the numerous aspects of well-being.

Given the conceptual links between prosperity and deprivation, these views directly apply to the political issue of poverty alleviation. Due to the dramatic over-simplification on which they rely, approaches that conceptualise well-being uni-dimensionally or that pick out a single aspect of human flourishing are unable to represent poverty with the necessary degree of detail and precision. For example, while household income may be able to understand individual deprivation concerning material conditions of a certain kind, it is entirely blind with regard to other forms of individual poverty and has no grip upon communal poverty at all. GDP and GNP, on the other hand, can recognise communal poverty (because they are directly relevant to economic capital). Yet, due to their complete disregard of individual prosperity dimensions like the BLI's quality-of-life aspects, they ignore individual poverty entirely.

Consequently, instruments like the Better Life Index and the Living Standards Framework (which we did not have a chance to discuss) deserve and demand our ongoing attention and enhancement. Crucially, all members of the populations whose political reality is subject to such instruments ought to be involved in the further conceptual and substantive development of these approaches. Not only would it give citizens the opportunity to develop their own views on the meaning of *human well-being* in general and to reflect on their personal modes of flourishing in particular, but it would also help both researchers and politicians gain a better appreciation of the richness of the (ordinary) meaning of prosperity – which may have significant effects upon the efficiency of their instruments. Conceivably, a reason why groups like the Māori and Pacific ethnic populations are subject to consistently and substantially greater poverty rates than others is that their members have a significantly different perception regarding what *individual* and *communal human flourishing* mean. If their particular understanding has objective merit, then the first step toward improvement would have to be the adjustment of our current conceptualisations of both prosperity and poverty.

Appendix: Selected Criticism of the Better Life Index

- According to Aristotle, *eudaimonia* consists in a certain kind of well-performed activity, not in the mere possession of various qualities (eg, education and skill).³² It is hard to fault Aristotle, because a person in a coma may be perfectly educated and skilled, but we would hardly regard her as living well. After all, her qualities fail to be employed. If we follow the Hellenistic understanding of human flourishing, then any items that represent mere human attributes would have to be removed from the list of quality-of-life items. At the very least, entries that account for well-performed activity ought to be added.
- It is doubtful that all items in the right box in Illustration 2 actually represent pre-conditions for human well-being. For example, we could argue that working in a meaningful/satisfying job or profession constitutes a central part of flourishing, so *jobs* ought to be listed in the left box. (The opposite applies to *environmental quality*, which – as the familiar term *environmental conditions* suggests – could plausibly be listed on the right.)
- The name of the last quality-of-life item (*subjective well-being*) implies that the other items represent non-subjective aspects of prosperity. Unfortunately, mixing measurement methodologies (subjective and non-subjective) introduces the problem of double-counting once again, which is precisely why it must be avoided. The construction of two separate indices would avoid that problem (and still enable us to see whether subjective and non-subjective data series track each other).
- Compared to the items that represent individual flourishing, the items that reflect communal aspects (Illustration 3) are overly abstract. Finer substantive sub-categories would be useful to properly understand what communal flourishing (as well as communal poverty) means, to better observe interactions between different types of capital, and to assess links between individual and communal prosperity in more detail – all of which are necessary to create more targeted and fine-tuned interventions.
- Although all aspects of an individuals' flourishing must be minimally satisfied if we consider a life as a whole, it would be implausible to hold that all aspects need to be equally satisfied at all times. A person may justifiably decide to concentrate on different dimensions during different periods of her life (eg, pursue highly physical activity until her late thirties and change to cognitively challenging projects afterwards), not least because our various capacities have different 'shelf-lives'. However, the BLI lacks the capacity to account for that fact.

³² Aristotle (1941a: 1097b22-1098a20).

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