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The happiness of sociality. Economics and eudaimonia: A necessary encounter

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Abstract

The paper discusses some issues of the debate on happiness in economics. In particular it deals with the relationship between happiness and sociality. In fact, in contemporary 'economics and happiness' literature there is a new interest in interpersonal relationships thanks to the huge empirical evidence that genuine sociality is one of the heaviest components of self-reported happiness. At the same time, mainstream economics is badly equipped for studying genuine sociality, because it treats interpersonal interactions as elements to be taken into account in terms of externalities. The intuition originating the paper is the conviction that if research on happiness aims at taking into account non-instrumental interpersonal relations, i.e. 'relational goods', scholars will profit by a reconsideration or retrieving of the Aristotelian tradition of happiness as *eudaimonia*.

Keywords

eudaimonia, happiness, relational goods, well-being

The return of happiness is one of the most relevant methodological novelties in today's economics and social sciences. Thanks to happiness studies, in contemporary economics there is also a new interest in the analysis of interpersonal relationships, because there is huge empirical evidence that genuine, not instrumental or intrinsically motivated sociality, is one of the

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heaviest components of subjective happiness (Bruni and Stanca, 2008). At the same time, contemporary economics is badly equipped for understanding the nexus between happiness and genuine sociality. In fact, mainstream economics considers genuine sociality as basically an extra-economic matter, or as an element to be taken into account in terms of externalities (Gui and Sugden, 2005).

The intuition that motivates this paper is the conviction that if research on happiness intends to take into account non-instrumental interpersonal relations, scholars will profit by a reconsideration of the Aristotelian tradition of happiness as *eudaimonia*, where there is a strict and necessary link between happiness and what we'll call 'relational goods'.

Sections 1 and 2 are a short outline of the present debate on happiness and economics and the main explanations of the paradox. Section 3 explores a particular dimension of this literature, i.e. the debate between a 'hedonistic' and a 'eudaimonistic' approach to happiness. Section 4 is dedicated to the Aristotelian idea of happiness as eudaimonia, a vision of happiness disregarded in the debate. The second part of the paper (sections 5 and 6) deals with the issue of sociality and relational goods, and their connection with happiness, with some hints for a possible different explanation of the happiness paradox.

1. The income–happiness paradox

In the 1970s the issue of happiness appeared in the economic discipline. By using empirical research on people's happiness, the American economist and demographer Richard Easterlin opened up the debate around the 'happiness paradox' – also called today the 'Easterlin paradox'. Happiness – both individual and public – has been a very popular theme at the very beginning of modern Political economy. In fact, the wealth–happiness nexus was central in the classical tradition, more in the Mediterranean (France and Italy), but it was also present in England and Scotland (Bruni 2006). Contemporary economists of happiness, however, are not aware of such an old tradition. Their reference points are far recent: Duesenberry's (1949) social theories of positional consumption, some American institutionalists (from Veblen to Galbraith), or maybe some lip services to Tibor Scitovsky's *Joyless Economy* (1976).[1]

What, however, is surely new in contemporary research on happiness with respect to classical economists like Smith, Malthus or Sismondi, is the methodology: happiness to-day is considered an 'empirical' measurable, subjective and self-reported variable. In particular, Easterlin made use of two types of empirical data. The first dataset was supplied by the responses to a Gallup-poll type of survey in which a direct question was asked – a question which is still at the basis of most of the present analyses on happiness: 'In general, how happy would you say that you are – *very* happy, *fairly* happy or *not very* happy?' (Easterlin, 1974, page 91). The other set of data Easterlin made use of came from empirical researches carried out in 1965 by the humanist psychologist Hadley Cantril (another forerunner of contemporary quantitative studies on happiness), concerning people's fears, hopes and satisfaction in 14 different countries. The subjects interviewed were asked to classify their own satisfaction on a scale from 0 to 10.[2] In current World Values Survey questionnaires, happiness is ranked in 'qualitative' terms (from 'not very happy' to 'very happy'), whereas life satisfaction is measured by Cantril's scale.

Both types of data, furthermore, were based on a *subjective self-evaluation* of one's happiness. They both produced, in Easterlin's analyses, the same results:

a) Within a single country, at a given moment in time, the correlation between income and happiness exists and it is robust: 'In every single survey, those in the highest status group were happier, on the average, than those in the lowest status group' (Easterlin, 1974, page 100).
b) In cross-sectional data among countries, instead, the positive association wealth-happiness, although present, is neither general nor robust, and poorer countries do not always appear to be less happy than richer countries: 'if there is a positive association among countries between income and happiness it is not very clear. … The results are ambiguous' (Easterlin, 1974, page 108).[3]
c) The analysis of time series at the national level showed that in thirty surveys over 25 years (from 1946 to 1970 in the US) per capita real income rose by more than 60%, but the proportion of people who rated themselves as 'very happy', 'fairly happy' or 'not too happy' remained almost unchanged.

Today almost all scholars, from different backgrounds, agree on the (c) thesis, i.e. the non-correlation between happiness and income over time. There is, in fact, evidence that over time 'rises in aggregate income are not associated with rises in aggregate happiness. … At the aggregate level, there has been no increase in reported happiness over the last 50 years in the US and Japan, nor in Europe since 1973 when the records began' (Layard, 2005, page 148). At the same time, most economists confirm today Easterlin's finding that a causal correlation running from income to happiness within a single country in a given moment in time exists and is robust (point (a) above).[4]

Scholars, however, disagree with the (b) results of Easterlin,1974, i.e. the cross-country income–happiness correlation. Using data coming from the *World Values Survey*, some economists argue that in spite of Easterlin's thesis a correlation does exist: 'Various studies provide evidence that, on average, persons living in rich countries are happier than those living in poor countries' (Frey and Stutzer, 2002, page 19). Hagerty and Veenhoven (2003) also support this thesis, claiming that growing GDP does go with greater happiness. Easterlin (2005) replied to this paper defending his original thesis. A similar criticism has been put forward by Oswald (1997, page 1817) and others, but the idea of a very low correlation between happiness and income growth is still the most accepted among economists working on happiness (Bruni and Porta, 2005, 2007).

Layard's research, for instance, appears to confirm Easterlin's results: 'if we compare countries, there is no evidence that richer countries are happier than poorer ones – so long as we confine ourselves to countries with incomes over $15,000 per head. … At income levels below $15,000 per head things are different, since people are nearer to the absolute breadline. At these income levels richer countries are happier than poorer ones. And in countries like India, Mexico and Philippines, where we have time series data, happiness has grown as income levels have risen' (2005, page 149).[5]

2. The economists' explanations of the paradox

The first economist who attempted to explain the paradox was Richard Easterlin himself, in his seminal 1974 paper. His explanation refers explicitly to Duesenberry's relative income theory based on the 'relative income' assumption. According to Duesenberry (1949, page 32) we are constantly comparing ourselves to some group of people and what others buy influences our choices about what we want to buy. It is the 'keeping up with the Joneses' scenario. The consumption function is constructed upon the hypothesis that our consumption choices relate to our *relative* income – reflecting the difference between our level of income and the income level of the people in our reference group – instead to our absolute income (as in the standard economics consumption theory).

This intuition is very old in the social theory. Without going back to classical economists (from Mandeville to the Milanese Pietro Verri, Cesare Beccaria's master), who gave prominence to the social dimensions of consumption, at the end of the nineteenth century Veblen (1899) introduced the notion 'conspicuous goods' referring to goods people purchase to compete with others. In most recent times, Tibor Scitovsky

(1976) dealt with the relationship between consumption and status, and Fred Hirsch (1977) coined the term ‘positional good’. Contemporary ‘positional consumption theory’ then explains the happiness paradox by means of the standard economics concept of *externality*: conspicuous commodities share some characteristics of ‘demerit goods’ (because they are private goods generating negative externalities), with the typical consequence of Pareto-inefficiency for over-consumption. In other words, people consume an excessive amount of conspicuous goods, and, as a consequence, the amount of time devoted to ‘inconspicuous consumption’ is inefficient. It is a mechanism like a ‘prisoner dilemma’ game: the individualistic search for individual improvements in relative terms leads all the agents to inefficient outcomes (Frank, 1997, 1999; Höllander, 2001; Layard, 2005; Ng, 1997).

The positional explanation is not the only one. There are other explanations, often used jointly with the positional one, that are based on the concept of ‘treadmill’, that has been introduced by psychological research on happiness. The treadmill metaphor, coined by Brickman and Campbell (1971), supposes that one is running constantly and yet remains at the same place because the treadmill runs at the same pace – if not faster – in the opposite direction.

Key concepts in individual treadmill explanations are ‘hedonic adaptation’ and ‘set point theory’. According to the ‘set point theory’, there is a level of happiness which remains practically constant during the life cycle, because personality and temperament variables play a strong role in determining the level of happiness of individuals. Such characteristics are basically innate to individuals. In other words, in the long run, we are fixed at hedonic neutrality, and our efforts to make ourselves happier by gaining good life circumstances are only short-term solutions, given the great capacity of adaptation of the human beings to both good and bad events in life. Therefore, life circumstances including variations in health and income normally account for a very small (and temporary) percentage of variation in subjective well-being. People initially do react to events and their well-being varies, but soon they return to baseline levels of well-being that are determined by personality factors (Argyle, 2001; Lucas et al., 2002). Empirical studies (Lykken and Tellegen, 1996) have concluded that more than 80% of the variance in long-term stable levels of subjective well-being can be attributed to inborn temperament. It is on this basis that researchers have claimed that people have inborn subjective well-being ‘set points’.[6] The various *shocks* that hit people in their lifetime affect their happiness only temporarily. In other words, there exists a given level of happiness, around which the various experiences of life gravitate.[7] We inevitably return to our *set point* after a brief period, due to the mechanism of 'hedonic adaptation'. From this reason, set point theory and 'hedonic treadmill' are often used as synonymous. Set-point theory explanations are very popular nowadays in economics.

Kahneman et al. (2004) distinguish between two types of treadmill: the 'hedonic' treadmill and the 'aspiration' treadmill. *Hedonic treadmill* is based on adaptation, while 'satisfaction treadmill' refers to *aspiration*, 'which marks the boundaries between satisfactory and unsatisfactory results' (Kahneman et al., 1999, page 14). A similar distinction between the two treadmill effects is made by Frey and Stutzer (2005): 'This process, or mechanism, that reduces the hedonic effects of a constant or repeated stimulus, is called *adaptation*.… According to aspiration level theory, individual well-being is determined by the gap between aspiration and achievement' (page 125). As their incomes rise, people are induced to seek continuous and ever more intense pleasures in order to maintain the same level of satisfaction. In this case, while Mr Brown gets a boost in his objective well-being, because he bought a new car, the fact that he has had a rise in income has also boosted his aspirations about which is the ideal car to own; so his subjective satisfaction level remains the same. This is true even though he may be *objectively* more comfortable in his new car.

These two treadmills work together: when, for an example, one buys a new car (or TV, house, cell-phone …), the *hedonic* treadmill works making in a few months, or weeks, the buyer adapt to the new car and therefore unable to perceive for long the well-being of driving the car; the satisfaction treadmill acts when soon after the purchase, the new owner sees on TV a forthcoming model of the same series, that cuts his satisfaction. These two effects go in the same direction of reducing the effect of increases of income on individual happiness.

Frank (2005) and Layard (2005) put forward policy suggestions for offsetting distortions due to such self-deception; for example, that inconspicuous consumption be taxed less than conspicuous consumption.

In the context of our discourse it has to be noted, however, that all these explanations of the income-happiness paradox do not deal with the *direct* relationship between individual well-being and relationality. In other words, the economic explanations of the 'Easterlin paradox' do not refer to sociality as a source of happiness *per se*. Mainstream economic literature, in fact, finds it hard to do this kind of analysis. In fact the sociality taken into consideration in the studies of happiness is basically translated into rivalry and envy. But, one would ask, is such a translation the only possible way to understand the Easterlin paradox? The final part of the paper tries to answer to this question.

3. What is happiness?

The economists' analyses and explanations of the happiness paradox do not explore all dimensions of happiness. The narrative of happiness in social sciences, in fact, is more complex. 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 Ogburn launched a social research program on the 'quality of life' which generated the important 'movement of social indicators of the quality of life', that a few years later spread from the United States to Europe.[8]

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 'heterodox' economists (e.g. Myrdal, Galbraith, Hirschman) who were critics of the mainstream of neoclassical economics. Their works were sources of inspiration for sociologists and 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'.

This 'quality of life movement' (Offer, 2003) emphasizes mainly 'objective' and normative (or ethical) ingredients of a good life, while the 'happiness movement' is characterized today by a more 'subjective' approach, being based on self-reported evaluations. In fact, mostly thanks to Sen and Nussbaum, the category of *quality of life* tends to encompass new indicators such as democracy, rights, health, working conditions and fundamental capabilities. In the 1980s, a 'list of fundamental human needs' was drawn up that was mainly based on the theory of capabilities, that has influenced the debate on the United Nation's *Human Development Indicators* (HDI).[9]

The quality of life approach, deeply linked with the 'capability approach', considers self-reported happiness as only one component of well-being, that, instead, has to be anchored on more objective bases. In this approach what counts in terms of happiness (here translated into 'good life') is what people actually 'do' and could do, and not what they 'feel'. The following very famous sentence by Sen is enlightening: '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' (1979, page 475).

The Economics and Happiness research project, instead, is less concerned with this problem of preferences adaptation, and maintains that what people feel and tell about the satisfaction of their own life are the most important indicators of personal well-being.

Psychologists correctly acknowledge that 'unfortunately, the nature of happiness has not been defined in a uniform way. Happiness can mean pleasure, life satisfaction, positive emotions, a meaningful life, or a feeling of contentment, among other concepts' (Diener et al., 2004, page 188). Economists do not like even the question: 'what is happiness?'. To them happiness is not a concept clearly distinct from pleasure, satisfaction, or welfare. Ng (1997) defines happiness as 'welfare'; for Oswald happiness means 'pleasure' or 'satisfaction'. Easterlin is even more explicit: 'I use the terms happiness, subjective well-being, satisfaction, utility, well-being, and welfare interchangeably' (2001, page 465). To Frey and Stutzer (2005) happiness research in economics takes reported subjective well-being as a proxy for a more accurate measure of utility. The sociologist Ruut Veenhoven 'use[s] the terms "*happiness*" or "*life satisfaction*" for the comprehensive judgment' (2005, page 245). Happiness, by economists, is not generally *defined* but empirically *measured*, on the basis of the answers to questionnaires. The Eurobarometer of the European Commission measures Europeans' self-evaluation of *life-satisfaction* (see Oswald 1997). Inglehart, the coordinator of the World Values Survey, uses the Subjective Well-Being (SWB) Index which is a combination of the responses to 'happiness' and the responses to 'life-satisfaction' questions.[10]

Some economists (Frank, 1997, 2005; Layard, 2005) use the category of SWB as a synonym of happiness. Actually, in psychological studies the story is more complex. In psychology, in fact, experimental studies on happiness began in the 1950s. Psychologists in general use the expression happiness with more precision than economists.[11] In particular, life satisfaction reflects individuals' perceived distance from their aspirations (Campbell et al., 1976). Happiness, instead, results from a balance between positive affect and negative affects (Bradburn 1969).[12]

SWB is defined as 'a general evaluation of a person's life' (Diener et al., 2004, page 191). In general, 'the term subjective well-being emphasizes an individual's own assessment of his or her own life – not the judgment of experts – and includes satisfaction (both in general and satisfaction with specific domains), pleasant affect, and low negative affect' (page 189). For this reason, 'SWB is not a unitary dimension, and there is no single index that can capture what it means to be happy' (page 213). In this approach SWB is a concept close to the Aristotelian approach to happiness as *eudaimonia*.

In psychological studies of happiness we find a tension between a ‘hedonic’ idea of happiness and a ‘eudaimonic’ one. In the ‘hedonic’ approach happiness is the result of avoiding pain and seeking pleasure; according instead to the ‘eudaimonic’ approach happiness arises as people function and interact within society, an approach that places emphasis on non-material pursuits such as genuine relationality and intrinsic motivation (Deci and Ryan, 2001). More precisely, ‘hedonism’ (Kahneman et al., 1999, 2004) reflects the view that well-being consists of pleasure or happiness: ‘Hedonism, as a view of well-being, has thus been expressed in many forms and has varied from a relatively narrow focus on bodily pleasures to a broad focus on appetites and self-interests’ (Deci and Ryan, 2001, page 144). In 1999 Kahneman et al. announced the existence of a new field of psychology.[13]

The eudaimonic view, both ancient and contemporary, claims instead that well-being consists of more than just hedonic or subjective happiness: ‘Despite the currency of the hedonic view, many philosophers, religious masters, and visionaries, from both the East and West, have denigrated happiness per se as a principal criterion of well-being’ (Deci and Ryan, 2001, page 145). The two traditions ask different questions concerning how developmental and social processes relate to well-being, and they implicitly or explicitly prescribe different approaches to the enterprise of living. Ryff and Singer (1998, 2000), also drawing from Aristotle, describe well-being not in terms of attaining of pleasure, but as ‘the striving for perfection that represents the realization of one’s true potential’ (Ryff, 1995, page 100).

The philosophical reference point for the hedonistic approach is Bentham (or Epicurus), while Aristotle is the father of the eudaimonic/ethical one. It is not by chance that one of Kahneman’s seminal papers on happiness is entitled ‘Back to Bentham’ (Kahneman et al., 1997).

A similar tension between objective and subjective approaches to happiness/well-being is present also in economics (cf. Bruni et al., 2008). On the one hand, the Senian capabilities approach is *de facto* close to the Aristotelian eudaimonia (although Sen is critical with the literature on happiness in general), as is the approach of most economists working on ‘relational goods’. On the other hand, the mainstream of economists of happiness today are close to the hedonic–Benthamite happiness, where happiness is actually intended as pleasure.

In order to explore more the methodological differences between the Aristotelian approach to happiness and the hedonic one, the next session summarizes the key elements of the Aristotelian concept of eudaimonia, that will be a methodological introduction to the last sections of the paper centred on relational goods.[14]

4. Aristotle's eudaimonia

Most of the current philosophical debate on happiness, included the subject of this paper, is still centred on the semantic tension surrounding the Greek word *eudaimonia.*[15] Socrates, Plato and Aristotle, as well as all the classical schools of philosophy (Epicureans or Stoics)[16] explored the diverse dimensions of happiness. The fundamental ideas they shared on happiness-as-eudaimonia are:

a) happiness is the final, or ultimate, end of life: is the 'highest good' for the human being;
b) happiness is self-sufficient, because there is nothing that added to it would increase its value;
c) there is an inseparable bond between happiness and the practice of virtues;
d) because virtues bear fruits regardless of self-interest, happiness can be reached only as by-product if it is sought in non-instrumental ways, seeking to be virtuous.

On the other hand, differences between Aristotle and the other classical Greek philosophers arose around such questions as the connection between the active and contemplative life, and then over the role of sociality and civil virtues in order to obtain eudaimonia.

The Aristotelian meaning of eudaimonia is semantically impoverished when translated into the English word *happiness*: the Greek expression meant the highest end which a human person can realize: 'what is the highest of all goods achievable by action' (Aristotle, *Nicomachean Ethics* (NE), I, 4, 1095a). As a consequence, eudaimonia is an end 'which is in itself worthy of pursuit more final than that which is worthy of pursuit for the sake of something else…for this we choose always for self and never for the sake of something else' (NE, I,7, 1097a). That makes happiness 'the best, noblest, and most pleasant thing in the world' (NE, I,8,1099a). All the other good things, including wealth, are only a means for reaching happiness. Happiness, therefore, *can never be a means*; on the contrary, it is the only goal which is impossible to instrumentalize. For this reason it is the 'final' end: being final cannot be an 'instrument' for something else (there is nothing to be reached through and beyond it). Out of this comes the thesis that neither wealth nor health can ever be final ends. They can only be important means (instruments) for living a good life. As the philosopher Martha Nussbaum writes: 'happiness is something like flourishing human living, a kind of living that is active, inclusive of all that has intrinsic value, and complete, meaning lacking in nothing that would make it richer or better' (2005, page 171).

Furthermore, one of the primary objectives of Aristotle was to distinguish his eudaimonia from the *hedonism* of Aristippus and his school: ‘To judge from the lives that men lead, most men, and men of the most vulgar type, seem (not without some ground) to identify the good, or happiness, with pleasure’ (NE, I,5,1095b). Eudaimonia, then, cannot be identified with pleasure. This is why the neo-Aristotelian philosophers in the Anglo-Saxon world preferred to translate eudaimonia with ‘human flourishing’ rather than happiness, because in common language today happiness also indicates momentary euphoria, carefree content, a pleasurable sensation or tout court pleasure.[17]

Eudaimonia is also, for Aristotle, the very end of political activity. This idea can be rightly considered one of the core elements of the *Nicomachean Ethics:* ‘what it is that we say political science aims at and what is the highest of all goods achievable by action ... for both the general run of men and people of superior refinement say that it is happiness’ (I,4,1095a). The aim of politics is happiness because politics ‘gives utmost attention in forming citizens in a certain way, that is to make them good and committed to carrying out beautiful actions’ (I,9,1099b). Only the citizen (free and male) in Aristotle ethics can be fully happy (I,9,1099b).

Eudaimonia, furthermore, is the indirect result, or a by-product, of the practice of virtues. The expression *eudaimonia*, in fact, originally derived from the word ‘good demon’ (*eu daimon*), which meant that only a person who has a good demon or good fortune on his side can reach eudaimonia. So happiness and good fortune were used as synonymous words in the pre-philosophical age.[18] Socrates, Plato and Aristotle invested the word eudaimonia with new meanings. The idea that even a person with bad luck could *become* happy by means of virtuous actions, began to enter onto the philosophical stage.

The basic link between virtues and eudaimonia embodies a fundamental tension regarding the whole Aristotelian theory of happiness-eudaimonia: the virtuous life is a way to happiness, but virtues bear their fruit (i.e. happiness) only if sought *not instrumentally*, only if internalized as being *intrinsically good*. In fact, as soon as virtue is used as a means it ceases to be a virtue. So happiness is the *indirect* result of practicing virtues. Virtues, thus, are means to happiness only if they are *not only* a means. This aspect represents the basic ‘Aristotle’s happiness paradox’, called also ‘teleological paradox’ (cf. Brennan and Pettit 2004), or ‘the fundamental paradox of egoistic hedonism’ (Sidgwick, 1901[1874], page 136).

If we keep this fundamental tension in Aristotle’s vision of eudaimonia in mind, it becomes possible properly to understand the Aristotelian approach to the nexus relationality/happiness. As we are about to see in the next sections, interpersonal relations lead to happiness only if they are genuine expressions of intrinsic values.[19] For this reason Aristotle's eudaimonia is basically a *civil* happiness theory.

The philosophical locus where the Aristotelian teleological paradox is clear and relevant is his theory of friendship and 'relational goods'. As very well known, in the *Nicomachean Ethics* there is a strong point of attraction, perhaps the strongest of the entire Aristotelian ethics. It is the *civil* or *political* nature of a good life, of happiness,[20] as it comes from one of Aristotle's most quoted passages: 'Surely it is strange, too, to make the supremely happy man a solitary; for no one would choose the whole world on condition of being alone, since man is a political creature and one whose nature is to live with others. Therefore even the happy man lives with others; for he has the things that are by nature good. And plainly it is better to spend his days with friends and good men than with strangers or any chance persons. Therefore the happy man needs friends' (IX,9,1169b).

In its highest expression friendship is a virtue, and for this reason having (virtue) friends, being part of eudaimonia, is more important than wealth that is only a means to the end of the good life: 'For without friends no one would choose to live, though he had all other goods' (VIII,1, 1155a). For Aristotle, and in the whole Western civil tradition, there is an *intrinsic* value in relational and civil life, without which human life does not fully flourish. Though human life, as seen, must be able to flourish autonomously, in the sense that it cannot be totally jeopardized by bad fortune, it is also true that in the Aristotelian line of thought some of the essential components of the good life are tied to interpersonal relationships. Martha Nussbaum calls 'friendship, love and political commitment' the three basic *relational goods* in Aristotle's *Ethics*.[21] Therefore relational goods have intrinsic value, are part of eudaimonia. Because they are *made of* relationships, 'relational goods' can be enjoyed only in reciprocity. So, by affirming the importance of relational goods in a happy life ('The happy man needs friends'), Aristotle brings happiness back under the influence of fortune.[22]

Why is Aristotle's eudaimonia relevant in today's debate on happiness?

The main reason is the presence in the eudaimonian tradition of an intrinsic value of sociality, of relational goods. Whilst the kind of sociality present in the main theories of happiness is basically positional, the Aristotelian tradition reminds us that there are forms of social interactions that have an intrinsic value and that lead to happiness only if and when this intrinsic value is acknowledged. Following this approach to happiness the remaining part of the paper is devoted to the nexus between intrinsic sociality, relational goods, and happiness.

5. Intrinsic sociality and happiness: Data and theory

5.1. Social relations

To enter into the last passage of our discourse, let us start with the evidence, in both social sciences and in psychology, of a close relation between happiness and genuine (i.e. non-instrumental) interpersonal relationships. Kahneman et al. (2004) found that in only one of 15 activities of daily living (i.e., praying) was affect balance (positive minus negative emotions) greater when people were alone rather than with others. People enjoyed the other 14 activities (such as exercising, resting, commuting, and working around the house), more when others were present than when they were alone.[23] Meier and Stutzer (2004) find, using the German Socio-Economic Panel (GSOEP) for the period between 1985 and 1999, robust evidence that volunteers are more satisfied with their life than non-volunteers. When psychologists examine the characteristics of the relatively happiest persons, they find without exception that they reported strongly positive social relationships (Diener & Seligman, 2003). Thus, Bradburn's (1969) early findings on the importance of social relationships to well-being have now been extensively supported.

More in general, psychological studies offer plenty of data on the importance of relationality for happiness and life satisfaction. There has been increasing appreciation within psychology of the fundamental importance of supportive interpersonal relationships for well-being and happiness. This dimension is so important that some theorists have defined 'relatedness' as a basic human need that is *essential* for well-being (Deci & Ryan, 2001). In particular within the so-called 'eudaimonic' approach, many authors see a *universal* association between the quality of relationships and subjective well-being: 'Evidence supporting the link of relatedness to SWB is manifold. Studies suggest that, of all factors that influence happiness, relatedness is at or very near the top of the list … Furthermore, loneliness is consistently negatively related to positive affect and life satisfaction' (Deci & Ryan, 2001, page 154).[24] Attachment and intimacy are especially relevant. The idea is that 'individuals have a predominant working model that varies in the degree to which it represents secure versus insecure attachment to others. Many studies have confirmed a relation between attachment security and well-being broadly construed' (page 154).

Research on intimacy also highlights the importance of relatedness for well-being, and underscores that it is the quality of relatedness which engenders well-being. For example, Nezlek (2000) reviewed a number of studies showing that, whereas quantity of interactions does not predict well-being, quality of relatedness does. These works have found that individuals who in general have more intimate or higher quality relationships tend to show greater well-being.

Whereas Deci and Ryan's approach treats relationships as a *source* of well-being, Ryff and Singer (2000) treat it as a defining element of Personal Well Being (PWB), viewing positive relations with others as an essential element in human flourishing. In relating this variable to others, Ryff et al. (2001) reviewed evidence that positive relations predicted physiological functioning and health outcomes.[25] In particular, Ryff and her colleagues show empirical and theoretical evidence on the strict nexus between interpersonal relationships-health-happiness: 'Viewed from the standpoint of interpersonal flourishing and positive health, two key points emerge. First, studies of the beneficial and positive features of social relationships, be they secure attachments in childhood and adulthood, or loving and intimate relationships in adulthood, are rarely connected to health. Second, when health or biology has entered the picture, it is overwhelmingly on the side of negative social interaction and adverse health consequences, including an expansive array of physiological systems' (Ryff and Singer, 2000, page 34).

5.2. Relational goods

The empirical analyses carried out by economists on the nexus happiness/genuine sociality are still small, although growing in the very recent years. On the other hand, as far as the analysis of interpersonal relationships is concerned, a new theoretical tool is emerging also in economics studies, the concept of relational good (Gui, 1987, Uhlaner, 1989), a concept that we have found in the Aristotelian tradition, and that is very useful for the analysis at hand. Carole Uhlaner defined them as goods that 'can only be "possessed" by mutual agreement that they exist after appropriate joint actions have been taken by a person and non-arbitrary others' (1989, page 254). Relational goods are, therefore, goods which cannot be produced, consumed, or acquired by a single individual, because they depend on interaction with others and are enjoyed only if shared with others. According to Uhlaner, 'goods which arise in exchanges where anyone could anonymously supply one or both sides of the bargain are not relational' (1989, page 255).

They share some characteristics of *local public goods* (Corneo, 2002). Actually, relational goods can be better understood as a *third* category of goods, neither private nor public. In fact, public goods require absence of rivalry, while relational goods require something more than this. Two persons in a museum watching simultaneously the same picture are, for economic science, consuming a public good, because each act of consumption is independent from the other. The economic concept of 'public good' is basically individualistic: the key feature is the non-interference between the co-consumers who do not need to enter into a relationship among them, a relationship that is exactly what constitutes the nature of the relational good.

Given its brief history, the concept of relational goods still lacks a shared definition among the few economists who use them in their models. Benedetto Gui (2002) proposes to analyze every form of interaction as a particular productive process that he calls *encounter*. Gui suggests that besides the traditional inputs and outputs that have been amply considered by economic theory, an encounter 'between vendor and potential buyer, between a doctor and patient, between two colleagues, and even between two clients of the same store' (Gui, 2002, page 27), produces also intangible outputs of *a relational nature*.[26]

It is the relationship itself that constitutes the 'good' in relational goods. The dimension of reciprocity is, therefore, foundational here. What's more, the *identity* of the other person is essential for the value and sometimes the existence itself of the relational good.

The key-characteristics of the interpersonal relationships that can be described as 'relational goods' are therefore: (i) *motivation dependent* (unlike the standard market goods, in relational goods 'why' one enters the relationship is essential for the existence and value of them), and (ii) *identity dependent* (they are not anonymous).

In Bruni and Stanca (2008), one of the first empirical papers on relational goods, membership of a voluntary organization is associated with a statistically significant increase in life satisfaction (1.15 percentage points), *ceteris paribus*. But active participation to the activities of a voluntary organization (a proxy of production-consumption of relational goods) is positively and significantly associated with higher life satisfaction, and the increase is somewhat larger and more significant (than in simple membership). It is interesting to observe that the effect of volunteering for life satisfaction is *quantitatively the same as that of moving up by one decile in the income scale*.[27] Furthermore, time spent with the family has the largest effect on life satisfaction (with a coefficient ranging between 1 and 0.73). Time spent with friends and with people from sport activities have positive and significant coefficients, ranging between 0.8 and 0.6. All our results are robust to the use of alternative definitions of the relational indicators.[28] All these data show that the quality of intrinsic relationality is very important in human happiness – as Aristotle said.

6. Discussion

The 'eudaimonian' concept of relational goods can help us in understanding better the issues underlying the paradox of happiness.

The ‘positional’ theory of happiness explains the Easterlin paradox by means of the presence of the positional externalities that lead to an excessive consumption of conspicuous goods. The adaptation and aspiration theories explain the inefficient use of income by hypothesizing that people in choosing their level of consumption don’t take into consideration the treadmill effects that actually reduce *ex post* the subjective well-being – as if the consumer in making her choices uses a wrong utility function. Relational goods can add something more to this debate.

Recent literature in social sciences offers more and more grounds for concern that time devoted to interpersonal relations is falling, crowded-out by the extension of markets in domains covered in the past by non-market institutions such as family, churches, civil society in general.[29] However, when material needs have been satisfied to a substantial degree, as is the case in advanced economies, ‘well-being depends to an increasing extent upon social factors, like social environment, ... and the ability to construct and enjoy meaningful and satisfactory relations with other people’ (Antoci et al., 2005, page 2). Actually, it is evident that the time and the effort devoted to production and consumption of relational goods are decreasing in market societies. But if, as empirical literature shows, poorer relationality leads to decreased happiness, the key question is *why* people consume lower levels of relational activities.

We have three possible explanations. The first comes from the recent theoretical economics literature, such as Bartolini (2007), Pugno (2007) and Antoci, Sacco, and Vanin (2005). The common idea present in these papers considers relational goods as a sort of *public* goods: the consumption of relational goods can be too little because of a coordination failure in contributing to that public good. In this approach people in developed countries *intentionally* consume too few relational goods, and this leads to a sub-optimal (non-Pareto) equilibrium, in a prisoner’s dilemma game.[30] It is the typical rationality failure in the presence of public goods.

Another explanation, that can be used as a hint for an alternative explanation of the happiness income paradox, has been originally put forward by Tibor Scitovsky in his *Joyless Economy* (1976). According to Scitovsky in affluent societies, people consume too much of comfort goods and too little of stimulation goods because the economies of scale and the high investment in advertising by big corporations make very difficult or extremely (relatively) expensive consuming stimulation goods such as relational goods. In other words, the *relative price* of relational goods increases over time because the technology of interpersonal relationship has not improved whereas commodity technology has.

A third relational explanation can be considered an extension of Scitovsky's distinction between *comfort* and *stimulation* goods. Comfort goods give immediate stimulations that do not last long; the marginal utility of these goods is strongly decreasing and soon leads to boredom. Stimulation goods, instead, have an opposite characteristic: their marginal utility is normally increasing: classical examples are cultural goods. Markets tend to substitute true stimulation goods with comfort goods *presented* as stimulation goods. In affluent societies people consume too much comfort also because it appears as *stimulation goods in disguise*, *but offered at a much lower cost* (in terms of effort and risk) than true stimulation goods.

Relational goods – although Scitovsky does not use the expression – belong to the category of stimulation goods.[31] Advanced markets tend more and more to offer relational goods in disguise. As an example, think of TV watching, as a proxy of 'virtual' relationships. As mentioned, Bruni and Stanca (2008) show robust evidence that in all countries the number of hours spent watching TV is inversely correlated with the SWB index. People tend to consume 'pseudo' relational goods because they give more comfort, are less risky and cheaper than true friendships, that, however, are perceived as a *substitute*.

Thus, if we take into consideration also the relational goods element, we can explain better the empirical evidence about the happiness paradox. In fact, when we allocate our resources (time, effort) among the two kinds of goods (ordinary consumption and relational goods), we underestimate that relational goods are much less affected by adaptation, aspirations and comparison than consumption goods (Easterlin, 2005). We will never completely adapt to children, friends and marriage, or at least much less than cars, houses or mobile phones (Frey and Stutzer, 2005).

All these three orders of considerations share a common message: in affluent societies people produce and consume too few relational goods, with the unintentional result of a fall of individual and public happiness. This is one of the most relevant challenges for contemporary social sciences. The aim of this paper was to suggest that a reconsideration of the Aristotelian tradition of eudaimonia and relational goods, can offer some hints and suggestions for individuals and institutions.

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Notes

1. In a parallel stream of research, the Dutch economist Bernard Van Praag, in his doctoral thesis (1968), showed an unusual and heterodox interest in investigating wealth and well-being amidst the almost complete indifference of mainstream economists.
2. The research conducted by Cantril offered also important considerations concerning the 'hopes' of people in different countries. For example, while Nigeria and the USA attributed the same value to health in relation to hope, in Nigeria the economic factor was more important (90 vs 65), and, less obviously, Nigerians gave more weight to the family than the USA (76 vs 47).
3. Cantril's data showed, for instance, that Cuba and Egypt were more satisfied than West Germany (1965, page 258).
4. According, for example, to two leading economists of happiness: 'When we plot average happiness versus average income for clusters of people in a given country at a given time …, rich people are in fact a lot happier than poor people. It's actually an astonishingly large difference. There's no one single change you can imagine that would make your life improve on the happiness scale as much as to move from the bottom 5 percent on the income scale to the top 5 percent' (Frank 2005, page 67). And 'Of course within countries the rich are always happier than the poor' (Layard 2005, page 148).
5. Among psychologists the relation between income and happiness is even more controversial. Some, on the basis of data different from those of the WVS, challenge the correlations (also when other variables are under control) between income and happiness in general (*among* countries, *within* a country and *over time*): for a review cf. Diener et al. (2004).
6. For a critique of this theory see Lucas et al. (2002), page 4.
7. This approach is not far removed from the (very conservative) thesis of Herrnstein and Murray (1994), who in their *The Bell Curve* decried the uselessness of social programmes on the basis that people's innate level of intelligence cannot be permanently changed by education.
8. In 1954, the United Nations nominated a commission for the task of improving the studies on living standards by defining more precisely the contents which make up the *standard of living* concept as well as their indicators.
9. The HDI turned out to be crucial in development policies. According to Sen (1999) it represents the most important example of putting into operation his *capabilities approach*, which measures individual well-being on the basis of what a person is capable of doing with his goods. For a comparison between the happiness and the capability approach to well-being, cf. Bruni et al. (2008).
10. 'The subjective well-being index reflects the average between (1) the percentage of the public in each country that describes itself as "very happy" or "happy" minus the percentage that describes itself "not very happy" or "unhappy" and (2) the percentage placing itself in the 7–10 range, minus the percentage placing itself in 1-4 range', on the 10-point scale of life satisfaction (Inglehart, 1996, page 516).

11. Ed Diener, for example, a leading psychologist in the studies on happiness, proposes on the basis of abundant empirical evidence a hierarchical model of SWB where the four components are: (1) pleasant emotions (joy, contentment, happiness, love, etc.), (2) unpleasant emotions (sadness, anger, worry, stress, etc.), (3) global life judgment (life evaluation, fulfilment, meaning, success, etc.), and (4) domain satisfaction (marriage, work, health, leisure, etc.). In this approach the SWB is made of all these components, and therefore, happiness is considered to be a narrower concept than SWB, and different from life satisfaction: life satisfaction and happiness are considered *components* of SWB – as in the Senian capability approach where happiness is just *a* component of a 'good life'.
12. On SWB see also Diener and Lucas (1999), and Diener (1984).
13. Kahneman's approach to happiness is nevertheless articulated: in some studies he follows explicitly a hedonist approach (Kahneman et al*.,* (1997, 2004), but in other researches (such as that with Nickerson et al*.,* 2003), he reaches conclusions in line with the Aristotelian approach.
14. For a more extended analysis of Aristotle's concept of eudaimonia, cf. Bruni (2006).
15. In the Greek philosophy there are many words for expressing the concept of what we call nowadays happiness. In particular, the happy man is called *Makar, Eudaimon, Olbios, or Eutyches.* Nevertheless, in Plato, Aristotle, and also Epicurean and Stoic philosophers, eudaimonia was far the most used term. On this cf. de Heer (1968).
16. The fact that we find these essential ideas in other cultural universes makes us think of them as an emanation from an archetype lying at the wellspring of human history. For example, Hinduism and its sacred text, *The Bhagavad-gita*, is built around the idea that happiness arrives from virtue only if it is sought as an end and not as a means. Also the epic poem, *The Mahabharata*, presents an idea of happiness as a by-product of non-instrumental and virtuous behaviour.
17. Elisabeth Anscombe (1958) was the first to translate eudaimonia into 'human flourishing'.
18. Some modern Anglo-Saxon languages have kept the original meaning. In German, for instance, '*glück*' means both happiness and good fortune, and, in English, 'happiness' comes from 'to happen'.
19. Interesting considerations on the intrinsic value of social interactions, can be found also in Anderson (1993). For a critical analysis of the nexus between intrinsic motivation and market logics, see Bruni and Sugden (2008).
20. Notice that Aristotle, like all classical thought, did not distinguish between the *civil, social* and *political* spheres; that distinction is a typically modern distinction (after Machiavelli and Hobbes in particular).
21. The expression 'relational goods' was first used by Nussbaum (1986).
22. It's not by chance, as Nussbaum remarks, that Aristotle gives particular attention to the catastrophes which can happen because of the *philia,* when he writes about catastrophes. He tries to deal with the problem by defining eudaimonia as a self sufficient reality that is, however, dependent on other people.
23. This experiment, carried out by using the DRM, is interesting also because it avoids the problem of causality.

24. A similar thesis is endorsed by Argyle, 1987 and Myers, 1999.
25. Cf. also Marmot (2004).
26. A relational good (in Gui's sense) is different from a good (i.e. a service) in which the quality of the relationship established between the contracting parties is an important characteristic. The essential difference between these two meanings of the adjective 'relational' lies in the fact that in the case of the relational good the *relationship in itself constitutes the economic good* – these are 'goods of relations', as Martha Nussbaum says (1986, pages 343–4). It is obvious that an important element of the utility of consuming a good like, for example, a hair-cut is the quality of relationship established between a hair dresser and a client. Positive fellow-feelings between them increase the value of that service, while uncomfortable feelings lower its value. However, the service 'hair-cut' has an existence that is independent from the quality of the relationship, or else independent from the relationship altogether (some people might very well appreciate the silence of contour-cutting robots that have no expectation of tips). In fact, the hair-cut itself would not be defined as a relational good in Gui's theory (the hair-cut experience is the 'encounter', while that intangible good something co-produced and co-consumed between a hairdresser and client would be defined as such).
27. When both volunteering indicators are inserted jointly, so that the coefficient of the 'active participation' dummy measures the net effect of actual involvement, over and above simple membership, both variables have positive coefficients, and the effect of active participation is somewhat larger and more strongly significant.
28. These findings, however, could also be interpreted as the result of reverse causality: happier individuals are more likely to contribute time and efforts to voluntary organizations. In order to deal with the simultaneous nature of the relationship between relationality and life satisfaction in the paper we have used 'importance of friends' and 'importance of family' as instruments for relational time indicators. The coefficients for all indicators are positive and significant, indicating that the positive effect of relational time on life satisfaction is not spurious. Overall, the results of estimation by instrumental variables lend further support to the causal interpretation that relational time has a positive impact on life satisfaction.
29. See, among others, Putnam (2000), Lane (2000), Easterlin (2004).
30. Antoci et al. (2005), by a dynamic model, show the possibility of a social poverty trap.
31. I agree with Hirschman (1996) in saying that relational goods as much as 'commensality' confer *at the same time* both comfort and stimulation.

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