Practical reason in hard times: the effects of economic crisis on the kinds of lives people in the UK have reason to value

Abstract

The capabilities approach was developed partly in response to the problem of adaptive preferences, which is considered by many to be a fatal flaw in utilitarian approaches to well-being. However, an important critique of the capabilities approach is that it is subject to an analogous problem of adaptation to deprivation: if well-being is defined as the capability to live the kind of life one has reason to value, but conceptions of value are conditioned by external circumstances or subject to adaptation, evaluations of well-being in the capability space may suffer similar distortions. This paper investigates the effects of the recent economic crisis in the UK on the kinds of lives people have reason to value. Using data from the European Social Survey and an Exploratory Structural Equation Modelling approach, it is shown that hard economic times did cause adaptation in conceptions of value, with particularly large effects among the economically vulnerable and the youngest generation. It is concluded that the definition of capability should include conceptions of value as a dimension of internal capability, and that this strategy can enhance the analytical power of the capabilities approach.

Key words: capabilities, well-being, practical reason, adaptation, values

Introduction

The capabilities approach was developed partly in response to the problem of adaptive preferences, which is considered by many to be a fatal flaw in utilitarian approaches to well-being:

> A person who is ill-fed, undernourished, unsheltered, and ill can still be high up in the scale of happiness or desire fulfilment if he or she has learned to have "realistic" desires and to take pleasures in small mercies. (Sen 1985a)

The phenomenon of adaptation in the context of people's desires, preferences and plans is characterised by Elster (1982) as the "adjustment of people's aspirations to feasible possibilities." In a situation where personal goals do not correspond to the available options, it is often easier to alter the goals than to alter the external situation (Festinger 1954); this may entail a downgrading of the inaccessible options ("sour grapes") or an upgrading of the accessible options (Elster 1982). In a context of adaptation to deprivation, high subjective well-being may simply reflect "cheerful endurance" (Teschl and Comim 2005), the internalization of a disadvantaged position in the social structure, and habituation to unjust and oppressive norms.

Adaptation of this kind can have potentially distorting effects on utility-based evaluations of well-being, and it is for this reason that the problem of adaptive preferences is one of the main arguments used to discredit utilitarian approaches to well-being. While the utilitarian account of well-being is grounded in the subjective state of the individual, the capabilities approach (CA) is designed to expand the informational basis of evaluations of well-being beyond the realm of mental states, in order to avoid such distorted results. The CA conceptualises well-being as a function of the individual's opportunity and ability to lead the kind of life they have reason to value: in contrast to the monism of utilitarianism, the CA rests on a foundation of value-pluralism, allowing multiple intrinsically valuable ends.

However, a fundamental critique that has been levelled at the CA is that it is subject to an analogous problem, whereby adaptation to deprivation can cause distorted results in capability-based evaluations of the quality of lives (Burchardt 2009; Qizilbash 1997; Teschl and Comim 2005). For example, Quizilbash puts forward a scenario in which a woman and her brother, when assessed at a particular point in time, have equal capability sets; however, in order to achieve equality of capability the woman had to work harder and develop "compensating abilities", due to the poorer life chances she had by virtue of being a woman. In this case, equality of capability is compatible with injustice; for evaluations of well-being in the capabilities space, the problem of compensating abilities represents a type of adjustment to disadvantage that is "closely related to the case of adaptive preferences" (Qizilbash 1997).

A related issue is highlighted by Burchardt (2009), who provides empirical evidence of another kind of response to deprivation: the problem of conditioned expectations. Burchardt shows that individuals' agency goals (their long-term projects, plans and commitments that transcend the meeting of immediate basic needs) are influenced by past experiences of deprivation; in particular, she demonstrates clear socio-economic gradients in young people's educational and occupational

aspirations, with young people from more disadvantaged backgrounds being less likely to aspire to further education and professional occupations. Interviews with the same sample ten years later, however, showed that those people with more modest aspirations were more likely to achieve their agency goals. Therefore, evaluations of well-being based on agency goal achievement are argued to suffer from a similar distortion to subjective utilitarian evaluations: the conditioning of expectations due to past experience of deprivation and injustice can mask inequalities of freedom, leading to perverse results.

The phenomenon of adaptation to deprivation would seem, then, to pose a problem for the capabilities approach: evaluations of well-being grounded in "the kinds of lives people have reason to value" may be problematic, since what people have reason to value may be subject to adaptation and conditioning. This paper re-examines the problem of adaptation and its implications for the CA, focusing on the effects of external circumstances on practical reasoning about the kinds of lives people have reason to value. In particular, it offers an empirical examination of adaptation during the recent economic crisis in the UK. Section 1 sets out the theoretical framework of practical reason in hard times, and links philosophical conceptions of value with social-psychological theories of personal values. Section 2 uses data from the European Social Survey to investigate the effects of economic crisis on the kinds of lives people in the UK have reason to value. Sections 3 and 4 discuss the implications for policy and for the capabilities approach. The paper concludes by making the case for the inclusion of conceptions of value as a dimension of internal capability: although the problem of adaptation to deprivation undermines utilitarian evaluations of well-being, it is argued that its incorporation into the definition of capability can in fact increase the analytical power of the CA.

1. Theoretical framework

This section introduces the key concepts of practical reason, personal values and adaptation. First, a note on terminology: While Sen distinguishes between the concepts of "well-being" and "agency", in this paper I follow Nussbaum in using only the distinction between capability (freedom) and functioning (achievement) (Nussbaum 2000). In what follows, the term "well-being" is used in the Aristotelian sense of *eudaimonia*, to refer holistically to the realization of human potential through the living of a good, worthwhile life of active being and doing. This includes, by definition, the freedom to exercise agency – to be self-determining, and to reason and develop life-plans and goals.

Practical reason

At the core of the capabilities approach is people's opportunity and ability to live the kinds of lives they have reason to value (Sen 1999), with practical reason central to the development of personal conceptions of what constitutes a good life (Nussbaum 2000). Aristotle defined the process of practical reasoning as:

> To deliberate rightly about what is good and advantageous to [oneself]; not in particular respects, e.g. what is good for health or physical strength, but what is conducive to the good life generally. (EN6 1140a26-29)

Accordingly, Nussbaum's (2000) definition of the capability for practical reason is "Being able to form a conception of the good and to engage in critical reflection about the planning of one's life." Within her list of core capabilities, Nussbaum places special importance on practical reason, since, along with the capability for affiliation, it "organize[s] and suffuse[s] all the others."

Different accounts of practical reason exist; the view closest to Aristotle's definition (Wiggins 2001) is the specificationist account. This theory of practical reason holds that many of our ends are defined only abstractly and imprecisely; practical reason involves the more detailed specification of these indefinite, incomplete goals, and the creation of consistency between different (often conflicting) ends, in the context of real-life circumstances (Wiggins 2001). An important feature of the specificationist account, therefore, is that it provides the basis of a dynamic view of conceptions of the good, whereby what people consider as conducive to a good life is subject to modification in response to changing circumstances. A person's conception of the good life is fundamental to how her life goes – it determines the parameters of her expectations, aspirations and life goals, the locus of possibility that she can imagine for herself, and the broadness or narrowness of her horizons. Changes in conceptions of the good entail the modification of ends, and of the plans and aspirations that people develop to achieve those goals: conceptions of the good and changes therein govern the shape of people's lives and, therefore, their freedom to flourish.

The specificationist account of practical reason is complemented well by various social-psychological theories of personal values – next, I aim to highlight the theoretical connection between what one has reason to value, and one's personal values; in particular, I aim to show that an individual's personal values are an expression of her conception of the good.

Practical reason and personal values

The Social-Psychology literature contains myriad definitions of personal values (hereafter "values"), including Allport's (1961) simple statement that values are "basic convictions about what is and is not important in life," and Kluckhohn's (1951) definition of values as "a conception…of the desirable." Values are enduring beliefs about personally or socially desirable *modes of behaviour* and *end-states of existence* (Rokeach 1973; note the parallel with Sen's 'doings' and 'beings'), that are the result of specific intersections of cultural and social learning (socialisation), an individual's location in the social structure, and personal experience (Schwartz and Bardi 2001).

Values are central to an individual's self-concept (Hitlin and Piliavin 2004; Rohan 2000); they are commitments to living a certain kind of life and being a certain type of person, that become an embodied part of individual identity (Sayer 2011). As such, values tend to change much more slowly than attitudes and specific plans, and this stability provides continuity and consistency to individual identity. The role of personal values in self-identity provides a direct link to the theory of practical reason, which also involves the building and maintenance of a coherent self-concept or "practical identity" (Korsgaard 2009).

Values focus on ideals, rather than concrete social objects (Clawson and Vinson 1978), and one of their main functions is to provide standards or criteria that people use to plan, select and justify

actions, and to evaluate situations, objects, others, and the self (Rohan 2000); they are heuristic summaries of past experiences that serve as "latent guides for evaluations of the social world" (Hitlin and Piliavin 2004). This focus on ideals - the prioritisation of certain ways of being and doing over and above alternatives - provides a further connection between personal values and practical reason. Values are often conceptualised as tools that ultimately serve a higher end, with that higher end defined as "well-being" (Camfield, Choudhury and Devine 2009) or "self-actualization" (Maslow 1943). This illuminates the link between the Aristotelian account of well-being at the heart of the capabilities approach, and the social-psychological concept of personal values: values are an expression of idealised beings and doings; they embody the basic structure and character of a person's conception of the good life, and are a summary of the kind of life she has found reason to value.

Finally, social-psychological theories also recognise a central issue related to value-pluralism: There is a plurality of human values, and in any given situation, multiple values may be activated and may conflict; values must therefore be rank ordered via "priority rules" (Steiner 1994) in order to provide a consistent guide to making evaluations and resolving conflicts. These different prioritisations are defined by social psychologists as value systems or "value orientations" (Rokeach 1973). For the purposes of the current analysis, these underlying orderings may be thought of as summary representations of conceptions of the good life.

Combining the specificationist account of practical reason with social-psychological theories of personal values leads to the following schema: the ultimate final end for all individuals is *eudaimonia* (the living of a good, worthwhile life of valuable being and doing); personal values are expressions of the abstract, incomplete goals that constitute the substantive content of the individual's conception of the good life; and life plans and aspirations are the more detailed specifications of how people intend to realize those goals. Practical reason works to maintain coherence between the abstract conception of value and the concrete specified plans, in the social-political-material context within which people find themselves.

Adaptation: identifying "downgrades"

The preceding discussion has established the theoretical link between practical reason and personal values, and provided the basis for a dynamic view of conceptions of value and their associated plans and aspirations. Of particular interest for the current analysis is the modification of values and aspirations that amounts to a "downgrading"; however, adaptation can take many forms, and the term "adaptation" is best viewed as a "collective noun" (Teschl and Comim 2005) that refers to various different types of process, not all of which are inherently negative. For example, "flexible goal adjustment" is acknowledged to have positive effects on the subjective happiness of elderly people (Brandtstadter and Renner 1990), and Nussbaum (2000:137) comments that "…even if, as children, we wanted to fly like birds, we simply drop that after a while, and are probably the better for it.'' Despite adaptive preferences being problematic in subjective evaluations of well-being, it is therefore not the case that all adaptation necessarily entails some form of downgrading. The final link between adaptive conceptions of value and well-being is the need to differentiate between beneficial adaptation and adaptation that causes harm to a person's capability to flourish. Maslow's (1943) Theory of Human Motivation and the Hierarchy of Needs provides a useful framework for this.

Maslow's theory differentiates between "deficiency" goals, which are rooted in the need to meet basic physiological and safety needs, and "self-actualization" goals, rooted in "higher" needs. Deficiency values include goals relating to basic survival needs such as shelter, food, and physical safety. According to the theory, these needs must be met before self-actualization can be achieved. Self-actualization goals include self-confidence, achievement, creativity and commitments beyond basic survival needs; these values correspond to what Sen (1985b) calls agency goals. At both the group and individual levels, increases in affluence are associated with a shift away from deficiency values toward self-actualization goals (see also Inglehart 1977; Maslow 1943): once basic needs are met, people are free to address their higher needs. In the language of capabilities this represents a broadening of the opportunities (the set of feasible functioning vectors) from which people can choose, and therefore an expansion of people's capability sets. Any reversal of this – a descent downwards in the hierarchy of needs towards deficiency values - would represent a move away from self-actualization, and a diminishment of capability: conceptions of value that do not extend beyond concern for basic material security needs "crowd out" self-actualizing agency goals. Maslow's theory fits well with a capabilities approach: the ultimate value of self-actualization is similar to the Aristotelian concept of *eudaimonia* - the realization of human potential.

2. Hard times and adaptation in the UK

In the analyses below, Maslow's theory is used alongside the capabilities approach and the theory of practical reason to set up and test hypotheses about the impact of economic crisis in the UK on the kinds of lives people have reason to value. It is hypothesised that economic hard times do have an effect on conceptions of value, and that the effect amounts to a downgrading of aspirations and expectations. Furthermore, it is expected that this adaptation will be concentrated among economically vulnerable groups and young people. These hypotheses are set out in detail and tested in section 2.2; the first step in the analysis is the development of a measurement model of conceptions of the good.

2.1 Analysis: Measuring conceptions of the good

Aristotle pointed out that there is a plurality of views as to what constitutes a good life, and "It would no doubt be rather futile to examine all these [views]; enough if we consider those which are most prevalent…" (EN1iv1095a28-30). In order to operationalize the idea of conceptions of the good, I use a latent variable approach (factor analysis) to identify the underlying dimensions of data on value priorities in the UK from the European Social Survey. Factor analysis is a method of investigating patterns of variation in data, through an exploration of the associations between the observed variables of interest (in this case, survey questions about personal values), and a hypothesised set of unobserved, latent dimensions (here, value orientations). This method is an ideal strategy for developing a measurement model of conceptions of the good: first, it accords with the theoretical status of value orientations as latent constructs that underpin specific evaluations about the world; second, it captures the idea of differential weights or orderings being given to values; and third, it functions as a data reduction technique, enabling discovery of the conceptions of the good that are, broadly speaking, "most prevalent."

Data and methods

The European Social Survey (ESS) is a bi-annual repeated cross-sectional survey conducted in up to 32 European countries. The dataset used here comprises a bi-annual probability sample of UK residents aged 15 years or over living in private households. The ESS measures personal value priorities using the framework provided by Schwartz's (1992) Theory of Human Values, which postulates a set of core human values which are universally held, but differentially prioritised (they are universally held in the sense that all people recognise and have concepts for them, even if they do not personally value them).[1] The theory provides an eight-value typology for the UK (Davidov, Schmidt and Schwartz 2008):

- **Benevolence** - Preservation and enhancement of the welfare of people with whom one is in frequent personal contact
- **Universalism** - Understanding, appreciation, tolerance and protection for the welfare of all people and for nature
- **Self-Direction** - Independent thought and action−choosing, creating, exploring
- **Stimulation** - Excitement, novelty, and challenge in life
- **Hedonism** - Pleasure and sensuous gratification for oneself
- **Power-Achievement** - Social status and prestige, control or dominance over people and resources; personal success through demonstrating competence according to social standards
- **Conformity-Tradition** - Restraint of actions, inclinations, and impulses likely to upset or harm others and violate social expectations or norms; respect, commitment and acceptance of the customs and ideas that traditional culture or religion provide the self
- **Security** - Safety, harmony, stability of society, of relationships, and of self

The ESS uses a 21-item instrument designed to measure the eight core values, known as the Portrait Values Questionnaire (Schwartz 2003). Respondents are asked about their level of identification with 21 pen-portraits of different types of person (matched to the gender of the respondent), rating each along a six-point scale from "Very much like me" to "Not like me at all". Individual scores for the eight core values consist of the mean score of the individual items designed to measure each value. For example, the following portraits describe people for whom Self-Direction and Tradition values, respectively, are important:

> Thinking up new ideas and being creative is important to her. She likes to do things in her own original way.

> He thinks it is important not to ask for more than what you have. He believes that people should be satisfied with what they have. (European Social Survey 2014)

The first stage of the analysis pooled data on personal values from the first five waves of the ESS (2002-2010). An Exploratory Factor Analysis (EFA) was performed as a means of distilling the sets of priorities representing the most common conceptions of the good in the UK in the first decade of the 21st century. Table 1 shows the results.

<< TABLE 1 HERE >>

Three dimensions emerge as the most prevalent value orientations. It is important to note that, according to theories of personal values, all the basic values are universally recognised, but people are differentiated in the priority-rules that they assign to them. Therefore, both theoretically and empirically speaking, all factors are expected to be present in all cases (i.e. individuals); however, every individual is expected to identify most strongly with (score highest on) one dominant factor. This dominant factor is interpreted as their value orientation, a summary of their personal conception of the good.

The three factors are labelled (1) Carpe Diem, (2) Security-Conformity and (3) Pro-Social. Factors 1 and 3 are clearly defined: briefly, the factor labelled Carpe Diem (in Latin, "Seize the day") represents a somewhat self-focused value orientation: priority is given to personal (perhaps individualistic) goals such as having a good time, seeking adventure and taking risks. In contrast, people with a high score on the Pro-Social value orientation are particularly other-focused: their top priorities in life are the welfare not only of their close family and friends, but of all people, and they are concerned with justice, equality and the environment.

Of most relevance to the current analysis, however, is Factor 2. It is striking that this value orientation is defined principally by the central goal of conserving the stability of the self and the social group. This factor is dominated by the Conformity-Tradition and Security values, with negative loadings (representing rejection) on Self Direction and Stimulation. People who score high on this factor consider stability, certainty and adherence to social norms to be very important, and may be thought of as somewhat risk-averse: excitement, novelty and challenge are not guiding principles, and the goals of creativity and originality are de-prioritised. This set of value priorities is often interpreted as a response to material uncertainty, instability and "existential threat" (Inglehart 1977; Schwartz 1992), and corresponds closely to Maslow's deficiency values, which dominate when basic needs are unmet or threatened.

With the measurement model in place, the next section sets out and tests specific hypotheses about the effects of hard times on the kinds of lives people have reason to value.

2.2 Analysis: The effects of hard times on conceptions of the good

It was established in Section 1 that, through processes of practical reasoning, changes in the material context within which people live would be expected to cause adaptation in the kinds of goals that people prioritise, and therefore in the plans that they specify in order to achieve those goals. Maslow's theory of human motivation enables adaptation to be characterised as a shift toward or away from self-actualization and the fulfilment of one's human potential; an increase in the importance of deficiency values would reflect a shift downwards in the hierarchy of needs, and a downgrading of goals. In a context of material hardship and uncertainty, it is expected that people would become more concerned about, and increase the value they place on, Security-Conformity

goals such as stability, safety and certainty. The analysis below examines specific questions about whether, how, and for whom, hard times influence the evolution of conceptions of the good and the (re-) specification of ends. The first hypothesis takes a broad view on the UK population as a whole:

H1: Hard times will lead to changes in the kinds of lives people in the UK have reason to value

H1a: **The importance of deficiency values will increase during Hard Times**

The second and third hypotheses relate to where in society the effects of hard times are most keenly felt. It is expected that adaptation, or "accommodative coping", will take place particularly among economically vulnerable groups, since these groups have fewest resilience resources – including economic and human capital - to cope with hardship. Although adaptation is a standard part of human life, the reasons that motivate adaptation are important both morally and for policy: disproportionate adaptation among particular groups would indicate underlying inequality and injustice.

H2: Increases in the importance of deficiency values will be concentrated among economically vulnerable groups

Finally, based on Mannheim's theory of generations (Mannheim 1952), it is expected that hard times will have a particularly strong effect on those in their formative years. According to this theory, value orientations are established through processes of socialisation, and early adulthood is an important life-stage in the setting of future trajectories. Furthermore, Mannheim's theory postulates that social change occurs through a process of generational replacement, whereby successive cohorts, socialised within specific configurations of social-economic-political conditions, bring their own value priorities into public life when they come of age. As such, the conditioning of the goals and expectations of this cohort would be expected not only to influence the future well-being of those individuals, but also to have wider implications for society more generally.

H3: Hard times will cause increased prioritisation of deficiency values among the formative generation

Method and variables

The analysis employs structural equation modelling techniques, which is a family of methods that is increasingly used in a capabilities context (e.g. Anand, Krishnakumar and Tran 2011; Krishnakumar and Ballon 2008; Kuklys 2005). The analysis below uses an Exploratory Structural Equation Modelling (ESEM) approach (Asparouhov and Muthen 2009) to extend the EFA measurement model of conceptions of the good. All analyses were carried out using MPlus7 software.

First, pooled data from all five waves of the ESS is used in order to investigate the effect of hard times as a macro-economic phenomenon affecting everyone, regardless of location in the social structure - in statistical terms this is known as a Period Effect. Second, a multiple-group approach is

taken in order to focus on differences over time: the dataset on personal values is split into two groups: Group 1 is labelled Times of Plenty, and comprises data from waves 1-3 of the survey (2002-2006); group 2 is labelled Hard Times, and is made up of data from waves 4-5 (2008-2010). This definition of Hard Times is based on macro-economic data: over the five year period 2008-2012, the UK economy shrank by an annual average of -3.6%, compared to an average of 3.9% annual growth over the five years of 2003-2007 (World Bank 2013). The logic of the multiple-group approach is that the entire model is interacted with the groups – in this case, time periods – so that comparisons can be made.[2] Wald tests are used to test differences across time periods.

The first part of the analysis below focuses on the period effects of economic crisis on conceptions of the good. The analysis includes period and cohort effects[3] and also controls indirectly for age, using "lifecycle characteristic" variables (being a student or being retired, marital status and having children living at home).[4] Period is represented in the model by a dummy variable that compares the period of Hard Times to the preceding Times of Plenty. Cohort categories are constructed roughly according to commonly accepted definitions (Ipsos-Mori 2012); only the usual Generation Y (1980-1990) is split into two categories – Generation Y1 (GenY1, born 1980-85) and Generation Hard Times (GenHT, born 1986-1990). The purpose of this is to allow further analysis of the cohort in their formative years (aged 16-24) during Hard Times. Basic socio-demographic and economic characteristics are also controlled, given that values are partly a function of one's location in the social structure (Rokeach 1973).

The last set of variables is designed to focus on economic vulnerability, and includes employment status (unemployed or permanently sick or disabled), household income and level of education.[5] The Low-income variable flags households at or below the UK government marker for relative low income (DWP 2013), i.e. an annual income less than 60% of the contemporary national median income. The Medium-low category includes households below the median, but outside of the official low-income category; the reference category is therefore those living in households above the median income.[6]

2.3 Results

Table 2 shows the results of the analysis designed to test Hypotheses 1 and 1a, relating to the effects of hard times on the population as a whole:

H1: Hard times will lead to changes in the kinds of lives people in the UK have reason to value

H1a: The importance of deficiency values will increase during Hard Times

<< TABLE 2 HERE >>

The results provide support for H1 and H1a: Row 1 shows a statistically significant period effect for all three value orientations, indicating a reprioritisation of values across the two time periods. Most

importantly for the current analysis, the effect for Security-Conformity values is positive, showing that deficiency values increased in importance during hard times.

The table also provides insight into the cross-sectional distribution of the value orientations. For example, as would be expected based on Maslow's theory, low economic status in terms of low income and low educational qualifications was, on average, associated with prioritisation of Security-Conformity values (Row 4). There is also evidence of a cohort effect for deficiency values (Row 2): there is a broadly negative generational change, with successive cohorts valuing Security-Conformity less than the previous generation, and the youngest cohort valuing them least of all. Comparing the generational trend with the period effect gives a striking indication of the strength of the effect of hard times: the long-term underlying social trend away from deficiency values was abruptly reversed in hard times.

This part of the analysis took a broad, population-level perspective, and confirmed the period effect of the economic crisis, showing that hard times did affect conceptions of the good. The next stage uses a multiple-group approach to examine the distribution of effects among different sub-sections of UK society, across the two time periods.

Economic vulnerability and young people

The final part of the analysis tested predictions about which groups would re-specify their goals in accordance with deficiency needs:

H2: Increases in the importance of deficiency values will be concentrated among economically vulnerable groups

H3: Hard times will cause increased prioritisation of deficiency values among the formative generation

Table 3 shows the results.

<< TABLE 3 HERE >>

The results support hypotheses H2 and H3, with some interesting qualifications. First, Row 3 confirms that having a household income below the median was associated with a statistically significant increase in the importance of deficiency values in hard times. However, this finding is subject to a floor effect: among those on the very lowest incomes, there was no change across time; deficiency values were prioritised equally highly in both hard times and times of plenty. Row 1 shows the change in deficiency values for different birth cohorts; the results confirm H3 - those in the formative generation during hard times prioritised deficiency values significantly more than their predecessor formative cohort during times of plenty.[7]

3. Discussion

This analysis has shown that hard economic times did lead to changes in the kinds of lives people in the UK had reason to value. In accordance with theories of practical reason and Maslow's Theory of Human Motivation, during the economic crisis of the late 2000s, there was social change in the UK whereby society as a whole, on average, placed increased importance on deficiency Security-Conformity values such as safety, stability and certainty. This change was in the opposite direction to the underlying long-range cohort trend in the UK of decreasing prioritisation of Security-Conformity values, and represents a retreat into deficiency goals.

It is only once basic needs are met that people are free to address self-actualizing agency goals (Maslow 1943; Sen 1999); the increased prioritisation of goals relating to deficiency needs implies a reduced focus on agency goals and a narrowing of horizons. Combined capabilities reflect "the complex inter-relationship between human striving and its social and material context" (Nussbaum 2000); they are the result of the dynamic interaction between internal capabilities and external circumstances. The downgrading of ambitions and expectations represents a diminishment of internal capability in terms of aspirations and expectations, and this forms a subjective constraint on capability, just as material hardship represents an objective constraint. The economic crisis therefore had a two-fold effect, with detrimental impacts on both the subjective and objective dimensions of combined capabilities.

The findings also show that adaptation at the average population level was not evenly distributed. Analysis of the interaction of micro-level (individual and household) economic vulnerability and macro-level national hard times showed that adaptation was particularly strong among those of lower economic status, confirming that certain sections of society are less resilient to changes in external circumstances. The association between low income and Security-Conformity values became stronger in hard times, subject to a floor effect: those on the very lowest incomes prioritised deficiency values highly in both time periods, while those in the second income category (below the median but above the government low-income threshold) placed significantly more importance on Security-Conformity values in hard times. This floor effect suggests that the deprivation of the poorest households is crystallized to the extent that it is relatively immune to external circumstances. This accords with findings in a paper entitled "Recession, it's all the same to us son" (Emmel and Hughes 2010), which reported that the recession was "barely noticed" among "core poor households", whose experience of deprivation is affected by neither economic depression nor economic growth.

The results also point to important generational effects: a significant period-cohort interaction for the youngest generation suggests that economic crisis had a particularly strong effect on the internal capabilities of the youngest generation. Those in their formative years during hard times significantly increased their prioritisation of deficiency values; based on the underlying cohort trend the opposite result would be expected for this generation, and the effect is particularly striking when compared to the previous formative generation who developed their goals and life plans during the economic boom. This is highly relevant from a capabilities point of view for both individuals and the social collective. The life goals and plans developed during this life-stage are formative in terms of the life trajectories and future well-being of individuals; constrained internal capability at this stage is likely

to be associated with diminished freedom to achieve well-being in the future. There are also implications for the mass priorities of society and the character of future social institutions, as this cohort enters public life and goes on to take up positions of power (Mannheim 1952). The analysis shows that the formative cohort placed significantly more importance on stability, social order and conventional norms, and less importance on creativity, innovation and adventure; it is possible that this could have a detrimental effect on future capability space at the national level:

> …modernization's changes are not irreversible. Economic collapse can reverse them, as happened during the Great Depression in Germany, Italy, Japan, and Spain...
>
> (Inglehart and Welzel 2010)

Dynamic capabilities

The analysis here confirms previous findings that adaptation to deprivation ought to be a consideration for the CA: the problems of "compensating abilities" (Qizilbash 1997) and conditioned agency goals (Burchardt 2009) suggest that inter-personal evaluations of well-being in the capability space are problematic if they are based on (1) present equality of capability or (2) achievement of agency goals. Burchardt and Quizilbash suggest similar solutions to the problems they identify. First, both advocate a move away from a static view of capability to a dynamic view, through the inclusion of inter-temporal dimensions of capability. Since equality of capability at a single time-point is compatible with injustice, capability at earlier life stages should be included in evaluations: the woman who has developed compensating abilities may then be shown to have suffered from unequal capability over the course of her life (Qizilbash 1997). Similarly, to evaluate real freedom, it is necessary to evaluate not only the capability set within which agency goals are pursued, but also the capability set within which they were formed (Burchardt 2009). The importance highlighted here of the dynamic aspects of capability reflects the more general insight that people do not have a single set of unchanging goals (Elster 1982); through processes of practical reason, people are constantly adapting and adjusting in response to changes in their life-worlds. The important issue for evaluations of well-being is the nature of the adaptation and the reasons behind it.

A second possible solution to the problem of adjustment to deprivation is the inclusion of expectations and aspirations in the definition of capability, as internal (subjective) constraints, such that lower expectations equate to lower capability (Burchardt 2009; Qizilbash 1997). Burchardt dismisses this solution on the basis that the inclusion of aspirations and expectations in the definition of what limits a capability set may open the door to the inclusion of innumerable mental states and dispositions; this could be overly deterministic, and in the end may reduce the analytical traction of the concept of capability.

However, Nussbaum's (2000) distinction between basic, internal and combined capabilities provides a basis for the legitimate and useful conceptualisation of aspirations and expectations as subjective constraints on capability. While basic capabilities are the "innate equipment" of human beings (for example the innate capability for language), internal capabilities are "developed states of the person" that constitute sufficient conditions for the exercise of a functioning. Combined capabilities reflect the combination of internal capabilities with external conditions that enable (or at least do not block)

functioning. For example, political participation is a combined capability – it requires both the internal capability of the individual to form opinions and engage with issues, as well as political freedom and opportunities to participate. The concept of internal capabilities, and the distinction between these and combined capabilities, provides a solid foundation for the inclusion of aspirations and expectations as a dimension of internal capability: it seems clear that what a person is free to imagine for themselves – the boundaries of their practical reasoning - constitutes a constraint on what they are substantively free to achieve:

> If I have never seen or heard a piano, I am unlikely to form the goal of becoming a concert pianist…if no-one in my family has ever been to university, it is much less likely (although of course not impossible), that I will set myself the objective of obtaining a degree. (Burchardt 2009)

The conceptualisation of aspirations as a dimension of internal capability satisfies the requirement of including information beyond the achievement of agency goals in evaluations of well-being; it is compatible with a dynamic perspective on capabilities; and it captures the intuition that one is not realistically free to achieve that which lies beyond one's horizon of imagined possibility.

4. Conclusion

An important critique of the capabilities approach is that it is subject to an analogous problem of adaptation to deprivation as subjective approaches to well-being. This paper has examined the effects of economic crisis on "the kinds of lives people have reason to value" in the UK. The analysis has provided evidence that hard economic times did indeed enter into people's practical reasoning about what constitutes a good life: during hard times there was widespread re-specification of ends in accordance with deficiency goals such as security, stability and certainty, with effects concentrated among those living in low-income households, and the formative generation. This adaptation represents a move away from self-actualization goals, and a diminishment of internal capability; the combination of constrained external circumstances and diminished internal capability amounts to a double setback for the combined capabilities of these groups. The evidence also highlights entrenched deprivation at the very bottom of the income distribution; here, the prioritisation of deficiency goals remained stable, regardless of the wider economic context.

There are several implications for policy. The findings highlight unequal resilience among different sections of society: Among vulnerable groups lacking in socio-economic buffers, the shock of the economic crisis was absorbed through a downgrading of goals and aspirations. The evidence of this type of adaptation reinforces the need for policies that, during good times, work to remove structural socio-economic inequalities and precarity and, during hard times, focus efforts on building and maintaining the *combined* capabilities of the economically vulnerable, in terms of both reducing objective material insecurity, and expanding subjective horizons of possibility and opportunity. The evidence also suggests that tailored interventions are needed to address the precarious situation of those who fall just above the official low-income threshold. With regard to the youngest generation, the findings suggest that, in future hard times, the internal capabilities of young people should be high on the policy agenda, and measures should be taken to support the formative generation in

maintaining aspirations and expectations, for example through investment in skills and education, and a special focus on opportunities for employment and volunteering for the young. A capabilities perspective has provided important additional insight into why such policies are important, and how efforts should be focused.

Finally, there are important implications for the capabilities approach more generally. The evidence confirms that practical reason is sensitive to changing external circumstances, and that the kinds of lives people have reason to value is adaptive. This finding adds further support to calls for a dynamic view of capabilities. As an extension of this, it also supports the argument for the inclusion of goals, aspirations and expectations as a dimension of internal capability. A person's conception of the good functions as a subjective constraint on what she is free to imagine as substantively possible for herself; a re-specification of ends in accordance with deficiency needs amounts to a narrowing of horizons and a move away from self-actualization – in short, a diminishment of internal capability, and therefore a shrinkage of her combined capability set.

In conclusion, the findings of this analysis show that the evaluation of people's opportunity and ability to live flourishing human lives requires a dynamic perspective on capabilities that takes into account the endogenous dynamics of, and reasons for, the kinds of lives people have reason to value. This dynamic perspective is in line with Aristotle's definition of well-being as not a state, but an active process. Most importantly, while the problem of adaptive preferences is a fatal flaw in utilitarian-monist accounts of well-being, inclusion of subjective conceptions of value is perfectly compatible with the multi-dimensional, pluralist account of well-being at the heart of the capabilities approach. The incorporation of conceptions of value foregrounds the issue of adaptation to deprivation, and this has the potential to enhance the power of the capabilities approach in promoting well-being, and identifying and addressing ill-being, injustice and inequality.

Notes

1. Schwartz's theory of values has been empirically tested and validated in a variety of countries and contexts; for a review see Datler et al (2013).

2. In order to establish a firm foundation for an analysis of change in conceptions of the good, the measurement invariance of the value orientations over two time periods – Times of Plenty and Hard Times – was tested. Invariance at four levels – configural, weak, strong and strict – was tested using a multiple-group extension of the exploratory factor measurement model, and the results confirmed that meaningful comparisons of value orientations - conceptions of the good - can legitimately be made across the two time periods of interest. Further details available on request.

3. As a sensitivity check, all analyses were performed using a sample restricted to those born between 1912-1990 (inclusive): to minimise confounding between period and cohort effects, the very oldest members of the Times of Plenty group and the very youngest members of the Hard Times group were removed, so that each group would contain identical birth cohorts. Restricting the sample in this way led to the loss of 578 cases (5.2%), but made some small differences to the results of the multiple-group analysis. The restricted sample was therefore used in all analyses.

4. Any analysis that examines change over time or investigates the effects of time-specific phenomena (e.g. an economic crisis) must take into account distinct possible sources of change: age effects - variation within individuals as they get older; cohort effects - variation across groups of individuals related to their socialisation and life experience within a shared historical-social-economic context; and period effects - the influence of some external force (such as an economic crisis) that affects all groups simultaneously, regardless of age or cohort. Period, cohort and age changes are exactly collinear with each other (each is a linear function of the other two), and so all three cannot be directly entered into a single equation; a work-around found in the literature is to use "social ageing" or "lifecycle characteristic" variables as proxies for age (e.g. Ford 2008).

5. The education reference category is A-level and above: although "A-level" is distinguished from "Degree and higher" in the survey, multicollinearity diagnostics suggested that a single "higher education" category was optimal.

6. Household Income equivalized based on the Modified OECD equivalence scale

7. Limitations and future research agenda: The principal limitation of this analysis is that the use of cross-sectional data limits the ability to infer causal processes in changes in conceptions of the good. Longitudinal analysis would be required to establish causality and identify trajectories of individual-level adaptation; however, due to the absence of suitable longitudinal data on value priorities in the UK, the analysis was limited to comparing equivalent groups across time periods. Future research that took a longitudinal perspective would enable analysis of the longer-term consequences of economic crisis for combined capabilities and achieved functioning. This would build on the foundations laid here, and could provide further insights into the effects of hard times, for different sections of society, on people's present and future capabilities to lead flourishing human lives.

References

Allport, G.W. 1961. *Pattern and growth in personality*. New York: Holt, Rinehart and Winston.

Anand, P, J Krishnakumar, and NB Tran. 2011. "Measuring welfare: Latent variable models for happiness and capabilities in the presence of unobservable heterogeneity." *Journal of Public Economics* 95(3-4):205-15.

Aristotle. 1976. *The Ethics of Aristotle: Nichomachean Ethics*. London: Penguin Classics. Translated by J.A.K. Thomson.

Asparouhov, T, and B Muthen. 2009. "Exploratory Structural Equation Modeling." *Structural Equation Modeling-a Multidisciplinary Journal* 16(3):397-438.

Brandtstadter, J, and G Renner. 1990. "Tenacious goal pursuit and flexible goal adjustment - explication and age-related analysis of assimilative and accommodative strategies of coping." *Psychology and Aging* 5(1):58-67.

Burchardt, T. 2009. "Agency Goals, Adaptation and Capability Sets." *Journal of Human Development and Capabilities* 10(1):3-19.

Camfield, L, K Choudhury, and J Devine. 2009. "Well-being, Happiness and Why Relationships Matter: Evidence from Bangladesh." *Journal of Happiness Studies*:71-91.

Clawson, C. J., and D.E. Vinson. 1978. "Human values: a historical and interdisciplinary analysis." *Advances in Consumer Research* 5(1):396-402.

Datler, G, W Jagodzinski, and P Schmidt. 2013. "Two theories on the test bench: Internal and external validity of the theories of Ronald Inglehart and Shalom Schwartz." *Social Science Research* 42(3):906-25.

Davidov, E, P Schmidt, and SH Schwartz. 2008. "Bringing values back in - The adequacy of the European Social Survey to measure values in 20 countries." *Public Opinion Quarterly* 72(3):420-45.

DWP. 2013. "Information on the standard of living of the household population in the UK, focusing on the lower part of income distribution, as determined by disposable income and changes in income patterns over time." Department for Work and Pensions, 14 June 2013, https://www.gov.uk/government/collections/households-below-average-income-hbai--2.

Elster, J. 1982. " Sour Grapes – Utilitarianism and the Genesis of Wants." in *Utilitarianism and beyond*, edited by A. Sen and B. Williams. Cambridge: Cambridge university Press.

Emmel, N, and K Hughes. 2010. "Recession, it's all the same to us son': the longitudinal experience (1999–2010) of deprivation." *Twenty-First Century Society: Journal of the Academy of Social Sciences, Special Issue: Lived experience through economic downturn in Britain* 5(2).

European Social Survey. 2014. http://www.europeansocialsurvey.org/data/themes.html?t=values.

Festinger, L. 1954. "A theory of social comparison processes." *Human Relations* 7:117-40.

Ford, R. 2008. "Is racial prejudice declining in Britain?" *British Journal of Sociology* 59(4):609-36.

Hitlin, S., and J. A. Piliavin. 2004. "Values: Reviving a dormant concept." *Annual Review of Sociology* 30:359-93.

Inglehart, R. 1977. *The silent revolution: changing values and political styles among western publics*. Princeton: Princeton University Press.

Inglehart, R, and C Welzel. 2010. "Changing Mass Priorities: The Link between Modernization and Democracy." *Perspectives on Politics*:551-67.

Ipsos-Mori. 2012. "Generations." www.ipsos-mori-generations.com.

Kluckhohn, C.K.M. 1951. "Values and values orientations in the theory of action." Pp. 388-433 in *Toward a general theory of action*, edited by T Parsons and E Sils. Cambridge, MA: Harvard University Press.

Korsgaard, C. 2009. *Self-constitution: Agency, Identity, and Integrity*: Oxford University Press.

Krishnakumar, J, and P Ballon. 2008. "Estimating basic capabilities: A structural equation model applied to Bolivia." *World Development* 36(6):992-1010.

Kuklys, W. 2005. "The measurement of functionings achievement: Structural Equation Models as an alternative." in *Amartya Sen's Capability Approach: Theoretical insights and empirical applications*. Berlin: Springer.

Mannheim, Karl. 1952. "The problem of generations." in *Essays on the Sociology of Knowledge*, edited by Paul Kecskemeti. London: Routledge & Kegan Paul (first published 1923).
Marsh, HW, GAD Liem, AJ Martin, B Nagengast, and AJS Morin. 2011. "Methodological Measurement Fruitfulness of Exploratory Structural Equation Modeling (ESEM): New Approaches to Key Substantive Issues in Motivation and Engagement (vol 29, pg 322, 2011)." *Journal of Psychoeducational Assessment* 29(5):497-97.
Maslow, AH. 1943. "A theory of human motivation." *Psychological Review* 50:370-96.
Nussbaum, MC. 2000. *Women and human development: the capabilities approach*: Cambridge University Press.
Qizilbash, M. 1997. "A weakness of the capabilities approach with respect to gender justice." *Journal of International Development* 9:251-63.
Rohan, MJ. 2000. "A rose by any name? The values construct." *Personality and Social Psychology Review*:255-77.
Rokeach, Milton. 1973. *The nature of human values*. New York: The Free Press.
Sayer, Andrew. 2011. *Why things matter to people: Social Science, Values and Ethical Life*: Cambridge University Press.
Schwartz, SH. 1992. "Universals in the content and structure of values - theoretical advances and empirical tests in 20 countries." *Advances in Experimental Social Psychology*:1-65.
—. 2003. "A proposal for measuring value orientations across nations." Pp. 259-319. ESS Questionnaire Development Report.
Schwartz, SH, and A Bardi. 2001. "Value hierarchies across cultures - Taking a similarities perspective." *Journal of Cross-Cultural Psychology*:268-90.
Sen, A. 1985a. *Commodities and capabilities*. Amsterdam: North Holland.
—. 1985b. "Freedom and Agency." *Journal of Philosophy* 82(4):203-21.
Sen, Amartya. 1999. *Development as freedom*. Oxford: Oxford University Press.
Steiner, H. 1994. *An Essay on Rights*. Oxford: Blackwell.
Teschl, M., and F Comim. 2005. "Adaptive preferences and capabilities: some preliminary conceptual explorations." *Review of Social Economy* LXIII(2):230-46.
Wiggins, D. 2001. "Deliberation and Practical Reason." in *Varieties of Practical Reason*, edited by E. Millgram. Cambridge, MA: MIT Press.
World Bank. 2013. "National Accounts data." in *World Development Indicators*. Washington DC http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?page=1.