

## **Towards a happier society**

**Richard Layard**

There is a paradox at the heart of our civilisation. Individuals want more income. Yet, as society has got richer, people have not become happier. Over the last 50 years we have got better homes, more clothes, longer holidays, and above all better health. Yet surveys show clearly that happiness has not increased in either the US, Japan, continental Europe or Britain.

This devastating fact should cause a fundamental rethink of government policy and of how we conduct our lives. Fortunately there is now enough evidence about what actually causes happiness to enable us to make a start.<sup>1</sup> This evidence covers the nature of happiness, its causes, and the policy implications which follow.

### **What is happiness?**

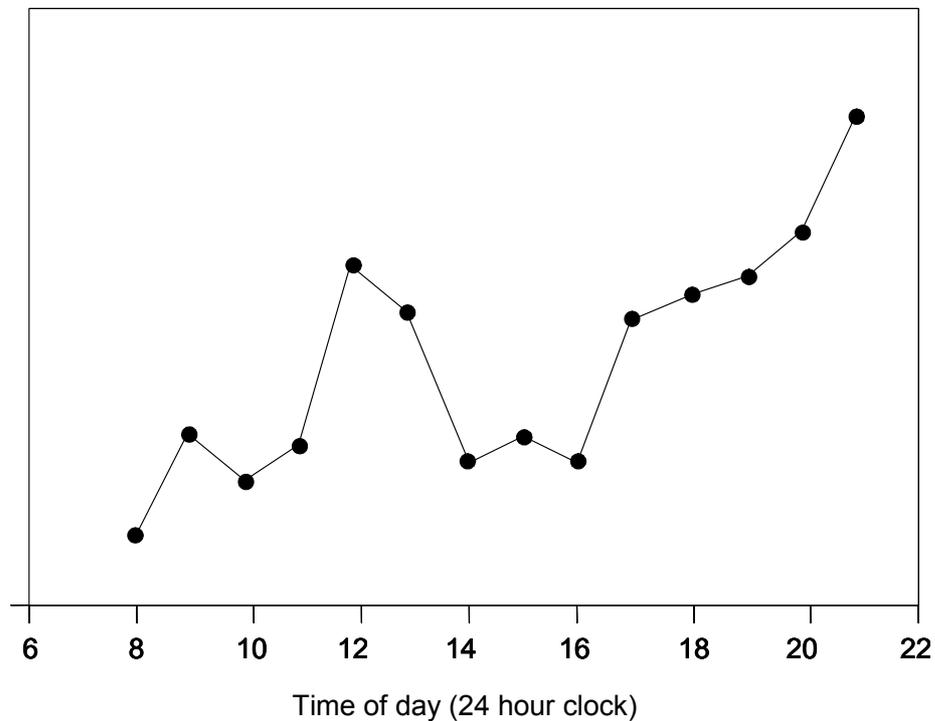
By happiness I mean feeling good – enjoying life and feeling it is wonderful. And by unhappiness I mean feeling bad and wishing things were different. There are countless sources of happiness, and countless sources of pain and misery. But all our experience has in it a dimension which corresponds to how good or bad we feel. In fact most people find it easy to say how good they are feeling. A standard question is “Taken all together, how would you say things are these days: would you say you are very happy, pretty happy or not too happy?” Such a question gets 99% response rates – much higher than the average response rates in questionnaires.

Some modes of enjoyment are of course necessarily short-lived, and what matters is the totality of our experience – something that mainly reflects the more fundamental features of ourselves and our life. Over the days and weeks, our feelings go up and down. Psychologists have studied this, using people’s own reports. For example, Figure 1 shows the average happiness of 1000 working women in Texas over one particular day. The study also shows what activities the women like most (sex) and like least (commuting), and confirms how deeply social people are –much happier when they are with other people than alone. But what the study showed most clearly is that, whatever they are doing, many people are happier than others.

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<sup>1</sup> See my Robbins lecture on 3, 4 and 5 March at 6.00pm at LSE, open to all. The text will be available from 6 March on <http://cep.lse.ac.uk>.

**Figure 1**  
**Average happiness through the day**



However can we really rely on people's statements about how they feel? Do different people use the words in the same way? With the aid of neuroscience, we now know that they do. For neuroscience enables us to measure in a standard way the level of activity in the relevant parts of the brain and to compare this with what people say. It turns out that the two measurements are highly correlated. This is so if we take the same person and give him varying experiences: both indicators move together. And it is true if we take different people: again the people who have the 'happier' brain readings also say they are happier.

The neuroscience here is of course still in its infancy. The easiest method is by electroencephalogram (EEG), where electrodes are placed on the scalp. Electrical activity behind the left of the forehead measures positive feelings, and activity on the right side measures negative feelings. With EEG, unlike with brain scans where the person must be stationary, it may soon be possible to monitor a person's happiness throughout a normal day, and thus eventually to check by physical methods the historical fluctuations of happiness in our society.

So the idea, common among cynics, that we cannot know what other people are feeling is simply false. The idea is absurd since there is also a high concordance between how people say they feel and how their happiness is rated by their friends or

by independent observers. Since we **can** know what people feel, it is entirely practicable that to make their happiness our goal.

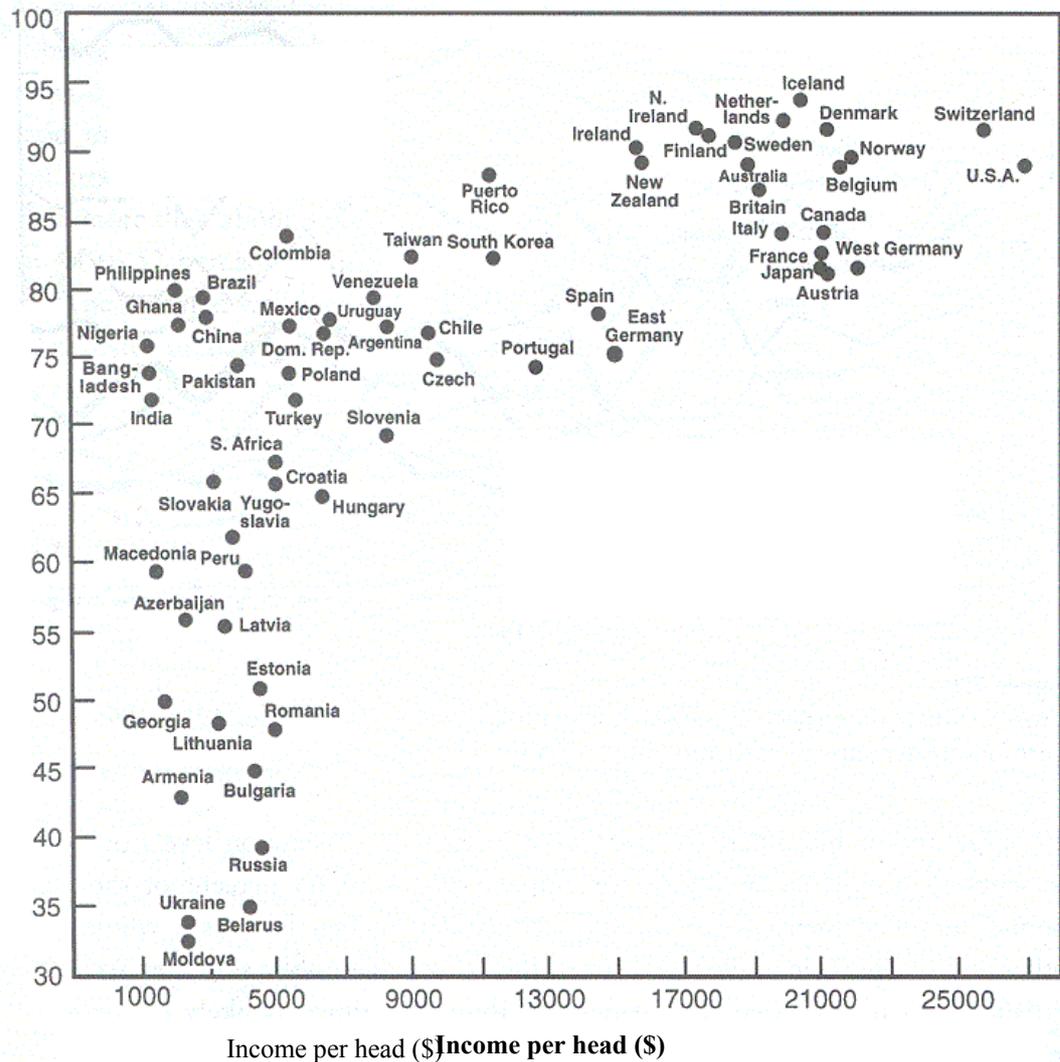
### **Income and happiness**

So what **is** the role of national income in the progress of our society? It is easy to see why people think that income is very important. For, within any society at a particular moment, rich people **are** on average happier than poorer ones. For example 41% of people in the top quarter of income are “very happy” compared with only 26% of those in the bottom quarter of incomes. The problem is that over time the proportions of each group who are very happy have not changed at all although the real incomes in each group have risen hugely. This is true of all the main Western countries.

So what is going on? Is it possible that people have changed the meaning of the words over time? This is unlikely to have happened separately in every country. We also know from independent studies of depression that unhappiness from that source has, if anything, risen in most countries. I am talking of clinical depression, assessed professionally through population surveys. Most studies in most countries show a secular increase in depression, with some 15% of people now experiencing a clinical depression by their mid-30s. The size of the increase is disputed, but nobody believes depression has diminished, despite the much greater ease of our material life.

Further evidence on income and happiness comes from comparing different countries (see Figure 2). As it shows, extra income per head does help if your income per head is below \$15,000 a year, but makes little difference above that level.

**Figure 2**  
**Income and happiness**



Source: World Values Survey. Latest year (1990 or 1995/6). Happiness index is ½ percent Happy + ½ percent Satisfied with life. Income is measured in dollars of US purchasing power.

**Habit and rivalry**

Why is this? Clearly people are comparing their income with some norm and this norm is rising all the time. Thus from 1946-86 the US Gallup Poll asked people, “What is the smallest amount of money that a family of four needs to get along in this community?” It turns out that, as actual average incomes rose, so did the income which people felt was needed – and in fact this “needed” income grew in direct proportion to actual income. Likewise when people were asked “Are you satisfied with your financial position?”, the proportion who said they were “pretty well satisfied” fell, despite massive economic growth.

Two things are driving up the norm with which people compare their incomes. One is the income which they themselves have experienced – which habituates them to the higher standard of living. And the other is the income which others get, and which they try to rival or outdo.

Habituation is a basic psychological phenomenon. It works both up and down: you adjust to good things and to bad. The clearest evidence that you adjust to income comes from asking people with different levels of actual income what income they would consider satisfactory. Typically the income that people say is satisfactory rises by almost 50 pence for every extra pound which they have actually experienced. There is a whole range of studies which show that people adjust their requirements to their recent experience and that they are constantly surprised by this, thinking that the new house or new car will make them happier than it does, once they get used to it.

People also adjust their requirements in response to what **other** people have. This is the phenomenon of keeping up with the Jones' – or of wishing to outdo them. In a poor society a man proves to his wife that he loves her by giving her a rose, but in a rich society he must give a dozen roses. This effect is shown in many studies of happiness, which suggest that if a person earns an extra 10% and so does everyone else, he experiences only  $\frac{2}{3}$  of the extra happiness that would accrue if he alone had had the raise.

The process of social comparison can also be investigated by asking hypothetical questions like those described in the box. This shows that, when it comes to income, people would accept a much lower standard of living provided their relative income improved enough. Fortunately, however, this dog-in-the-manger aspect of human nature does not apply to the private side of life and people are much less rivalrous when it comes to holidays. The rat race is for income and when each of us works more and earns more, this imposes a genuine loss of happiness on others. It is a form of pollution.

A sample of Harvard graduate students were asked

1. Which of these two worlds would you prefer? (Prices are the same in each)
  - A. You get \$50k and others get half that.
  - B. You get \$100k but others get more than double that.
2. Which of these two worlds would you prefer?
  - C. You get 2 weeks holiday and others get half that.
  - D. You get 4 weeks holiday but others get twice that.

The majority answered A to question 1, and D to question 2

So now we can see why happiness increases so little, when countries get richer. People get hurt as their own experience raises their required income in ways they did not foresee (a form of self-pollution). And they get hurt by the extra income which others are earning (pollution by others).

### **Taxation and the work-life balance**

None of this would matter if income fell like manna from trees. But income is earned by the sacrifice of time with your family and friends. If much of the extra income (say 60 pence in the pound) brings no overall increase in happiness, we should reduce the incentive to acquire it. It would therefore be efficient to have a marginal tax rate of say 60 pence in the pound – corresponding to the 60 pence worth of pollution caused by the extra pound that is earned.

This is the first dramatic policy implication of adopting a happiness-based approach to public policy, and should form an important part of a social democratic agenda that is based on the new social science. Up to now we have apologised for taxation. The standard economic analysis says that taxation reduces work effort, which is true. But it also says that this is inefficient, which our previous analysis shows is false. Indeed taxation is one of the most important institutions we have for preserving a sensible balance between work and leisure. We should be proud of it and stand up for it.

### **Performance-related pay**

And where should we stand on the closely-related issue of performance-related pay? If the output of one individual can be easily measured and valued, it is obviously sensible to pay him for what he produces. The problem arises when these conditions do not hold, and the worker's performance cannot easily be monitored, except by himself. In this case judgements are typically made about how one worker is performing **relative to** his mates. This can motivate those who are likely to succeed, but can de-motivate those who are not, by giving constant reminders of the fact that they are not appreciated.

Of course promotion systems always involve treating people differently at periodic intervals. But promotion is justified by the inevitable need for hierarchy. Performance-related pay is different and, because it is more frequent, it increases the

salience of social comparisons. The evidence is that on balance it increases average performance, but reduces average morale. Stress in the public sector has grown markedly, according to the Eurobarometer surveys. This is a cost which has to be set against any resulting gain in performance.

Status-consciousness is deeply ingrained in our genes, as in those of our primate ancestors: remarkably, people who win Oscars live 4 years longer than people who are nominated but do not win. But we should not turn every human being into a race-horse jockey. For the goals we want most people to perform are multiple goals and are becoming increasingly so. We should therefore work harder on training and developing professional norms, and less hard on tuning up financial incentives.

## **Equality**

Lastly, on income, what does happiness research say about equality? It confirms the oldest and most obvious argument for redistribution – that it takes a pound from someone who values it little and gives it to someone who values it more. It is therefore a major way of increasing total happiness – and it is more effective the poorer the recipient. So development aid to the Third World (if well spent) comes high on the list of public spending, as does child poverty at home.

But when all is said, a happy life is about a lot more than money can buy and , besides adequate income, happiness research points to six main factors affecting happiness: mental health, satisfying and secure work, a secure and loving private life, a secure community, freedom, and moral values.

## **Mental health**

It is a complete scandal that we spend so little on mental health. Mental illness causes a half of all the measured disability in our society and even if you add in premature death, mental illness accounts for a quarter of the total impact of disease. Yet only 12% of the NHS budget goes on it. Some 25% of us experience serious mental illness during our lives, and some 15% experience major depression. Such depression can in most cases be helped by a combination of drugs and cognitive therapy. Yet only a quarter of people now suffering from depression are being treated, and most of them just get pills from a non-specialist GP. If we really wanted to attack

unhappiness, we would totally change all this, and make psychiatry a central high-prestige part of the NHS.

## **Security**

But for most people valued personal relationships with family, colleagues, friends and neighbours are the best guarantee of happiness. This is why unemployment is such a horror. Every happiness study reveals the horrible pain of unemployment, and estimates that the psychic pain from rejection is greater than the pain coming from loss of income. Unemployment offends against a person's basic need to be needed. Therefore I strongly support the policy of welfare-to-work, even when the job is less than perfect.

But even if you have work, you are much happier if you feel the job is secure. For this reason Continental European laws make it more difficult to sack people than it is in Britain or the USA. Is this a terrible mistake? That is not obvious. Employment protection laws do not cause higher unemployment. (Employment protection is quite high in many European countries with lower unemployment than us, and the high unemployment in France and West Germany is due to a lack of welfare-to-work.) Employment protection may cause lower productivity than otherwise, but people clearly value it, and it is not a high priority for us to lecture the Europeans on the need for greater flexibility of employment. We should focus much more heavily on wage flexibility, since rigid wages are the main cause of high unemployment in East Germany, Southern Italy and Southern Spain. If wages were more flexible, work would soon flow to these regions.

This would be much better policy than to have many more people moving around the country, as is often advocated. For geographical mobility has major costs which happiness research has revealed. Crime is directly related to the level of mutual trust in a community, and trust is lower the more people are moving house and the more heterogeneous in origin are the people living in any area. This is a very uncomfortable fact, but highly relevant to the British debate on immigration. Similarly mental illness is more common if you live where your group is in the minority than where your group is in the majority (highly relevant to policies for dispersing migrants). Migration may also affect the stability of marriage.

So stability is what people like, and it is good for happiness and trust. It should not be denigrated. Yet we Anglo-Americans live where the elite glorify

novelty. Civil servants gaily reorganise every public service, oblivious of the fact that each reorganisation destroys a major channel of personal security and trust. We have a lot to learn from 'old Europe', where the ideology of change has taken less hold.

## Values

Finally, I want to come to values, because values are largely a social product and a major contributor to happiness. People are happier and better able to function when they feel they can trust other people. Unfortunately in our country there has been a precipitous fall in the proportion of people who say Yes when they are asked "Would you say that most people can be trusted?" – the opposite being that "you can't be too careful in dealing with people?" The proportion of trusters has fallen steadily from 56% in 1959 to 31% in 1995. A very similar fall has occurred in the US, though not in Continental Europe. But even in Europe there is evidence of moral decline. People were asked whether they disapproved of people who kept an object they had found. In 1969 only 12% accepted this practice; in 1990 this had risen to 32%.

On one view, people always think the world is going to pot. But this view is empirically wrong. Americans have been regularly asked whether they think people live "as good lives - honest and moral – as they used to". In 1952 as many thought Yes as No. But by 1998 only a quarter thought Yes. So something has changed. People now feel less bad about pursuing their own interest, regardless of others.

We do not fully understand why this has happened, but it is vital to counteract it. We should discuss it openly and not apologetically, and in schools we should surely offer a structured education in morals. 'Citizenship' can certainly cover such issues as voting, but its focus should be the necessity of helping others and the pleasure that can give. It should also cover the necessity of enjoying whatever you have, without obsessing about what you lack.

All of which shows how difficult it is to produce a happier society. This is of course partly because of the strong role which our genes play in determining our temperament. Identical twins reared apart have happiness levels with a correlation as high as 0.5. But there is still plenty of room for nurture as well as nature – just as people are now inches taller than a century ago, despite the strong heritability of height.

The scientific study of happiness is only just beginning. It should become a central topic in social science. But for the moment I would recommend four principles. Don't apologise for taxes; foster the sense of security; fight glaring evils like depression; and discourage social comparison.

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