

FELICIDADE E POLÍTICAS PÚBLICAS

Índice

Será a felicidade necessária? – Roberto Pompeu de Toledo

Pág. 3

Everybody have fun

Pág. 5

A Felicidade

Pág. 8

Política da Felicidade

Pág. 11

The Politics of Happiness – A Manifesto

Pág. 13

Happiness is back – Richard Layard

Pág. 39

This is the greatest good – Richard Layard

Pág. 49

Happiness and public policy: a challenge to the profession – Richard Layard

Pág. 51

Happiness: Has a Social Science a Clue? – Richard Layard

Lecture 1 - What is happiness? Are we getting happier?

Pág.63

Lecture 2 - Income and happiness: rethinking economic policy

Pág. 81

Lecture 3 - What would make a happier society?

Pág. 98

24 de março de 2010

Será a felicidade necessária?

Roberto Pompeu de Toledo

Os pais costumam dizer que importante é que os filhos sejam felizes. Ora, felicidade é coisa grandiosa. Não há encargo mais pesado para a pobre criança

Felicidade é uma palavra pesada. Alegria é leve, mas felicidade é pesada. Diante da pergunta "Você é feliz?", dois fardos são lançados às costas do inquirido. O primeiro é procurar uma definição para felicidade, o que equivale a rastrear uma escala que pode ir da simples satisfação de gozar de boa saúde até a conquista da bem-aventurança. O segundo é examinar-se, em busca de uma resposta. Nesse processo, depara-se com armadilhas. Caso se tenha ganhado um aumento no emprego no dia anterior, o mundo parecerá belo e justo; caso se esteja com dor de dente, parecerá feio e perverso. Mas a dor de dente vai passar, assim como a euforia pelo aumento de salário, e se há algo imprescindível, na difícil conceituação de felicidade, é o caráter de permanência. Uma resposta consequente exige colocar na balança a experiência passada, o estado presente e a expectativa futura. Dá trabalho, e a conclusão pode não ser clara.

Os pais de hoje costumam dizer que importante é que os filhos sejam felizes. É uma tendência que se impôs ao influxo das teses libertárias dos anos 1960.

É irrelevante que entrem na faculdade, que ganhem muito ou pouco dinheiro, que sejam bem-sucedidos na profissão. O que espero, eis a resposta correta, é que sejam felizes. Ora, felicidade é coisa grandiosa. É esperar, no mínimo, que o filho sinta prazer nas pequenas coisas da vida. Se não for suficiente, que consiga cumprir todos os desejos e ambições que venha a abrigar. Se ainda for pouco, que atinja o enlevo místico dos santos. Não dá para preencher caderno de encargos mais cruel para a pobre criança.

"É a felicidade necessária?" é a chamada de capa da última revista *New Yorker* (22 de março) para um artigo que, assinado por Elizabeth Kolbert, analisa livros recentes sobre o tema. No caso, a ênfase está nas pesquisas sobre felicidade (ou sobre "satisfação", como mais modestamente às vezes são chamadas) e no impacto que exercem, ou deveriam exercer, nas políticas públicas. Um dos livros analisados, de autoria do ex-presidente de Harvard Derek Bok (*The Politics of Happiness: What Government Can Learn from the New Research on Well-Being*), constata que nos últimos 35 anos o PIB per capita dos americanos aumentou de 17 000 dólares para

27 000, o tamanho médio das casas cresceu 50% e as famílias que possuem computador saltaram de zero para 70% do total. No entanto, a porcentagem dos que se consideram felizes não se moveu. Conclusão do autor, de lógica irrefutável e alcance revolucionário: se o crescimento econômico não contribui para aumentar a felicidade, "por que trabalhar tanto, arriscando desastres ambientais, para continuar dobrando e redobrando o PIB?".

Outro livro, de autoria de Carol Graham, da Universidade de Maryland (*Happiness Around the World: The Paradox of Happy Peasants and Miserable Millionaires*), informa que os nigerianos, com seus 1 400 dólares de PIB per capita, atribuem-se grau de felicidade equivalente ao dos japoneses, com PIB per capita 25 vezes maior, e que os habitantes de Bangladesh se consideram duas vezes mais felizes que os da Rússia, quatro vezes mais ricos. Surpresa das surpresas, os afegãos atribuem-se bom nível de felicidade, e a felicidade é maior nas áreas dominadas pelo Talibã. Os dois livros vão na mesma direção das conclusões de um relatório, também citado no artigo da *New Yorker*, preparado para o governo francês por dois detentores do Nobel de Economia, Amartya Sen e Joseph Stiglitz. Como exemplo de que PIB e felicidade não caminham juntos, eles evocam os congestionamentos de trânsito, "que podem aumentar o PIB, em decorrência do aumento do uso da gasolina, mas não a qualidade de vida".

Embora embaladas com números e linguagem científica, tais conclusões apenas repisariam o pedestre conceito de que dinheiro não traz felicidade, não fosse que ambicionam influir na formulação das políticas públicas. O propósito é convidar os governantes a afinar seu foco, se têm em vista o bem-estar dos governados (e podem eles ter em vista algo mais relevante?). Derek Bok, o autor do primeiro dos livros, aconselha ao governo americano programas como estender o alcance do seguro-desemprego (as pesquisas apontam a perda de emprego como mais causadora de infelicidade do que o divórcio), facilitar o acesso a medicamentos contra a dor e a tratamentos da depressão e proporcionar atividades esportivas para as crianças. Bok desce ao mesmo nível terra a terra da mãe que trocasse o grandioso desejo de felicidade pelo de uma boa faculdade e um bom salário para o filho.

Fonte: Veja.com

<http://origin.veja.abril.com.br/240310/sera-felicidade-necessaria-p-142.shtml>

Everybody Have Fun

What can policymakers learn from happiness research?

by Elizabeth Kolbert

In 1978, a trio of psychologists curious about happiness assembled two groups of subjects. In the first were winners of the Illinois state lottery. These men and women had received jackpots of between fifty thousand and a million dollars. In the second group were victims of devastating accidents. Some had been left paralyzed from the waist down. For the others, paralysis started at the neck.

The researchers asked the members of both groups a battery of questions about their lives. On a scale of “the best and worst things that could happen,” how did the members of the first group rank becoming rich and the second wheelchair-bound? How happy had they been before these events? How about now? How happy did they expect to be in a couple of years? How much pleasure did they take in daily experiences such as talking with a friend, hearing a joke, or reading a magazine? (The lottery winners were also asked how much they enjoyed buying clothes, a question that was omitted in the case of the quadriplegics.) For a control, the psychologists assembled a third group, made up of Illinois residents selected at random from the phone book.

When the psychologists tabulated the answers, they found that the lottery group rated winning as a highly positive experience and the accident group ranked victimhood as a negative one. Clearly, the winners realized that they’d been fortunate. But this only made the subsequent results more puzzling. The winners considered themselves no happier at the time of the interviews than the members of the control group did. In the future, the winners expected to become slightly happier, but, once again, no more so than the control-group members. (Even the accident victims expected to be happier than the lottery winners within a few years.) Meanwhile, the winners took significantly less pleasure in daily activities—including clothes-buying—than the members of the other two groups.

Perhaps, the psychologists hypothesized, people who buy lottery tickets tend to be melancholy to begin with, and this had skewed the results. They randomly selected another group of Illinoisans, some of whom had bought lottery tickets in the past and some of whom hadn’t. The buyers and the non-buyers exhibited no significant affective differences. The members of this new panel, too, rated themselves just as happy as the lottery winners, and reported getting more pleasure from their daily lives.

The researchers wrote up their findings on the lottery winners and the accident victims in the *Journal of Personality and Social Psychology*. The paper is now considered one of the founding texts of happiness studies, a field that has yielded some surprisingly morose results. It's not just hitting the jackpot that fails to lift spirits; a whole range of activities that people tend to think will make them happy—getting a raise, moving to California, having kids—do not, it turns out, have that effect. (Studies have shown that women find caring for their children less pleasurable than napping or jogging and only slightly more satisfying than doing the dishes.) As the happiness researchers Tim Wilson and Daniel Gilbert have put it, “People routinely mispredict how much pleasure or displeasure future events will bring.”

What should we do with information like this? On an individual level, it's possible to stop buying lottery tickets, move back to Minnesota, and, provided the news reaches you in time, have your tubes tied. But there are more far-reaching societal implications to consider. Or so Derek Bok argues in his new book, **“The Politics of Happiness: What Government Can Learn from the New Research on Well-Being”** (Princeton; \$24.95).

Bok, who served two stints as president of Harvard, begins with a discussion of prosperity and its discontents. Over the past three and a half decades, real per-capita income in the United States has risen from just over seventeen thousand dollars to almost twenty-seven thousand dollars. During that same period, the average new home in the U.S. grew in size by almost fifty per cent; the number of cars in the country increased by more than a hundred and twenty million; the proportion of families owning personal computers rose from zero to seventy per cent; and so on. Yet, since the early seventies, the percentage of Americans who describe themselves as either “very happy” or “pretty happy” has remained virtually unchanged. Indeed, the average level of self-reported happiness, or “subjective well-being,” appears to have been flat going all the way back to the nineteen-fifties, when real per-capita income was less than half what it is today.

Several theories have been offered to explain why the United States is, in effect, a nation of joyless lottery winners. One, the so-called “hedonic treadmill” hypothesis, holds that people rapidly adjust to improved situations; thus, as soon as they acquire some new delight—a second house, a third car, a fourth-generation iPhone—their expectations ramp upward, and they are left no happier than before. Another is that people are relativists; they are interested not so much in having more stuff as in having

more than those around them. Hence, if Jack and Joe both blow their year-end bonuses on Maseratis, nothing has really changed and neither is any more satisfied.

America's felicific stagnation shouldn't be ignored, Bok argues, whatever the explanation. Growth, after all, has its costs, and often quite substantial ones. If "rising incomes have failed to make Americans happier over the last fifty years," he writes, "what is the point of working such long hours and risking environmental disaster in order to keep on doubling and redoubling our Gross Domestic Product?"

To suggest that the U.S. abandon economic growth as a policy goal is a fairly far-reaching proposal. Bok concedes as much—"The implications of this critique are profound"—but he insists that all he's doing is attending to the data. He takes a similarly provocative and, again, empirically driven position in a chapter titled "What to Do About Inequality." His answer is, in a word, "Nothing."

Fonte: The New Yorker

http://www.newyorker.com/arts/critics/books/2010/03/22/100322crbo_books_kolbert#ixzz0oV2R7Wr1

15 Junho 2005

A felicidade

Miguel Poiares Maduro

O que é que se passa no céu? Todos temos uma ideia clara do que nos acontecerá se formos parar ao inferno mais coisa menos coisa, ardemos lentamente sujeitos às maiores torturas... Mas e no céu? Em que é que as almas ocupam o seu tempo? A jogar às cartas, ouvir música e ver cinema? A conversar com as pessoas que amaram? (e se forem várias, quem fica com quem?). E como se evita o aborrecimento se não há um fim à vista? Se calhar o céu é céu precisamente porque nos deixamos de preocupar com estas questões... mas não deixa de ser algo aterradora a perspectiva de nem no céu conseguirmos identificar a felicidade.

E, no entanto, há quem a pretenda realizar na terra. Um livro recente de Richard Layard, um conhecido economista britânico, procura recolocar o conceito de felicidade no centro das políticas públicas. Layard retoma a tese utilitarista de Bentham, que entendia que o principal objectivo de uma sociedade deve ser a maximização da felicidade de todos de forma igual. Por outras palavras, uma política deve ser prosseguida quando ela promove a felicidade do maior número. A dificuldade está em medir a felicidade. Layard socorre-se dos mais recentes estudos sobre a felicidade em disciplinas como a Neurologia, Psicologia e Sociologia para tentar elaborar um critério operativo de felicidade. Desses estudos podemos retirar algumas conclusões interessantes.

O que é a felicidade?

A primeira conclusão é que a felicidade pode ser medida ela tem correspondência numa determinada actividade neurológica no cérebro.

A segunda conclusão é que a felicidade é profundamente relativa e "invejosa". A nossa felicidade resulta de uma comparação com a situação dos outros (assim, por exemplo, se todos ficamos mais ricos a nossa felicidade individual não tende a aumentar!).

A terceira conclusão é que a felicidade "educa-se" aquilo que nos traz felicidade muda com o conhecimento, educação e exposição a mundos diferentes. As nossas preferências não são estáticas. É por isso que, quanto maior o nosso conhecimento da arte, maior a felicidade que ela nos pode transmitir.

A quarta conclusão é que a felicidade aprecia a estabilidade e a companhia a permanência no mesmo emprego traz, aparentemente, mais felicidade que mudanças frequentes para empregos melhores. No mesmo sentido, os estudos realizados indicam que as pessoas casadas são em média mais felizes que as solteiras, divorciadas ou separadas (por esta ordem decrescente de felicidade...), incluindo, com alguma surpresa, na sua vida sexual (o que o estudo não diz é se essa felicidade resulta de ter sexo dentro ou fora do casamento...).

A quinta conclusão é que a felicidade vicia e habitua-se facilmente. Assim, algo que nos dá grande felicidade inicial vai diminuindo a felicidade que nos traz à medida que nos habituamos. Só que, paradoxalmente, se voltamos a perder essa coisa, a infelicidade que isso nos traz é muito superior à felicidade que nos trouxe quando não

a tínhamos. Isto explica a razão pela qual o dinheiro não traz (sempre...) felicidade. A relação entre nível de vida e felicidade individual é verdadeiramente relevante apenas ao nível do limiar da sobrevivência. A partir daí a correlação entre aumento do rendimento e aumento de felicidade vai diminuindo de forma notável vamo-nos habituando a gastar o dinheiro que temos! Só que, se perdermos parte desse rendimento, seremos mais infelizes do que antes de o termos... É a velha sabedoria popular de que só damos valor ao que temos quando deixamos de o ter ou, expressa em sentido económico, de que o valor de um bem é mais elevado quanto mais raro for.

O Estado e a felicidade. Estas conclusões são, nalguns aspectos, algo banais, mas podem ter consequências importantes se levadas a sério. Elas colocam um desafio interessante na definição das prioridades das políticas públicas ao questionar a sua subordinação ao objectivo de maximização da riqueza associado ao crescimento económico e ao permitir introduzir outros elementos a que as escolhas públicas devem atender (como a estabilidade). Mas também servem para justificar algumas das políticas públicas actuais as políticas redistributivas vêem a sua justificação reforçada pelo facto de o mesmo dinheiro trazer mais felicidade a quem menos tem; os impostos e outras medidas podem ser necessários, como refere Layard no seu livro, para evitar que as pessoas trabalhem de mais (uma vez que após certo nível elas deixam de retirar mais felicidade da remuneração acrescida que recebem).

Há, no entanto, um problema delicado na utilização de um critério de felicidade para orientar as políticas públicas. É que a felicidade é, acima de tudo, função das preferências individuais de cada um. A felicidade é menos um produto daquilo que nos acontece do que da forma como concebemos o que nos acontece. É mais autonomamente determinada (dependente da nossa concepção do sentido da vida) do que hetero- nomamente condicionada (dependente das circunstâncias que afectam o sentido da nossa vida).

É, neste ponto, que se coloca a questão filosófica da definição da felicidade. Desde logo, a felicidade é profundamente individual. Nesse caso, não devemos procurar fazer as pessoas felizes (seria a ditadura da bondade!), mas, como diz a Declaração de Independência Norte-Americana, garantir-lhes o direito à procura da felicidade.

A procura da felicidade. E há várias formas de procurar a felicidade. Há os que procuram uma espécie de "felicidade moral", o que corresponde à ideia aristotélica de uma vida vivida com um certo sentido (que pode ser, como defendia São Tomás de Aquino, o conhecimento de Deus). A felicidade intelectual mas não sensorial. A felicidade é assim distinguida do prazer, o que, confesso, não me faz muito feliz! Curiosamente, um outro utilitarista (Stuart Mill) aceita a ideia de prazer associada à felicidade apenas não é o prazer que algo nos traz que determina a felicidade, mas, antes, o prazer que isso pode trazer aos outros... (uma forma de felicidade que procuro incutir nos outros!). Em sentido bem diferente, há também a felicidade epicurista ou hedonista em que o nosso prazer é a nossa felicidade. Só que o prazer dissociado de um sentido da vida reduz-se a uma mera satisfação ou contentamento. É um analgésico da felicidade: alivia mas não cura.

Hoje em dia, a procura da felicidade parece dividida em dois mundos bem opostos. Os que defendem uma felicidade modesta, segundo a qual apenas devemos retirar felicidade das coisas que podemos ter! (não admira que Santo Agostinho, o seu autor original, também defendesse que o único verdadeiro amor é aquele que apenas depende da pessoa que nos ama). Ou os que defendem uma felicidade pós-moderna,

feita de "boas experiências" e da procura incessante do prazer, liberto de outro sentido que não a sensação momentânea que nos causa.

Enquanto, no primeiro caso, a felicidade amarra-nos ao que temos e somos, no segundo, ela transforma liberdade em instabilidade e insegurança permanentes. No entanto, se há coisa que os estudos recentes nos mostram é que a felicidade necessita de estabilidade. O prazer é maior quanto maior for a sua relação a um sentido da vida (a atribuição de sentido à nossa vida, o que é diferente do sentido da vida em geral). É este último que conduz o prazer à nossa felicidade.

É em relação com o sentido da nossa vida que podemos encontrar a felicidade. A felicidade é, em larga medida, uma competência que podemos melhorar. Não estamos predispostos a ser infelizes mas também não existem receitas para atingir a felicidade. Acima de tudo e tal como dizia Thomas Paine, é necessário para a felicidade do homem que ele seja intelectualmente fiel a si próprio. E a si o que é que a/o faz verdadeiramente feliz?

Não estamos predispostos a ser infelizes. E não há receitas para atingir a felicidade...

O mundo à nossa procura

Miguel Poiares Maduro

miguel.maduro@curia.eu.int

Fonte: http://dn.sapo.pt/inicio/interior.aspx?content_id=602834

14 de junho de 2010

Política da felicidade

Denis Russo Burgierman

A ideia de que o papel do governo é deixar as pessoas felizes não é nova, claro. Qualquer um que seja versado em contos de fadas sabe que, desde o tempo do era uma vez, um bom rei é aquele cujo povo é feliz e próspero. Era assim na antiguidade, continuou a ser assim no estado moderno. A Declaração de Independência dos Estados Unidos, logo no seu preâmbulo, avisa num texto quase tão familiar quanto o hino americano que “todo Homem foi criado igual, e foi dotado pelo seu Criador com certos Direitos inalienáveis, entre eles a Vida, a Liberdade e a busca da Felicidade”.

Note que o texto não menciona Dinheiro. Também não há referências a iPad. Mas o fato é que, tanto nos Estados Unidos quanto em todo o mundo moderno, os estados ultimamente têm se esforçado muito mais para deixar o povo próspero do que feliz.

Talvez seja em parte porque riqueza é bem mais fácil de medir do que felicidade. Felicidade é fugidia, e absolutamente sujeita a ser frustrada pelos caprichos humanos.

Um exemplo disso é um estudo clássico feito por três psicólogos americanos em 1978. Eles compararam os “níveis de satisfação com a vida” de três grupos de pessoas: “ganhadores na loteria” (que receberam prêmios entre 50.000 e 1 milhão de dólares), “vítimas de acidentes devastadores” (alguns deles tornados paralíticos) e um grupo-controle de gente comum escolhida ao acaso. Resultado: os ganhadores da loteria não se consideravam mais felizes que o grupo-controle. Quando perguntados se esperavam um futuro melhor, as vítimas de acidente levaram vantagem. Os ganhadores na loteria se declararam menos capazes de tirar prazer de tarefas cotidianas.

Realmente, se você olhar a correlação entre riqueza e felicidade, não vai encontrar um retrato fácil de interpretar. Pegue o caso americano. Por lá, todos os indicadores financeiros melhoraram imensamente nos últimos anos. Desde os anos 1970, a renda americana subiu mais de 60%, o tamanho médio das casas cresceu quase 50% e todos os índices de consumo aumentaram. Enquanto isso, os níveis de felicidade permaneceram teimosamente inalterados (eles tinham crescido constantemente até os anos 1950). Nos últimos 30 e tantos anos, o mundo desenvolvido acumulou um monte de dinheiro, mas não tanta felicidade.

O fato é que, embora a felicidade seja realmente fugidia e difícil de medir, a ciência já sabe razoavelmente bem como encontrá-la. Vidas com sentido são mais felizes. Vidas ativas também. Espaços agradáveis de convívio aumentam a felicidade, espaços ruidosos sem trocas humanas diminuem. Tempo livre aumenta a felicidade, mas só quando ele é preenchido de uma maneira que traga sentido à vida, se não mais atrapalha que ajuda. E por aí vai.

Nas últimas décadas, esse tema foi lentamente ocupando espaço no debate político mundial. Primeiro foi um rei no Butão que inventou a ideia de Felicidade Interna Bruta (FIB), que nortearia os objetivos de seu governo mais do que o tradicional PIB. Até aí, era só uma iniciativa exótica de um governo autocrático em um país remoto. Mas, em 2007, o primeiro-ministro do Reino Unido nomeou um “czar da felicidade”, focado em alegrar os súditos da rainha. No ano seguinte, o presidente da França montou uma comissão liderada por dois Nobel de Economia (Amartya Sen e Joseph Stiglitz) para

orientar o governo sobre como governar de maneira a deixar os franceses mais felizes.

Agora, na semana passada, um think tank finlandês chamado Demos, em parceria com os ambientalistas da WWF, lançou um manifesto batizado de “A Política da Felicidade”, propondo que os governos coloquem a busca pela felicidade no centro de sua agenda, no lugar onde até outro dia ficava a economia. Para mim, é o mais interessante documento já escrito sobre o tema ([esta](#) é a versão em inglês).

O Brasil não é a Finlândia, óbvio. Em países pobres como o nosso, felicidade aumenta sim quando a renda aumenta (garanto que ninguém é feliz com diarreia, fome ou malária). Mas o manifesto é bem interessante, inclusive para dar algumas ideias para os dois principais candidatos à presidência brasileira (quando olho para a cara do Serra ou da Dilma, certamente o que me vem à cabeça não é “essa pessoa quer me fazer feliz!”)

O texto parte de constatações científicas muito bem fundamentadas sobre a natureza da felicidade para fazer recomendações concretas de política pública. Por exemplo:

– criar um “fundo nacional de tempo”, que daria feriados às pessoas que doassem trabalho cívico (tanto feriados quanto trabalho cívico tendem a aumentar a realização pessoal).

– criar uma cultura de “design criativo” de espaços públicos. Prédios públicos têm que ser engraçados, surpreendentes, estimulantes e abertos para o uso de toda a população.

– gradualmente extinguir os exércitos e, no lugar deles, criar uma espécie de “acampamento cívico” aberto a todos os cidadãos.

– priorizar o trabalho coletivo na educação. Hoje, todo o sistema de educação é baseado no indivíduo e não incentiva nem ensina o trabalho coletivo, que aumenta os níveis de felicidade.

– proibir carros onde há crianças.

– aumentar impostos sobre espaço não utilizado. Criar incentivos financeiros para quem compartilha espaço.

Não é legal?

Fonte: Veja.com

<http://veja.abril.com.br/blog/denis-russo/politica/politica-da-felicidade/>

The Politics of Happiness - A Manifesto

Towards the futures of one Earth

Manifesto escrito pelo think tank finlandês Demos em parceria com a WWF

Foreword

Dear reader, at the present time the people on this planet consume natural resources at a rate that exceeds the Earth's carrying capacity by 50 %. In other words, we are creating an ecological deficit that will be borne by future generations.

Ensuring the preconditions for life and well-being must be a key goal in society.

Economic growth has been used as a means of improving well-being, but now growth based on excessive consumption is quickly becoming an obstacle to well-being rather than an engine for its creation.

In order to ensure that the Earth can sustain life in the future, we have to re-evaluate what we consume and how these goods are produced. The key question, however, remains this: Why do we consume? Does the growing consumption of natural resources truly produce well-being and happiness?

WWF believes that a sustainable lifestyle that is in line with the capacity of this one planet is possible without having to compromise on well-being. Well-being can increase as we adapt our economic activity to match the Earth's capacity. This requires support for new environmental innovations, shifting to production methods that are based on recycling and reusing raw materials and focusing consumption on services rather than physical goods.

Happiness and well-being have become objects of increasing interest from researchers. On the basis of recent studies, WWF believes that reassessing priorities to emphasise well-being rather than the consumption of physical goods offers an excellent way to reduce our ecological footprint. WWF Finland asked Demos Helsinki to build on this idea. How can society support the improvement of its citizens' wellbeing?

"The Politics of Happiness - A Manifesto" is based on this collaborative effort and presents a positive message. Who would not want to ensure the happiness of people and the well-being of Earth?

WWF hopes that this manifesto will give impetus to a process in which political decision-makers and people at large will reflect upon the direction in which we wish to develop.

Liisa Rohweder

Secretary General

WWF Finland

How does WWF define well-being?

WWF strives for a world in which everyone has a high level of well-being and we can enjoy healthy and happy lives while using only our fair share of our planet's resources. WWF defines well-being in accordance with the UN Millennium Ecosystem Approach. Human well-being depends on a number of factors: basic material needs, the freedom to engage in meaningful activity, the freedom of choice, health, good social relationships and safety. The eradication of poverty is also essential to the objectives of environmental preservation. Improving quality of life and well-being is a way to put a stop to the dwindling of natural resources.

Human well-being and the well-being of the environment are closely interdependent. The diversity of nature forms ecosystems that offer ecosystem services. These include nutrient cycling, soil formation, climate regulation and the production of natural resources such as food, potable water and raw materials. Ecosystem services also comprise cultural services such as beauty, spirituality and free time. Together they make life on our planet possible. Human activity causes both direct and indirect changes to ecosystems. Due to the interdependent nature of the relationship, these changes affect human well-being. Human activity also has an impact on other species and on ecosystems in their entirety. The well-being of people and the planet is dependent on the well-being of ecosystems. We have reached a point at which increasing raw material intensive consumption no longer produces well-being in the Western world. On the contrary, it endangers the well-being of ecosystems, people, other species and our future generations.

Introduction:

The time for politics of happiness

"We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable rights, that among these are life, liberty and the pursuit of happiness." – United States Declaration of Independence, 1776

Every one of us is in pursuit of a happier life. A growing number of studies have been carried out in recent years on the subject of happiness. The research indicates that we are incredibly ill-equipped to assess what would truly make us happier¹. We generally

try to build happiness through short-term fixes such as picking up a greasy pastry at the supermarket or working longer days in the hope of earning more money. We reach out for short-term pleasures because we simply cannot perceive the long-term consequences of our actions. It is difficult for us to intuitively assess how various changes impact our happiness.

In the meanwhile, social and human sciences are once again thriving: relevant, experimental and practical research gives us more insight into happiness than ever before. The studies highlight two fundamental observations on human nature. The first is that we are social creatures who create meaning for ourselves through comparisons with others. The second is that we adapt to changes incredibly quickly.

Our genetic traits determine one half of our level of happiness. Even those who have been “dealt a poor hand” in terms of genetics can be happy, but it requires more effort. The other half of the factors influencing happiness are primarily made up of actions, with very little significance given to prevailing circumstances such as income level, having children or not having children, the products we consume, or our marital status. If we operate in meaningful Similarly, a healthy member of a wealthy nuclear family can be unhappy. The politics of happiness can influence the extent to which we all have opportunities for meaningful activity.

In light of these findings it is no wonder that the trend of increasing happiness has levelled off. The growth in material well-being has not, for several decades, made the citizens of any Western country happier. Nevertheless, politics are still focused on increasing income levels. We are victims of a collective syndrome of “just a little bit more and then...”. It is a view that prevails despite the fact that the relationship between wealth and happiness is an illusion in today’s world.

Happiness is not only the only objective with intrinsic value, but also what we genuinely desire. The majority of people value happiness more than wealth⁶. In a democratic society this should influence politics. Under conditions of relative poverty, eliminating material shortages contributed to increasing happiness. In that era, economic growth was indeed the politics of happiness. In wealthy modern societies such a direct route to happiness does not, unfortunately, exist. The end and the means have become mixed up.

For the time being, Finland has - largely due to the welfare state’s foundation of strong social policy – been ranked highly in international studies measuring subjective happiness⁷. Nevertheless, new challenges call for new mechanisms.

The politics of happiness is about developing these mechanisms and making optimal use of them.

In addition to the decoupling of gross national product and happiness, increased understanding of climate change and diminishing natural resources has forced us to reassess the manner in which we grow our wealth. Economic growth leads to increases in greenhouse gas emissions and the consumption of natural resources. Studies such as the WWF Living Planet Report (2008) indicate that we are increasing our wealth in an unsustainable manner. Trends in economic growth and the total consumption of natural resources have closely followed each other everywhere in the world throughout human history. This means we are living in times of absurdity. We are taking out an ecological debt and destroying future well-being without contributing to our present happiness.

Politics is about the collective consequences of our actions. We must be able to participate in building the common good in the best possible way and to receive the best possible support for satisfying our needs. Current politics are more focused on minimising misery than increasing happiness. Better politics would guide individuals towards actions that benefit the community as a whole - towards building shared happiness. In the end, no individual's well-being is independent of the well-being of others.

From the perspective of happiness, the four-year time span of politics is too short. Achieving genuine social change takes more time. The achievement of significant changes - such as past efforts in building the welfare state and getting women involved in working life - takes decades of determined collaboration between politicians and citizens. These days there are representatives of tax-payers, consumers, minorities, interest groups, citizens, farmers, the labour market and industrial sectors on every council and committee, but future generations and the creation of new jobs have no representation whatsoever. We have bypassed the issues of the ecological costs of our activities and the need to give due consideration to future interests.

The politics of happiness is a new political approach for those who believe that the political arena must assume a new course to build a happier life. Our current social model is not able to produce a happy future for generations to come.

Politics cannot directly make us happy. Nevertheless, it can make the pursuit of happiness possible, or even easy. Society at present is an obstacle course on

the way to happiness, one complicated enough to make even the most capable seekers of happiness lose their way.

With increased knowledge from scientific research, the pursuit of happiness should be easier than before. This manifesto describes how a less hectic rhythm, participation, meaningful shared activity, the creation of a new culture of well-being and the creation of deeper human relationships can make the achievement of happiness both possible and fair.

Values behind the politics of happiness

1. The politics of happiness is the politics of One Earth. We are using natural resources excessively and we know this cannot continue.
2. The politics of happiness is a cross-generational approach. It differs from current politics where the focus is on striving for short-term welfare through economic growth.
3. Time, communities and meaningfulness are vital resources. The politics of happiness questions the position of economic growth as the ultimate goal of our society.
4. Sustainable happiness is based on shared experiences. Responsibility for society is only possible through joint experiences. Sharing responsibility is the objective of politics.
5. The politics of happiness relies on scientific data. It can help bridge the gap between research results and politics.

Better free time!

Someone has made the choice for us. Significant growth in productivity has resulted in higher wages rather than shorter working hours⁸. This is based on the wellintentioned idea that wealth makes us happy.

This assumption is only partly true. Cross-sectional studies indicate that the link between increasing wealth and happiness in Western countries diminishes in importance at an income level that is considerably below the average income⁹. The lack of time is considered a greater burden than the lack of money: higher incomes and longer working hours increase work-related stress, the sense of not having enough time and perceived class differences¹⁰. Politics that aim to increase income are not only a factor restricting happiness, but also unsustainable from the perspective of natural resources.

In a world that revolves around work and income, the consumption race has no

finish line. Striving for happiness through increased capacity to consume is like urinating in one's trousers on a cold winter day: it only provides a fleeting moment of warmth. The pressure to increase our capacity to consume even dominates our free time, which is spent buying things. Productivity increases and we fill our homes with purchases that provide only momentary joy. Our lives are divided between work and free-time, or making money and then spending the money we have made. There is no room for genuine free time. The cause of this manic behaviour lies in our social nature. We respect high status, admire successful people and create our self image through comparisons with others. While we may not be able to stop comparing ourselves to others, we can at least strive to reassess the way we EVALUATE status and success.

Becoming less busy pays dividends to the environment

The thought of a slower and more relaxed rhythm of life attracts an increasing number of people. Part-time pension arrangements, job-alternation leave, career changes, the International Slow Movement, the increased birth rates in highest life quality countries, such as Finland and Sweden. The increase in the significance of free time and the reduced perceived meaningfulness of work are part of this cultural megatrend. They speak of our desire to seek happiness through an alternative rhythm of life. The promise of life lived on the terms of something other than work is seen as attractive.

The politics of happiness challenge our conceptualisation of time. Valuing work and supporting working are transforming towards valuing public activity. The right and obligation to act on the world outside of the home become as important as the traditional right and obligation to work.

The change begins from a new approach to time. When pressed for time, we often make poor decisions regarding food, clothing and housing, as well as happiness¹¹. Global natural resources are becoming scarce and we can no longer afford bad decisions with far-reaching consequences. Reducing time pressure is good for both our planet and for us. We must encourage each other to engage in meaningful activity instead of focusing solely on working as hard as possible.

The politics of happiness is not only a matter of balancing work and free time, and initiatives such as the four-day work week or civic salary do not automatically resolve the problems we have regarding our use of time. People

are often performance-oriented even in their free time¹². Our free time is also diminished by growing distances between home, the workplace and services, not to mention the ecological effects of increasing distances. Free time easily becomes subordinated to work and is spent on recharging one's battery.

Separating work and free time is difficult: work follows us home, while at work we use social media to stay in touch with friends outside work. We work during free time and do free time activities at work.

Current politics are focused on working hours and extending working life, despite the fact that retirement at a later age does not create new jobs or solve the problem of structural change in working life. The length of working life is not extended if people become fatigued at work. It is more important to focus on how retirees can spend their free time in a meaningful way and how production can be organised when work is not perceived as meaningful. In addition to youth unemployment we should be discussing how adults cope with work and the problem of inactivity among retirees, which is the real pensions crisis.

The right amount of time

Time is a unique resource: it cannot be stored. We all have it, but most of us have too little of it. We say that it's important to be able to make one's own decisions concerning how to use our free time. The significance of free time has grown in the past two decades¹³. At the same time, the issue of free time is paradoxical. For a busy person, free time may be the key to happiness, but happiness can equally easily be lost in not having anything to do. For a person who is lonely, time can become a problem. The negative effect of unemployment on happiness has more to do with the lack of work than the reduction in income¹⁴.

Work and free time can easily become limited to making money and spending money.

Productivity in developed industrial countries has exceeded our ability to consume. This has us stuck on a revolving wheel of consumption and work. As far back as in the 1920s production equipment and corporations reached a point of efficiency where not everything that was produced could be sold and money was left lying in people's accounts. We now consume to ensure that there is more work for us to do, thereby wasting not only natural resources but

also an inordinate amount of time and effort.

Social dialogue easily pigeonholes people into those who are successful and those who live off others, when in fact there are many more options. An increasing number of people are realising that it's possible to lead a rich life without having an assumption of continuously increasing consumption capacity. The mantra of no alternatives is crumbling away.

Changes in the definition of success according to cultural and historical factors are nothing new. The modern-day successful person now has the obligation to show how happiness can be achieved in ways other than simply working and consuming. This can help make sustainable happiness an admirable status and an exemplary lifestyle.

Despite increasing wealth, happiness among Finns has not increased since the 1980s.

Slow down the treadmill of happiness

After a certain point is reached, income levels have little impact on happiness. In Finland this point was reached in the 1980s, whereafter our happiness has not increased. At the same time the national economy and individual incomes have grown at a tremendous rate¹⁶. What has increased with growing incomes, however, is the level of greenhouse gas emissions. In countries where this has not happened the explanation is simply that emissions have been exported, i.e. production has been shifted to other countries¹⁷.

There are two primary reasons for the decoupling of happiness and income levels. The first is social comparisons: your neighbour becoming wealthier is experienced as yourself becoming less affluent. Secondly, we adapt faster and better - despite our presumptions - to both positive and negative changes.¹⁸ This explains why even unemployment does not always result in unhappiness. The recession in Finland in the 1990s did not have an impact on happiness despite unemployment figures going from 3% to 17% in a very short time.¹⁹ If we seek success and happiness through wealth, we will never reach our goal. We will simply be running faster and faster while the treadmill of happiness gains speed.

Sweating on this proverbial treadmill is harmful to us in many ways. The exhausting pursuit of personal wealth uses up natural resources, increases stress and occupies time that could otherwise be spent on more activities that provide longer lasting pleasure²⁰. We must find a way to slow down the

treadmill by shifting our focus from work to active free time. Active free time explains why young people and the aged are happier than average.

Policy recommendations:

1. Income taxation should be reformed to favour longer holidays instead of additional income.
2. The Government should establish a national time fund to develop a culture of volunteerism along with various incentives for civic activity. The time fund would reward those citizens who participate in civic activities extensively with additional holidays.
3. Consumer goods should be labelled to indicate their expected life cycle. The Consumer Protection Act must guarantee that the actual useful life of consumer goods is known.

2. From spaces to meaningful places

Lasting happiness is created through deep experiences and activities. They always take place in a certain space, according to the activity. The shopping centre, park and home all encourage very different activities. In the present time, spaces are characterised by an exact purpose and privacy. A private sauna, a home theatre and a spa bathroom tend to keep people apart instead of bringing them together. The politics of happiness are more focused on unique experiences, pleasant spaces, beautiful living environments, public facilities that invite people to act together, a sense of calm and places that feel like one's own. Access to and equal availability of such facilities are a precondition for a happy society.

The use of space is a highly political issue. It either facilitates or prevents our activities, well-being and happiness. Unique experiences contribute to happiness by providing people with experiences of something greater than them. People who identify objectives beyond their personal interest are happier than others²². Uplifting and grand experiences can even bring about permanent change in people. Such grand experiences may be spectacles (the Olympics, parliamentary elections, or the Eurovision Song Contest), aesthetic by nature (the sound of thunder, an involving film, nature, or a sports car) or liberating (the end of an unsatisfactory relationship, the ability to make choices against

one's own interest, or feeling the exhilarating sense of speed). These types of experience bring people together and turn spaces into meaningful places.

Happy places

We are used to being able to modify the places that are important to us without having to ask for other people's opinions or permission. When we give up that which is shared, the need for self-expression drives us towards a lonely and isolated life. A visit to an average school, health centre or bus station reveals that we are largely unable to create shared spaces that would be perceived by people as their own. Architecture, spatial planning and city planning fail to consider the notion of shared experiences as a precondition for happiness and drab public and shared spaces fail to support the well-being and satisfaction of the 21st century man.

People want to live according to their dreams. Societal structure is spread out as cities and other spaces of shared life fail to offer the opportunities needed for this. The lack of quality public spaces also results in fewer quality encounters between people. At present, the public space puts us on a collision course with people with whom we have little in common, and residential areas are not planned with well-being and happiness in mind.

The need for expressing oneself and enjoying one's environment calls the ability of professionals responsible for planning, constructing and maintaining our cities into question. Spatial planning that supports happiness must start with a focus on people, experiences and intended use - not on mass, a building or a structure. This new attitude calls for collaboration methods, technology and applications that facilitate agreement on the use of shared space. Dense urban structures provide a foundation for rich services and a vibrant environment. The key challenge is to make living in densely populated areas a positive thing. This requires adaptable yards, housing that supports privacy, rail traffic, peaceful public spaces and child-friendly cities.

In the politics of happiness, public space facilitates the formation of peer groups. The significance of peer groups increases as fewer people have access to positive communities of families, colleagues or friends. In addition to recreational activities and shared interests, peer groups provide a foundation for developing human relationships and a prerequisite for shared activities in an open setting. Without shared activities there is no happiness. Experiential places provide the best possible preconditions for shared activities. This refers to places that are considerably different from the public spaces we have at

present. We need a renaissance of public spaces. One must ask questions regarding where people feel content and happy and in what kinds of settings meaningful encounters can happen.

From private to public

Space that is experienced as one's own is private and adaptable. Privacy can be seen as a controlled closing and opening of oneself to interaction with others. Lack of privacy results in a sense of confinement, while too much privacy tends to isolate. The ways of seeking one's own space range from a walk in nature to driving in a private car. Privacy is also needed in the construction of one's own identity. Striving to create one's own space has led to increased use of energy for transport and heating, resulting in a tremendous increase in the consumption of natural resources. People end up wanting and using twice the amount of space they would need. As cities fail to offer the feeling of having one's own space and an enjoyable environment, we have seen an escape to suburban residential areas and communities of summer homes. It is obvious that some ways of seeking privacy are ecologically more sustainable than others.

The objectives of ecology and happiness are somewhat linked in this aspect as well. Studies indicate that those who spend approximately one hour commuting in their own car must earn almost twice as much as those who walk to work to reach an equal level of happiness²³. Living close to work reduces the ecological footprint and increases perceived happiness.

Finns have a reputation of being a people that values the ability to make it on one's own. Quiet and shy individuals are considered virtuous in Finland. In the heady years of the past decade there has been a significant increase in the time and investment put into one's home, decorating it and doing chores and other work around the home. The desire to build or expand one's home has often exceeded the level of ability people have for it. We can adjust the atmosphere in the home through individual items and surfaces, but designing a good space is less understood. The more time we spend at home, the more belongings we tend to gather in the home. We need space, our own yard and our own peaceful surroundings due to the fact that public spaces fail to provide a sense of privacy and ownership.

Lack of quality shared spaces leads to a virtual "arms race" between individual homes.

The general perception of a need for space is directly linked to shared spaces

being seen as not sufficiently pleasant, incapable of inviting citizens to meaningful joint activities or the formation of a community. The yards of housing companies have become parking lots and shopping centres make up a tremendous share of public space. Traditional neighbourhood stores were significantly better able to function as a scene for meaningful encounters. Good shared spaces and services give us personal living space in the same way as square metres of space in our homes do, but they do it more efficiently in terms of the use of natural resources and the contribution they make to happiness.

Participation and happiness are inexorably linked. Democracies are happy countries. The modern man requires a deeper level of participation, beyond simply voting in elections, to adapt the spaces he uses and the practices prevalent in society in order to attain happiness²⁴. In addition to encouraging participation, urban nature directly contributes to well-being and even health²⁵. The quality of public spaces currently available is perceived as poor and people don't feel the spaces are their own²⁶. As shared spaces can't be adapted, we naturally focus on our private space. This is a radical change: the average size of homes has grown since the 1970s, yet the average number of people per household has dropped by a third²⁷. Traffic noise also tends to have a negative effect on the quality of spaces and the feeling of privacy. When urban structure is condensed, traffic noise is reduced.

Low population density contributes to unhappiness. The amount of time spent commuting and waiting by people living far from workplaces and services results in a significant reduction in perceived happiness on a daily basis.

We have the right to adapt our living environment. It makes us happy.

Policy recommendations:

1. Urban planning must be user-focused. The initiative in developing the urban environment must be shifted to the users, i.e. the residents. The residents' involvement must be a part of the planning and implementation of both existing and new spaces from the very early stages.
2. The degree of use of schools, municipal agencies and libraries must be increased by opening them up for broader use. These spaces, which are produced by public funding, must be made into shared spaces for the community by expanding on their user base and the times during which the facilities can be booked, rented and borrowed.

3. Designers to the fore! The name of the designer of each building, both public and private, should be prominently displayed on site. Furthermore, neighborhood resident panels need to be established in order to recognize and reward urban planners for creating positive spaces.

3. Doing meaningful things together

The happiest moments in life are often related to doing meaningful things together. Working towards a shared goal with others is a source of healthy confidence and belief in one's own ability to influence things. We have a need for self-actualisation as part of a meaningful and greater whole. We are happy when we get to participate in building our own - as well as shared - wellbeing.

According to studies, the presence of opportunities for democratic participation - regardless of the extent to which they are actually pursued - increase our level of happiness³⁰. We also know that loneliness and a sense of isolation radically diminish the preconditions for our happiness.

In the politics of happiness, the experiences of doing meaningful things together are created on a broad basis in different aspects of life. Traditionally, the sense of being a useful and productive person has stemmed from employment and work around the home. In addition to this, there is a strong tradition of voluntary community work and organisational activities. We want to feel useful and significant to the communities and organisations we perceive as important, regardless of whether we get paid. Until now, doing things together has included paid employment, recreational pleasures or civic activities in support of things perceived as important. In the politics of happiness these are seen as essential psychological phenomena that contribute to increased happiness.

The beat to which recreational Finland moves

While citizens have faith in democracy as the best possible system for society, confidence in politics and one's own ability to influence matters are diminishing. This also has a negative impact on happiness. At the same time, interest in voting and confidence in the expertise of officials are becoming weaker. One reason for this crisis is the trend of professionalisation of politics and institutions and a sense of growing distance between them and civic activity. Restoring confidence in politics requires that politics once again begin from people doing things together.

Society has traditionally supported doing things together by supporting employment among citizens. The focus has been on ensuring that people are given the ability to work and stay at work. In the future this will no longer be sufficient, as fewer people will participate in paid work. In terms of the traditional classification of how people spend their time, we are already seeing a shift towards a Finland where free time is more significant than ever. The growing number of retirees in itself challenges us to find ways to support civic activity and other forms of people doing things together.

Not all those who are of working age and have the ability to work find sufficient experiences of success in their jobs. As such, it is important to offer a diverse range of activities that people can do together. In today's world the unfortunate ones are no longer necessarily the people who are struggling financially, but rather the people who have few opportunities and skills for doing things together with others. Education should focus on developing these skills as well as building lasting happiness.

In a good society, both schools and workplaces encourage people to engage in organisational activities, helping around in their neighbourhoods, community care programmes and other activities with their peers. A great deal of valuable work would not be done if it were not for people doing things together voluntarily. This is the engine that keeps things like children's sporting activities, Wikipedia and peer support services for the chronically ill running.

The significance of activities with peers will grow in terms of both the individual and society. There are more and more things that cannot be produced through publicly funded service provision - they are either too expensive or inefficient to produce professionally and often fail to accomplish the desired individual result. Instead, public institutions could support citizens' participation in activities with their peers. Finding ways to provide this support is one of the major challenges facing the politics of happiness.

Everyone is able to help others

We have been under the impression that social development refers to everything becoming professionalised and people doing things together becoming replaced by paid services. At the same time we are concerned about weakening trust between citizens. To many, life feels like a completely meaningless and lonely race.

Remedying the situation requires that we value doing things together through actions: participating in voluntary work with neighbours to clean up common areas, coaching children's sports or helping prepare the catering for a party. The best way to begin this type of participation is identifying one's own skills and abilities and finding a way to put them to use in doing things together and for the common good. Everyone has the

ability to do something that helps others. By putting our skills to use and teaching them to others we can make ourselves feel needed. Research shows that this increases happiness.

Participating in common activities, such as maintaining or improving the living environment, one can make the environment feel more like one's own. By making a personal contribution to improving the environment, people get the opportunity to share their experiences and connect the shared space with personal meanings. This also serves to make people feel more responsible for their living environment.

We all have an obligation to participate in creating new ways of participating and doing. If traditional ways are not sufficiently attractive, new ways must be developed. The opportunities for doing can change when we spend more time on things that make us feel useful and happy. Change begins from understanding that doing things together is an essential building block for sustainable happiness. This can help us learn the skill of spending free-time together.

Society must support all ways of working and acting together, not only paid employment.

The carbon footprint of one euro

[Carbon intensity: kg CO₂ eq / \$]

kg CO₂ eq

Towards services!

Electricity Driving a car A meat dish Housing: (maintenance charges) (rents)

Education Culture Hospital services

€ bn

Work is perceived as less meaningful and rewarding despite the quality of work improving.

How we spend our money and time has drastic effects on happiness and the environment. As a rule, money spent on health, sports, learning, culture and human-centred services related to doing things together pollutes and consumes energy the least³⁵. Doing and experiencing things together increase the extent to which activities are enjoyed. To the level that those engaged in team sports have a significantly higher level of endorphins than those doing solo sports.

Working is not a guaranteed route to happiness. For one thing, people in fulltime salaried employment are already a minority in the Finnish population, as will soon be the case in most of the world. In addition, ever since the early 1990s, Finns have

perceived work as less and less meaningful and rewarding, despite the fact that opportunities to influence matters and improvements in equality have resulted in the quality of work improving³⁷. Therefore, even now the majority of us finds pleasurable activities on a daily basis outside of work.

As such, it is no wonder that participating in voluntary organisations is a greater contributor to happiness than wealth.

Policy recommendations:

1. Education should involve more practices that support doing things together.

Organisational activity and other forms of doing things together must be included in all existing curricula. At present, the school system barely teaches these skills at all. In addition to behaving properly and being quiet, students must be taught the skill of giving and receiving feedback.

2. Introduce municipal academies for officers and operate them in conjunction with universities. In the future, public sector professions should not be categorised into profession-specific tasks such as teachers, nurses and police officers. The municipal officer is, above all, a person who facilitates the resolution of difficult and systemic problems. The key objective of a municipal academy is to have officers adopt this broader view of their role.

3. The national defence forces should gradually be transformed into a civic camp for everyone. Civic service would be short in duration but recurring. It would inform citizens on which civic needs are the most urgent at any given time and what forms of civic activity exist for resolving the identified needs. The purpose of the civic camp is to improve skills, produce new functional groups and bring people of different demographics together.

4. The culture of wellbeing

Good health gives a person the opportunity for a long and enjoyable life. Being free of human suffering caused by pain, distress and fear creates a foundation for happiness. We adapt quickly to many types of changes in health, even significant ones, but the negative effect of problems such as chronic pain, sleep disorders and mental health issues on happiness is undisputed⁴⁰. A restless night has a significantly greater impact on our happiness the following day than the amount of money in one's pocket in the morning does⁴¹. What is interesting is that the same things contribute to both health and happiness. A person's ability to be the master of their own life and actively guide

and adapt lies in the core of both. Good health has also an extended effect due to the fact that a healthy person is able to assess the impacts of his actions beyond his own immediate sphere of influence.

Healthcare constitutes a major national expense in the Finnish economy, using up a significant proportion of the society's resources. Paying for healthcare maintains the present culture of work and consumption that is based on consuming natural resources. The money we spend on healthcare does not, however, return directly to tax payers in the form of longer lives, healthy years of life or happiness. Investing in personal counselling and the prevention of illness, on the other hand, produces both well-being benefits and economic savings, according to research⁴². We also know that a pleasant, healthy and thriving environment contributes to the prevention of illness. A clean environment and experiences of nature have been shown to promote overall health and happiness.

Preventive communities

In Finland, a great deal of money is spent on healthcare. Despite this, the health impacts of other political decisions are barely assessed. A more comprehensive and systematic approach to understanding the mechanisms behind health and illness would most likely reduce the amount of resources spent on healthcare as well as the problem of diminished happiness due to illness.

In a society built around the politics of happiness the objective is to create a new culture of well-being. This means supporting and guiding people, both mentally and physically, to adopt healthy lifestyles. The new culture of wellbeing is built through strengthening the communities and organisations that seem to have a key role in preventing and treating illness. Therefore we need a new division of responsibilities between professionals and laymen.

We need to ask: What is the patient's own contribution to getting better and what can the professionals do? How can the significance of the patient's immediate circle of people in promoting health be emphasised more? In addition to giving a prescription to engage in physical exercise, a preventative doctor should give a prescription to strengthen existing communities or find new communities that have an essential role in treating the patient's medical condition.

The science of medicine is largely specialised, so its sometimes difficult people are not yet seen as psychophysical entities. According to research we are able to define the relationship between our health and our happiness to a greater extent than our doctors⁴⁴. This indicates that health - like happiness - cannot be defined by an external evaluation. Medicine must pursue the formation of a more holistic human view.

It seems more and more a fact that the mind and the body are not separated from one another, we just think they are by intuition.

Furthermore, our mental and physical health should not be discussed separately from society and politics. The prevalence of mental health disorders is a clear example of the misery that modern society can produce. Mental health problems such as stress and depression can incapacitate a person, the effect of which can be felt through human relationships in society at large. Overcoming mental health disorders is often beyond an individual's personal capabilities. Therefore, their treatment and prevention is dependent on relevant change in both society and politics. Politics are based on happiness research is one solution to creating a society that better promotes mental and physical wellbeing.

Health - from talk to culture

Health is a social matter that unifies people.

Like the weather, it is one of the most common topics of discussion when Finns meet each other. Communities define what kind of life is perceived as normal and routine. One cannot simply give health to another, nor can one fully build one's own health. As such, health should not be seen as a matter that is centred on the individual. The individual can, however, contribute to the creation of a culture of health and well-being and support others in making better choices in terms of their consequences on happiness.

Focusing on routines is of primary importance. Changing routines and habits is an essential phase in improving happiness⁴⁵. This can only be accomplished if our habits become visible from the perspective of health. The individual always needs to be informed and willing to take action, as there is no universal solution to health. Even when a treatment plan devised by a professional exists, improvement of health requires the individual to assume an active role. This can be, for example, commuting to work as an opportunity for physical exercise, or being conscious of a healthier diet when grocery shopping. Spurring oneself to action may require purchasing equipment to boost motivation or getting a personal treatment plan - something to make the Learning of new habits and routines possible.

A restless night has a significantly greater impact on our happiness the following day than how much money we have in our pocket in the morning.

Healthcare costs are increasing while well-being is not.

The money spent on healthcare is not in proportion to health and well-being.

Additional investments in healthcare no longer increase life expectancy. A similar lack of a causal relationship can be seen between investments in healthcare and happiness⁴⁸. Despite all this, healthcare costs continue to rise. Studies indicate that experienced health correlates with social equality and confidence. For instance, there is a correlation between an uneven income level and the prevalence of various psychological disorders.

The majority of resources invested in healthcare are directed at treating illnesses rather than preventing them. This is despite the fact that prevention is the most cost-effective method of improving our health⁵² and an effective way to boost happiness. According to estimates by the World Health Organisation, in 2020 depression will be the second most significant illness globally in terms of reducing the number of healthy years of life⁵⁴. In Finland, special attention must be paid not only to mental health disorders, but also to lifestyle illnesses such as cardiovascular disease, alcoholism and diabetes. The measures that help in their prevention - such as engaging in physical exercise and eating a diet rich in vegetables - are often also choices that are good for the environment.

Policy recommendations:

1. Choice architecture should be included as a tool in politics. The traditional notion of “public enlightenment” should be replaced by facilitating the making of sensible choices and offering them to people. The public sector should recognise that in addition to controlling prices, societal norms and information, there are numerous other means of control and guidance available. For instance, sustainable and healthy nutritional choices can be facilitated by placing meat pastries at the far end of the counter, and better choices right in the beginning of the cafeteria lunch line.
2. Company bicycle benefits with zero taxable value for all public sector employees. Policies related to company car benefits should be tightened, accepting only work-related travel.
3. Healthcare policy should span different sectors of politics and emphasise quality of life. The amount of medical treatment given strictly to extend life should be questioned. Every adult citizen should be encouraged to make a living will.

5. Friends, neighbours and family

One of the most radical changes in the 20th century was the “liberation” of people from mandatory institutions and the shift towards human relationships based on choice: from the traditional concept of family to the serial family and being single and from the immediate community in one’s physical vicinity to communities formed around

recreational activities and work. The significance of the family as a defining force in the individual's life has weakened in the past decades, but close human relationships are increasingly valued and appreciated. There is even talk of "neofamilism". Close human relationships and the formation of communities help raise people's sense of security and boost social capital, which is the most resilient of all forms of capital and has a greater impact on happiness than economic capital.

Recent studies indicate that exclusion is closely linked to loneliness: lonely individuals tend to be more prone to developing mental health disorders, exposure to health risks and financial difficulties. Loneliness is the lack of opportunities to do things with others. The factors contributing to loneliness include the increased number of people living on their own, working life becoming harsher, marriages becoming shorter and the family model being largely restricted to the nuclear family. Loneliness tends to be a particular burden on the unemployed and the aged.

Every human culture believes that children bring happiness. However, measuring the effect children have on happiness suggests a different story.

Couples are at their happiest before they have their first child and again when the last of their children moves out from the family home. This applies especially to women⁵⁹. Studies indicate that women feel happier when eating, exercising, shopping, taking a nap or watching a television than when caring for their children.

The question is not about children, but rather the nuclear family model. In modern society, children do not add to meaningful human relationships, but workplace and home. Nevertheless, providing support for meaningful, quality human relationships - such as the family and close friends - is largely justified by research on happiness⁶¹. A broken family background is often transferred from one generation to the next, makes access to other communities more difficult and erodes trust in the durability of human relationships. Therefore, it is common for the less fortunate to drift out of the reach of meaningful human relationships.

Down with loneliness!

Removing the structures of loneliness is a key challenge for the politics of happiness, much in the same way as removing the class structures was in the 20th century. With increasing wealth, population density in urban settings has decreased and services are now a greater distance from the home than before.

The significance of neighbours has practically been completely lost in many cases. Finnish housing policy has been focused on supporting the life of the nuclear family. Restrictions on energy and natural resources challenge the idea that a single family

house such as those built in the early 2000s, located far from services, jobs and neighbours, could be sustainable. The impact on well-being must be examined from a broader perspective than just focusing on the nuclear family's need for space - for the sake of both happiness and the consumption of natural resources. The risk of exclusion related to loneliness cannot be reduced simply through family policy, although more broad-based provision of marriage counselling and couples therapy could improve the happiness of many people.

The Finland of the future must increasingly focus on how nearby communities, circles of friends and various peer communities can be used to strengthen the safety net perceived by individuals and families. An important element in this is the planning of city districts, villages, city blocks and housing concepts. They can be used to encourage people to interact with others more extensively. Complementing existing residential areas by adding services that are close to their users can optimally create a kind of a heart for the community, a place for encounters between people residing in the same area. The objective is not simply to bring together different social classes and increase mobility between them, but also the concrete goal of preventing exclusion among individuals. Living arrangements for older people is another important issue. Older people are the most prone to being lonely. Residential communities and various forms of intergenerational living can help to prevent people from being left alone.

Solutions can be developed by allocating support and subsidies to experimental housing arrangements, by offering planning and counselling assistance as part of public services and by making complementary construction in existing residential areas easier. Public services and other institutional structures are rarely developed to bring people together. Could the school building house municipal offices, should the national defence forces be replaced by civic service or should the retirement home be located in the same building as the nursery school?

Expanding the sphere of sharing

People are not very good at applying statistical probabilities to their own lives. They believe that their relationship with their significant other lasts forever while knowing that the average duration of relationships has decreased significantly and most marriages end in a divorce⁶². Other human relationships and happiness can suffer if happiness is only sought through marriage and children. While they may initially boost happiness, this levels off in a matter of years and happiness falls back to the person's previous level⁶³. Relationships and the family cannot be the only form of intimate human relationship. Without other human relationships, the individual's safety net is weak. Building and maintaining friendships is vital. People's own choices about how they

spend time ultimately determine how friendships are maintained and developed. The ability to trust others is largely developed in early childhood. As such, it is important to expose the child to diverse adult contact. The key is to learn to do things together with others. The child grows to participate in communities when he is involved in hobbies, volunteer work and recreational activities.

Supporting practices that contribute to the ability to work with others as well as the development of self-respect is good policy from the viewpoint of happiness. Individuals with a healthy level of self-respect and confidence are less likely to be drawn to the rat race that runs on natural resources.

Loneliness is the lack of opportunities to do things with others.

There is an acute need for a new kind of sharing and tolerance.

If everyone on this planet consumed as much as we Finns, we would need 2.5 Earths just to maintain our lifestyle⁶⁴. Sharing is not only sensible from the perspective of using natural resources, but also because helping others and sharing creates pleasure not unlike that received from sex and contributes to our happiness⁶⁵. In all cultures, sharing is the method of interaction favoured by free individuals - as opposed to e.g. payment, hierarchy or reciprocity⁶⁶. The politics of happiness must create an atmosphere of tolerance that supports sharing. Many studies point to a correlation between tolerance for various minority groups and the happiness of the population as a whole.

There is an acute need for sharing. For instance, equipping summer homes with modern equipment and the increase in the number of second homes pose a significant challenge in terms of the consumption of natural resources. The average size of summer homes has grown and nowadays nearly half of them meet the criteria of a second home with electric heating and water closets. It seems impossible that asceticism alone would solve this problem. Happiness and quality of life must be sought through new ways of sharing and places that consume fewer natural resources. The sharing of resources no longer happens naturally through traditional avenues. The fact that nearly half of Finns live alone is an unfortunate indicator of this.

Policy recommendations:

1. Increase taxes on unused space. Space should be taxed according to its degree of use. By sharing space, its use becomes cheaper for both individuals and corporations. Research and development investment should focus on the development of technologies and services for sharing.

2. Cars should not be where children are. Cities should be developed to become more child friendly to allow families to feel safe and secure living in the urban environment. This helps prevent the dispersion of the societal structure and the degeneration of nearby communities.

3. Create a new godparent system that would allow people to take time off from work to care for not only their own biological children or parents, but others as well. Society should employ tax incentives and other methods to encourage the expansion of the concept of family beyond that of the nuclear family.

References

- Bacon, Nicola; Brophy, Marcia; Mguni, Nina; Mulgan, Geoff & Shandro, Anna** (2010). The State of Happiness. Can Public Policy shape people's wellbeing and resilience? London: Young Foundation.
- Berghäll, Elina; Perrels, Andrew & Sahari, Anna** (2008). Mökkikannan kehityspolku vuoteen 2025 asti. VATTkeskustelualoitteita 455. <http://www.vatt.fi/file/vatt_publication_pdf/k417.pdf>.
- Blanchflower, David & Oswald, Andrew** (2008). "Is Well-Being U-shaped over the life cycle?" *Social Science & Medicine* 66:6, 1733–1749. <<http://www.dartmouth.edu/~blnchflr/papers/welbbeingssm.pdf>>.
- Bok, Derek** (2010). The Politics of Happiness. What Governments can learn from the new research on well-being. Princeton: Princeton University Press.
- Böckerman, Petri & Ilmakunnas, Pekka** (2006). "Elusive Effects of Unemployment on Happiness." *Social Indicators Research* 79:1, pp. 159–169.
- Clark, Andrew; Georgellis, Yannis & Sanfey, Peter** (2001). "Scarring: The Psychological Impact of Past Unemployment." *Economica* 68:270, London School of Economics and Political Science, pp. 221–241.
- Cohen, Emma; Ejsmond-Frey, Robin; Knight, Nicola & Dunbar, Robin** (2010). "Rowers' high: behavioural synchrony is correlated with elevated pain thresholds." *Biology Letters* 6:1, 2010, pp. 106-108.
- Feeney, Judith** (1994). "Attachment style, communication patterns and satisfaction across the life cycle of marriage." *Personal Relationships* 1:4, pp. 333–348.
- Fiske, Alan** (2006). "The Inherent Sociability of Homo sapiens." *Focusing Illusion Science* 312:5782, pp. 1908–1910.
- French, Sarah & Joseph, Stephen** (1999). "Religiosity and its association with happiness, purpose in life, and selfactualisation". *Mental Health, Religion & Culture*, 2:2, pp. 117–120.
- Frey, Bruno & Stutzer, Alois** (2000). "Happiness Prospers in Democracy". *Journal of Happiness Studies* 1:1, p. 79.
- Gilbert, Daniel** (2006). *Stumbling on Happiness*. New York: Vintage Books.
- Halpern, David** (2010). *Hidden Wealth of Nations*. Cambridge: Polity Press.

- Helliwell, John & Putnam, Robert** (2005). "The Social Context of Well-Being". In **Huppert, Felicia & Baylis, Nick & Keverne, Barry** (ed.) *The Science of Well-Being*, pp. 435-459. New York: Oxford University Press.
- Kahneman, Daniel; Krueger, Alan; Schkade, David; Schwarz, Norbert & Stone, Arthur** (2004). "A survey method for characterizing daily life experience: The day reconstruction method." *Science* 306:5702, pp. 1776-1780.
- Kahneman, Daniel & Riis, Jason** (2005). "Living, and Thinking About It: Two Perspectives on Life". In **Huppert, Felicia & Baylis, Nick & Keverne, Barry** (ed.) *The Science of Well-Being*, pp. 285- 304. New York: Oxford University Press. <http://www.princeton.edu/~kahneman/docs/Publications/ Living_DK_JR_2005.pdf>
- Kahneman, Daniel; Krueger, Alan; Schkade, David; Schwarz, Norbert & Stone Arthur** (2006). "Would You Be Happier If You Were Richer?" *Science* 312:5782, pp. 1908 - 1910.
- Kahneman, Daniel & Thaler, Richard** (2006). "Anomalies, Utility Maximization, and Experienced Utility". *Journal of Economic Perspectives* 20:1, pp. 221-234.
- Karisto, Antti** (2004). "Arkiviihtyvyyden aika, kaupunkipolitiikan pehmeä puoli." In **Antikainen, Janne & Pyöriä Tarja** (2004). *Kaupunkiseutujen kasvun aika*, pp. 31-36. Ministry of the Interior publication 14/2004. <http://helda.helsinki.fi/bitstream/handle/10224/4069/arkiviihtyvyyden_aika2004.pdf?sequence=1>.
- Kuusela, Hanna & Rönkkö, Mika** (2008): *Puolueiden kriisi*. Helsinki: Into kustannus.
- Kontula, Osmo** (2009). *Perhebarometri 2009*. Helsinki: Väestöliitto. <<http://www.vaestoliitto.fi/@Bin/318644/Perhebarometri+2009.pdf>>.
- Kyttä, Marketta; Kahila, Maarit; Broberg Anna & Tynnä Jaana** (2009). "Laatu kokemuksina." In **Staffans, Aija & Väyrynen, Eija** (toim.) *Oppiva kaupunkisuunnittelu*. Espoo : Teknillinen korkeakoulu.
- Lappi, Tiina-Riitta** (2007). *Neuvottelu tilan tulkinnoista: etnologinen tutkimus sosiaalisen ja materiaalisen ympäristön vuorovaikutuksesta jyvaskyläläisissä kaupunkipuhunnoissa*. Doctoral thesis. Jyväskylä studies in humanities 80. Jyväskylä: University of Jyväskylä. <<http://urn.fi/URN:ISBN:978-951-39-3531-3>>
- Liikkanen, Mirja & Hanifi, Riitta & Hannula, Ulla** (editors) (2005). *Yksilöllisiä valintoja, kulttuurien pysyvyyttä. Vapaa-ajan muutokset 1981-2002*. Helsinki: Statistics Finland. Abstract <http://www.stat.fi/til/vpa/2002/vpa_2002_2005-01-26_tie_001.html>.
- Luybomirsky, Sonja** (2009). *Kuinka onnelliseksi. Uusi tieteellinen lähestymistapa*. Basam Books: Helsinki.
- Myers, David** (1992). *The Pursuit of Happiness: Discovering the Pathway to Fulfillment, Well-Being, and Enduring Personal Joy*. New York: Avon Books.
- Martuzzi, Marco & Tickner, Joel** (ed.) (2005). *The precautionary principle: protecting public health, the environment and the*

future of our children. World Health Organization. <<http://www.who.it/document/e83079.pdf>>

Moisio, Pasi & Rämö, Tuomas (2007). "Koettu yksinäisyys demografisten ja sosioekonomisten taustatekijöiden mukaan Suomessa vuosina 1994 ja 2006." *Yhteiskuntapolitiikka* 72:4. <<http://yp.stakes.fi/NR/rdonlyres/DA3AF5D4-32CE-4811-AAC1-042D729CECFA/0/074moisio.pdf>>

New Economics Foundation (2005). Well-being and the environment. Achieving 'One Planet Living' and maintaining quality of life. London: New Economics Foundation. <http://www.neweconomics.org/sites/neweconomics.org/files/Well-being_and_the_Environment.pdf>

New Economics Foundation (2009). National Accounts of Well-Being. London: New Economic Foundation. <http://www.neweconomics.org/sites/neweconomics.org/files/National_Accounts_of_Well-being_1.pdf>

OECD (2009). OECD Health Data 2009. <<http://www.queuefull.net/%7Ebensons/wpcontent/uploads/2010/01/NG-Cost-of-Healthcare-Dec2009.jpg>>

Okun, Morris & George, Linda (1984): "Physician- and Self-Ratings of Health, Neuroticism, and Subjective Well-Being among Men and Women" *Personality and Individual Differences* 5:5, pp. 533-539.

Pickett, Kate; James, Oliver & Wilkinson, Richard (2006). "Income inequality and the prevalence of mental illness: a preliminary international analysis." *Journal of Epidemiology and Community*. 60:7, pp. 646-647.

Post, Stephen (2005). "Altruism and Happiness: It's Good to Be Good." *International Journal of Behavioral Medicine* 12:2, pp. 66–77.

Puska, Pekka: The North Karelia Project – pioneering work to improve national public health. Helsinki: National Public Health Institute. <<http://www.ktl.fi/attachments/english/organization/ppuska/northkareliaprojectarticle.pdf>>

Rytkönen, Arja & Kirkkari, Anna-Maija (ed.) (2010). *Vapaa-ajan asumisen ekotehokkuus*. Suomen ympäristö 6:201. Helsinki: Ministry of the Environment. <<http://www.environment.fi/default.asp?contentid=355392&lan=fi>>

Schiffirin, Holly & Nelson, Katherine (2008). *Stressed and Happy? Investigating the Relationship Between Happiness and Perceived Stress*. Fredericksburg: Springer Netherlands.

Seppälä, Jyri; Mäenpää, Ilmo; Koskela, Sirkka; Mattila, Tuomas; Nissinen, Ari; Katajajuuri, Juha-Matti; Härmä, Tiina; Korhonen, Marja-Riitta; Saarinen, Merja & Virtanen, Yrjö (2009). Suomen kansantalouden materiaalivirtojen ympäristövaikutusten arviointi ENVIMATmallilla. Suomen Ympäristö 20. Helsinki: Finland's Environmental Administration. <<http://www.ymparisto.fi/default.asp?contentid=334235&lan=fi&clan=fi>>

Skidmore, Paul & Bound, Kirsten (2008). *The Everyday Democracy Index*. London: Demos UK. <http://www.demos.co.uk/files/EDI_all%20chapters.pdf?1240939425>

Soininvaara, Osmo (2007). *Vauraus ja aika*. Helsinki: Teos.

Stutzer, Alois & Frey, Bruno (2008). "Stress that Doesn't Pay: The Commuting Paradox." *Scandinavian Journal of Economics* 110:2, pp. 339-366. Statistics Finland. Bruttokansantuote (BKT) markkinahintaan 1975–2009. <http://www.stat.fi/til/vtp/2009/vtp_2009_2010-03-01_tau_001.fi.html>. Statistics Finland (2008). Asuinolot Suomessa vuonna 2008. <http://www.stat.fi/til/asas/2008/asas_2008_2009-12-15_kat_001.fi.html>. Terveysten- ja hyvinvoinninlaitos: Terveystenhuollon menot ja rahoitus 1995–2007. <<http://www.stakes.fi/tilastot/tilastotiedotteet/2009/Liitetaulukot/Terveystenhuoltomenot%20-2007.pdf>>. Ministry of Employment and the Economy (2008). Työolobarometri, October 2008. <http://www.tem.fi/files/23217/TEM_33_2009_tyo_ja_yrittajyys.pdf>.

Veenhoven, Ruut (2000). "Well-being in the Welfare State: Level Not Higher; Distribution Not More Equitable". *Journal of Comparative Policy Analysis: Research and Practice* 2:1, pp. 91-125.

Vehmas, Hanna (2010). Liikuntamatkalla Suomessa – vapaa-ajan valintoja jälkimodernissa yhteiskunnassa. Doctoral thesis. *Studies in Sport, Physical education and Health* 143. Jyväskylä: University of Jyväskylä.

Walker, Christopher (1977). "Some variations in marital satisfaction." In **Chester, Robert & Peel, John** (ed.) *Equalities and inequalities in family life*, pp. 127–139. London: Academic Press.

Watt, Robert (2008). Carbon dioxide emissions associated with UK consumption increase. Stockholm Environment Institute. <<http://sei-international.org/index.php/news-and-media/1276-carbon-dioxideemissions-associated-with-ukconsumption-increase>>. WHO. Depression. <http://www.who.int/mental_health/management/depression/definition/en/>.

Wilkinson, Richard & Pickett, Kate (2010). *The Spirit Level. Why More Equal Societies Almost Always Do Better*. London: Penguin Books. World Database of Happiness. Happiness in Nations. <http://worlddatabaseofhappiness.eur.nl/hap_nat/nat_fp.php>. WWF (2008). Living Planet Report 2008. <http://assets.panda.org/downloads/living_planet_report_2008.pdf>.

The Politics of Happiness - A Manifesto is online at: www.wwf.fi/onnellisuus

17/03/2005

Happiness is back

Richard Layard

Growing incomes in western societies no longer make us happier, and more individualistic, competitive societies make some of us positively unhappy. Public policy should take its cue once more from Bentham's utilitarianism, unfashionable for many decades but now vindicated by modern neuroscience

Over the last 50 years, we in the west have enjoyed unparalleled economic growth. We have better homes, cars, holidays, jobs, education and above all health. According to standard economic theory, this should have made us happier. But surveys show otherwise. When Britons or Americans are asked how happy they are, they report no improvement over the last 50 years. More people suffer from depression, and crime—another indicator of dissatisfaction—is also much higher.

These facts challenge many of the priorities we have set ourselves both as societies and as individuals. The truth is that we are in a situation previously unknown to man. When most people exist near the breadline, material progress does indeed make them happier. People in the rich world (above, say, \$20,000 a head per year) are happier than people in poorer countries, and people in poor countries do become happier as they become richer. But when material discomfort has been banished, extra income becomes much less important than our relationships with each other: with family, with friends and in the community. The danger is that we sacrifice relationships too much in pursuit of higher income.

The desire to be happy is central to our nature. And, following the utilitarianism of Jeremy Bentham, I want a society in which people are as happy as possible and in which each person's happiness counts equally. That should be the philosophy for our age, the guide for public policy and for individual action. And it should come to replace the intense individualism which has failed to make us happier.

Utilitarianism has, however, been out of fashion for several generations, partly because of the belief that happiness was too unfathomable. In recent years, that has begun to change. The "science" of happiness, which has emerged in the US in the last 20 years, supports the idea that happiness is an objective dimension of experience. (One of its

fathers, Daniel Kahneman, won the 2002 Nobel prize in economics.) At every instant we feel good or bad, on a scale that runs from misery to bliss. Our feeling good or bad is affected by many factors, running from physical comfort to our inner sense of meaning. What matters is the totality of our happiness over months and years, not just passing pleasures. The new science may enable us to measure this and try to explain it.

To measure happiness, we can ask a person how happy he is, or we can ask his friends or independent investigators. These reports yield similar results. The breakthrough has been in neuroscience. Richard Davidson at the University of Wisconsin has identified an area in the left front of the brain where good feelings are experienced, and another in the right front where bad feelings are experienced. Activity in these brain areas alters sharply when people have good or bad experiences. Those who describe themselves as happy are more active on the left side than unhappy people, and less active on the right side. So the old behaviourist idea that we cannot know how other people feel is now under attack.

The challenge is to work out what this means for political priorities in free societies like ours. If we accept that governments can and should aim to maximise happiness, rather than simply income, how might this affect specific choices in public policy?

We must start by establishing the key factors affecting a person's happiness. Family and personal life come top in every study, and work and community life rank high. Health and freedom are also crucial, and money counts too, but in a very specific way.

I will start with money—or more specifically with income tax policy. In any society, richer people are happier than poor people. Yet as a western country becomes richer, its people overall do not become happier. The reason for this is that over time our standards and expectations rise to meet our income. A Gallup poll has asked Americans each year: "What is the smallest amount of money a family of four needs to get along in this community?" The sums mentioned rise in line with average incomes. Since people are always comparing their incomes with what others have, or with what they are used to, they only feel better off if they move up relative to the norm.

This process can have counterproductive effects. I have an incentive to work and earn more: it will make me happier. So do other members of society, who also care about their relative standard of life. Since society as a whole cannot raise its position relative

to itself, the effort which its members devote to that end could be said to be a waste—the balance between leisure and work has been shifted “inefficiently” towards work.

To reinforce the case, let me recast it in terms of status, which may derive as much from the earning of income as the spending of it. People work, in part at least, to improve their status. But status is a system of ranking: one, two, three and so on. So if one person improves his status, someone else loses an equal amount. It is a zero-sum game: private life sacrificed in order to increase status is a waste from the point of view of society as a whole. That is why the rat race is so destructive: we lose family life and peace of mind in pursuing something whose total cannot be altered.

Or so we would—if we had no income taxes. But income taxes discourage work. Most economists consider this a disadvantage. They say that when someone pays £100 in taxes, it hurts more than that—it has an “excess burden”—because of the distortion away from work. But without taxes there would be an inefficient distortion towards work. So taxes up to a certain level can help to improve the work-life balance of citizens and thus increase the overall sense of wellbeing in a society. They operate like a tax on pollution. When I earn more and adopt a more expensive lifestyle, this puts pressure on others to keep up—my action raises the norm and makes them less satisfied with what they have. I am like the factory owner who pours out his soot on to the neighbours’ laundry. And the classic economic remedy for pollution is to make the polluter pay.

People sometimes object to this argument on the grounds that it is pandering to envy or preventing self-improvement. It is true that such measures do reduce some kinds of freedom. But we cannot just wish away the pervasiveness of status comparisons; the desire for status is wired into our genes. Studies of monkeys show how it works: when a male monkey is moved from a group where he is top into a group where his status is lower, his brain experiences a sharp fall in serotonin—the neurotransmitter most clearly associated with happiness. So if the human status race is dysfunctional—from the point of view of the overall happiness in society—it makes sense to reduce freedom a small amount through taxation policy.

Those who want to cut taxes should explain why they think we should work harder and sacrifice our family and community life in pursuit of a zero-sum status race. They may say that hard work is good for the consumer. But workers are the same people as consumers. There is no point killing ourselves at work in the interest of ourselves as consumers.

And there is another consideration: if we work harder and raise our standard of living, we first appreciate it but then we get used to it. Research shows that people do not adequately foresee this process of habituation, or fully realise that once they have experienced a superior lifestyle they will feel they have to continue it. They will in effect become addicted to it. Once again, the standard economic approach to addictive spending is to tax it.

These are arguments for taxation not as a way to raise money, but in order to restrain activity which is polluting and addictive, and to help to maintain a sensible work-life balance. This should become part of the social democratic case against income tax cuts. There is also the issue of equity. The main argument for redistribution has always been that an extra pound gives less extra happiness to a rich person than a poor person. Until recently this was pure speculation; survey evidence now confirms its truth.

How else can we dampen the impact of the rat race? We have to start from human nature as it is, but we can also affect values and behaviour through the signals our institutions send out. An explicit focus on happiness would change attitudes to many aspects of policy, including in education and training, regional policy and performance-related pay.

In one sense, what people most want is respect. They seek economic status because it brings respect. But we can increase or decrease the weight we give to status. In an increasingly competitive, meritocratic society, life will become tougher for people in the bottom half of the ability range unless we develop broader criteria for respect. We should respect people who co-operate with others at no gain to themselves, and who show skill and effort at whatever level. That is why it is so important to enable everyone to develop a skill. In Britain, this means ensuring that all young people can take up an apprenticeship if they wish, so that those who have not enjoyed academic success at school can experience professional pride and avoid starting adult life believing themselves to be failures.

Equally, we should be sceptical of institutions which give greater weight to rank, such as performance-related pay (PRP). The idea of PRP is that by paying people for what they achieve, we provide the best possible system of incentives. Where we can measure people's achievement accurately, we should pay them for it—people like travelling salesmen, foreign exchange dealers, or racehorse jockeys. And where

achievement depends on a team effort, we should reward the team, provided their performance can be unambiguously measured.

But management gurus are often after something more: they want a year by year alignment between individual pay and individual performance. The problem is that in most jobs there is no objective measure of individual performance, so people must in effect be evaluated against their peers. Even if the scores purport to be objective rather than relative, most people know how many are in each grade. The effect is to put them into a ranking. If everybody agreed about the rankings, it would not be that bad. But studies have shown quite low correlations between one evaluator's rankings and another's. So a lot of self-respect (and often very little pay) is being attached to an uncertain ranking process that fundamentally alters the relationship of co-operation between an employee and his boss, and between an employee and his peers.

Some comparisons between people are inevitable, since hierarchy is necessary and unavoidable. Some people get promoted and others do not. Moreover, those who get promoted must be paid more, since they are talented and the employer wishes to attract talent. So pay is important at key moments as a way of affecting people's decisions about occupations or in choosing between employers. Fortunately, promotions and moves between employers are still relatively infrequent for most people. In everyday working life, relative pay rates are not usually uppermost in their thoughts. PRP changes all that.

Economists and politicians tend to assume that when financial motives for performance are increased, other motives remain the same. But that is not so, as this example shows. At a childcare centre in Israel, parents were often late to pick up their children, so fines were introduced for lateness. The result was a surprise: more people were late. They now saw being late as something they were entitled to do as long as they paid for it; the fine became a price.

The professional ethic should be cherished. If we do not cultivate it, we may not even improve performance, let alone produce workers who enjoy their work. Financial incentives have useful effects on the careers people choose, and the employers they choose to work for. But once someone has joined an organisation, peer respect is also a powerful motivator. We should exploit this motivation. Instead, government over the last 30 years has demoralised workers by constantly appealing to motives which they consider to be "lower."

If we want a happier society, we should focus most on the experiences which people value for their intrinsic worth and not because other people have them—above all, on relationships in the family, at work and in the community. It seems likely that the extra comforts we now enjoy have increased our happiness somewhat, but that deteriorating relationships have made us less happy. What should social policy try to achieve, notwithstanding its limited leverage over private life? Here are some examples.

Divorce and broken homes are ever more common. Research shows that the children of broken homes are more prone to depression in adulthood. To protect children, the state should act to try to make family life more manageable, through better school hours, flexible hours at work, means-tested childcare, and maternity and paternity leave. Parenting classes should also be compulsory in the school curriculum and an automatic part of antenatal care.

Unemployment is as bad an experience as divorce, as research shows. It offends our need to be needed. So low unemployment should be a major objective. Our government has done well, through sensible policies of welfare to work which have avoided generating inflationary pressures. Good policy has also halved unemployment in Denmark and Holland. But Germany and, above all, France, have been slow to adopt these policies. Poor policies towards the unemployed and bad wage policies are causing high European unemployment. Job security is not the main issue.

Job security is something people want, and reasonable protection is something a rich society can afford to provide. The same is true of good working conditions, if stress is not to drive many weaker souls into inactivity and dependence on the state. It is absurd to argue that globalisation has reduced our ability to provide a civilised life for our workers. On the contrary, it has increased it—provided that pay rises only in line with productivity.

The rise in crime between 1950 and 1980 is the most striking demonstration that economic growth does not automatically increase social harmony. This rise occurred in every advanced country except Japan, and its causes are not completely understood.

One cause is anonymity. Crime rates are high when there is geographical mobility. Indeed, the best predictor of crime in a community is the number of people each person knows within 15 minutes of their home: the more they know, the lower the crime rate. So we should try to sustain communities and not rely on “getting on your bike” or international migration to solve our problems, as free-market economists often urge.

The case for regional support to help communities prosper is much stronger when you focus on happiness than when GDP alone is the goal.

A focus on happiness might also help us to rethink priorities in healthcare. One of the oldest problems afflicting humanity is mental illness. A third of us will become mentally ill at some time in our lives, and at least half of us will have to cope with mental illness in the family. Of the most unhappy 5 per cent in our society, 20 per cent are poor (in the bottom fifth of the income scale) but 40 per cent are mentally ill. So if we want to produce a happier society, the priority for the NHS should be to spend a lot more on mental health.

Only 15 per cent of people with clinical depression see a specialist (a psychiatrist or psychologist). For the rest, it is ten minutes with a GP and some pills. Most depressed people want psychotherapy in order to understand what is going on inside them. Clinical trials show that the right therapy is as effective as drugs, and lasts longer. But in most areas, therapy is simply not available on the NHS, or involves an intolerable wait. If we want to reduce misery, the NHS should offer therapy to the mentally ill and then help in getting back to work.

Finally, there is the ethos in which our children grow up. One of the most depressing surveys in recent years was conducted for the World Health Organisation. As part of it, 11-15 year olds were asked whether they agreed that “most of the students in my class(es) are kind and helpful.” The proportion saying “yes” was over 75 per cent in Sweden, Switzerland, and Germany, 53 per cent in the US and under 46 per cent in Russia and England.

These findings are in line with surveys in which adults are asked about trust. The question often asked is: “Would you say that most people can be trusted—or would you say that you can’t be too careful in dealing with people?” In Britain and the US, those who say: “Yes, most people can be trusted” has fallen from 55 per cent in 1960 to under 35 per cent today.

Since the dawn of man, older people have lamented a supposed decline of morals. But there is some evidence that it is actually happening now. At various times, samples of Americans have been asked whether they believe people lead “as good lives—moral and honest—as they used to.” In 1952, as many said “yes” as said “no.” By 1998, three times as many said “no.”

We live in an age of unprecedented individualism. The highest obligation many people feel is to make the most of themselves, to realise their potential. This is a terrifying and lonely objective. Of course they feel obligations to other people too, but these are not based on any clear set of ideas. The old religious worldview is gone; so too is the postwar religion of social and national solidarity. We are left with no concept of the common good or collective meaning.

Contemporary common sense provides two dominant ideas—derived (erroneously) from Charles Darwin and Adam Smith. From Darwin's theory of evolution is taken the idea that unless you look after your own interests, no one will. From Smith's analysis of the market comes the idea that selfishness is not so destructive because through voluntary exchange we shall all become as well off as is possible, given our resources, technology and tastes.

But our tastes are not given, and every successful society has always concerned itself with the tastes of its members. It has encouraged community feelings and offered a concept of the common good.

So what should be our concept of the common good? During the 18th-century Enlightenment, Bentham and others argued that a good society was one where its members were as happy as possible. So public policy should aim at producing the greatest happiness of the greatest number, and private decisions likewise should aim at the greatest happiness of all those affected. In the 19th century, this ideal inspired many social reforms. But in the 20th century it came under attack from two quarters.

The first questioned the possibility of knowing what other people felt. According to this "behaviourism," all we can do is to observe people's behaviour. We can make no inference about their inner states. This inhuman idea started in psychology with John Watson and Pavlov, and percolated into economics through Lionel Robbins, John Hicks and others. If we accept this approach, we can no longer think of happiness as the goal. All that can be said about a person is what opportunities are open to him. If he has lost the facility for enjoying them, that is irrelevant. From this it is a short step to defining individual welfare in terms of purchasing power, and national welfare in terms of leisure-adjusted GDP. We desperately need to replace GDP, however adjusted, by more subtle measures of national wellbeing.

Fortunately, the tide in psychology has turned, and common sense has returned. We could never have lived together if we had had no idea what others felt. And now our

idea is confirmed by solid psychology and neuroscience. So the Benthamite rule provides an increasingly practical yardstick for public policy and for private ethics. I would modify it in one way only—to give extra weight to improving the happiness of those who are least happy, thus ruling out the oppression of minorities. (This also deals with the superficial objection to utilitarianism that it would vindicate the brutal abuse of a small minority if such abuse made the majority happier.)

The second line of attack on the greatest happiness rule was philosophical. From the beginning it had its critics, and an alternative philosophy based on individual rights became fashionable. But this has two drawbacks. First, it is difficult to resolve the dilemma when rights conflict. And second, the philosophy is highly individualistic. It tells you what you are entitled to expect, and what you should not do. But it provides little guidance on what you should do—what career you should adopt, or how you should behave when your marriage goes sour.

The Benthamite rule provides a framework for thinking about these issues. The philosophy of rights does not: its vision of the common good is too limited to guide us in working for the good of others. But is the Benthamite rule itself solid, and can it include the concept of rights? Let us consider two big objections.

First, what is so special about happiness? Why the greatest possible happiness? Why not the greatest possible health, autonomy, accomplishment, freedom and so on? If I ask you why health is good, you can give reasons: people should not feel pain. On autonomy: people feel better when they can control their lives. And so on. But if I ask you why happiness is good, you will say that it is self-evident. And the reason for this is deep in our biology. We are programmed to enjoy experiences that are good for our survival, which is why we have survived.

We have also been programmed in part to have a sense of fairness. If a meal has to be divided, most of us accept (sometimes grudgingly) that it should be divided 50:50—on the basis that, in principle, others count as much as we do.

If you put this idea together with the fact that each of us wants to be happy, you arrive at the Benthamite principle. It is both idealistic and realistic. It puts others on an equal footing with ourselves, where they should be, but, unlike some moral systems, it also allows us to take our own happiness into account.

The second objection is that the rule encourages expediency. Not so. We all know we cannot evaluate every action moment by moment against the overall Benthamite principle. That is why we have to have sub-rules, like honesty, promise-keeping, kindness and so on, which we normally follow as a matter of course. And that is also why we need clearly defined rights embedded in a constitution. But when moral rules or legal rights conflict with each other, we need an overarching principle to guide us, which is what Bentham provides.

The rule is also criticised for putting ends before means, for taking only the consequences of actions to be worthy of moral consideration and not the nature of actions themselves. But this is wrong. For the consequences of a decision include the action, and not only what happens as a result of it. A horrible action—imprisoning an innocent in order to save lives, say—would require extraordinarily good and certain outcomes to justify it. The direct effects of an action should be considered when weighing up its morality, just as the results of it are.

To become happier, we have to change our inner attitudes as much as our outward circumstances. I am talking of the perennial philosophy which enables us to find the positive force in ourselves, and to see the positive side in others. Such compassion, to ourselves and others, can be learned. It has been well described in Daniel Goleman's *Emotional Intelligence*, and it ought to be taught in schools. Every city should have a policy for promoting a healthier philosophy of life in its youngsters and for helping them to distinguish between a hedonistic addiction to superficial pleasures and real happiness.

So my hope is that in this new century we can finally adopt the greatest happiness of humankind as our concept of the common good. This would have two results. It would serve as a clear guide to policy. But, even more important, it would inspire us in our daily lives to take more pleasure in the happiness of others, and to promote it. In this way we might all become less self-absorbed and more happy.

Fonte: <http://www.prospectmagazine.co.uk/2005/03/happinessback/>

13/09/2010

This is the greatest good

Richard Layard

What is progress? That is the question President Sarkozy of France has posed to a distinguished commission. It is exactly the right question, and the future of our culture depends on the answer.

GDP is not the answer, and the [Stiglitz commission](#) – whose report, *What is Social Progress?*, is published today – is clear about that: progress must be measured by the overall quality of people's lives. At this point the commission identifies two possible approaches. One is to focus on how people feel: are they happy and contented? (This idea goes back to philosophers of [the Enlightenment](#), such as Jeremy Bentham.) The other is to focus on people's objective circumstances: do they have the capabilities (as [Amartya Sen](#) calls them) that are conducive to human flourishing? The commission does not choose between these approaches, and both are infinitely superior to GDP. But it matters greatly which way we choose.

This is not just a technical question. The answer should reflect our deepest beliefs about what matters in life. That is an ethical question. We want our rulers to make the world better by their actions, and we want to do the same ourselves. The criteria for judging both types of action must be the same.

It would obviously be convenient if we could identify one overarching good and, together with many Enlightenment philosophers, I believe that good is happiness. There are many things that are highly desirable: health, freedom, love, and so on. But if we ask why they matter, we can have a discussion: if you are ill, you feel bad. The same if you are enslaved or unloved; it makes you unhappy. But if we ask why it matters if you feel bad and unhappy, there is no answer. It is self-evident.

So it is time to reassert the noble philosophy of the Enlightenment. In this view, every human being wants to be happy, and everybody counts equally. It follows that progress is measured by the overall scale of human happiness and misery. And the right action is the one that produces the greatest happiness in the world and (especially) the least misery. I can think of no nobler ideal.

The focus on happiness is not self-contradictory, because modern psychology shows that people who care more about the happiness of others will themselves become happier. So policymakers should take as their objective the happiness and misery of the people. In previous centuries this would have been difficult to implement. But in recent decades there has been a huge increase in our ability to [measure happiness](#) and in our knowledge of its causes.

This new knowledge is important: as the commission points out, it is not enough to measure progress separately on many fronts. We also need to know how to add them up: otherwise we have no common currency with which to compare different types of improvement. If we accept overall happiness as our criterion (with more weight attaching to the relief of misery), this overarching criterion will give us an empirically defensible system of weights.

So I propose a campaign for the Principle of the Greatest Happiness. This says that I should aim to produce the most happiness I can in the world and, above all, the least misery. And my rulers should do the same. This principle would lead to better private lives and better public policy. We desperately need a social norm in which the good of others figures more prominently in our personal goals. Today's excessive individualism removes so much of the joy from family life, work and even friendship.

There have been objections to this principle, which can be answered. But even some sympathisers prefer the term "flourishing" to "happiness". Why is this? I fear it reflects a streak of puritanism – that happiness ought to come from some sources rather than others. But in the world's great literature, people discuss whether they are happy, not whether they are flourishing. When we discuss the quality of life, we should use the words that people use to describe themselves.

In the UK, the US and Germany, happiness has been stagnating for decades. This was one of the triggers for Sarkozy's commission. But the answer to his question cannot be purely technical. It must be based on the motivations we wish to develop in people: how they want to treat each other, as well as what policies they support. A civilisation based on the Greatest Happiness Principle would be a great improvement.

Fonte: <http://www.guardian.co.uk/commentisfree/2009/sep/13/happiness-enlightenment-economics-philosophy>

Happiness and public policy: a challenge to the profession

Richard Layard

The theory behind public economics needs radical reform. It fails to explain the recent history of human welfare, and it ignores some of the key findings of modern psychology. Indeed these two failings are intimately linked: it is because the theory ignores psychology that it is unable to explain the facts.

The fact is that, despite massive increases in purchasing power, people in the West are no happier than they were fifty years ago. We know this from population surveys and other supporting evidence which I shall review.

The most obvious explanations come from three standard findings of the new psychology of happiness.² First, a person's happiness is negatively affected by the incomes of others (a negative externality). Second, a person's happiness adapts quite rapidly to higher levels of income (a phenomenon of addiction). And third, our tastes are not given – the happiness we get from what we have is largely culturally determined.

These findings provide a challenge to the theory and conclusions of public economics, as set out for example in Atkinson and Stiglitz (1980). The challenge to public economics is to incorporate the findings of modern psychology while retaining the rigour of the cost-benefit framework which is the strength and glory of our subject.³ In what follows I shall first review the measurement of happiness. Then I shall take the three findings that I discussed one by one, and pursue the policy implications of each of them. I shall end with some overall reflections.

MEASURING HAPPINESS

In the US the General Social Survey asks people "Taking things all together, how would you say you are these days – would you say you are very happy, pretty happy or not too happy?" As Figure 1 shows, there has been no increase in happiness since the 1950s – nor any significant decrease in unhappiness. Similar findings apply in Japan and the UK and in most European countries (where the series began in 1975).

You might reasonably question whether such remarks mean anything, but significant new evidence from neuro-science suggests that they do.⁴ Richard Davidson of the University of Wisconsin has identified areas in the pre-frontal cortex where the level of electrical activity is highly correlated with self reported happiness (both across people, and within people over time). Moreover, even if the use of words has changed over time between cohorts, one would not expect it to change within a cohort – yet each cohort experienced a stable level of happiness since the 1950s despite huge increases in their purchasing power.

There is also the cross-sectional evidence across countries – among industrialised countries with incomes over \$20,000 per head there is no relation between average income and average happiness. These inter-country differences do have real information content, since John Helliwell can explain 80% of the variance across 50 countries with only 6 variables.⁵ Finally, reverting to time series, there is the clear fact of increased criminal behaviour and the likelihood that depression has increased – no one thinks it has fallen.

In due course we should have better time series on the happiness of the people, including neurological measurements, and clearer evidence on where are the real areas of unhappiness in our society. But from what we already know we can conclude that over the last fifty years happiness in the West has not risen, though it almost certainly has in the Third World, where income has a much greater impact on happiness at both the individual and societal level.

The finding about the West is contrary to standard economic theory. For simplicity we can write standard theory as

$$u = u(y, h) \quad (u_1 > 0; u_2 < 0)$$

where u is (cardinal) utility, y is real income (which has risen) and h is hours (which have fallen for most people). Clearly we need an expanded model of happiness if we are to The most obvious of these is the fact that we compare our incomes with those of others.⁶ If others become richer, this reduces our satisfaction with whatever we have. The conventional wisdom is that people compare themselves mainly with people who are close to themselves in the income distribution, but if the income distribution is

reasonably stable the income of this reference group will be proportional to average income (\bar{y}) . So an expanded theory could be for simplicity

$$u = u(y - \alpha \bar{y}, h)$$

In every study of happiness that I have seen average income \bar{y} attracts a large and significant negative coefficient. This is so whether we use cross-sections of states or neighbourhoods or time-series (with time dummies). In some studies the negative effect of average income is almost as large as the positive effect of own income. There is also, I should add, no evidence that people compare their leisure with other people's and some evidence that they do not.

The preceding model helps to explain the paradox that individuals seek higher income and get happiness from it (the correlation is about .15), while societies gain less from higher income than the isolated individual does.

Many small pieces of evidence corroborate the validity of this analysis. For example the US General Social Survey provides data on how the individual perceives his relative income. If we regress happiness on own actual income and perceived relative income, the latter explains more than the former. Similarly in Switzerland happiness is explained by income relative to income-aspirations, and the average income in the local community increases a person's aspirations.

Policy implications

This is a case of negative externality. To focus on the efficiency aspect of the problem we can assume there are n people who are identical, with the same happiness function and the same hourly wage of unity. The socially optimal level of individual work effort (h) is now given by

$$u_1 - n u_1 \alpha \frac{1}{n} + u_2 = 0$$

One way to coordinate this outcome is through a linear income tax with marginal rate t . The individual will work until

$$u_1 (1 - t) + u_2 = 0$$

So the marginal rate t which leads us to the social optimum is

$$t = \alpha$$

It equals the cost to society expressed as a fraction of the gain to the individual. According to the studies I have quoted this might be quite substantial.

This does not necessarily mean that taxes should be higher than they are now. It does mean that they should be higher than they ought to be if there were no negative externality to be considered.

We are talking here of a corrective tax – one that will reduce work effort to a level where the fruitless incentive to raise your relative income has been fully offset: the external cost has been fully internalised. This means that we need to rethink the measures of ‘excess burden’ that we use in cost-benefit analysis. The excess burden is normally calculated on the basis that any tax wedge of whatever size is distorting and reduces work effort below its efficient level. But we now know that people would work too hard if taxes were zero. So taxes only become distorting if they are levied above the optimum level to correct for the negative externality. To assert otherwise is to fly in the face of a central and well-established fact of human nature.

Libertarians object to this whole line of argument on the grounds that it panders to envy. They do not apparently mind pandering to greed. We should of course try to educate people away from both envy and greed, since neither is conducive to happiness. But at the same time we should set our other policy instruments at whatever level is optimal for the state of mind which currently prevails. (We could never completely eliminate the drive for status since it is hard wired into our biology, as studies of male monkeys show: when a monkey is moved between groups so that his status rises, there is an increase in his serotonin, a neurotransmitter associated with happiness.⁹ The reverse happens when his status falls.)

ADAPTATION

A second key finding of psychology is adaptation. All living organisms respond to external changes in ways that restore their internal balance. This does not mean that

for given genes there is a set-point of happiness which can only be temporarily disturbed – the clear evidence of explainable differences in happiness between societies refutes this. So does the clear evidence of long-term changes in the happiness of individuals.¹⁰ But adaptation does make it harder to secure permanent increases in happiness through increases in income.

Survey evidence shows clearly that a rise in income raises happiness more initially than it does in the longer run.¹¹ This is because income is in part addictive. Having once experienced a higher standard of living, we cannot revert to where we were before and feel the same as we did then.

To allow for this effect we can add lagged income to the happiness function, with a negative effect. Assume for simplicity that

$$u = u(y - \beta y_{-1}, h)$$

Empirical work strongly supports this formulation, both in studies of happiness and of job-satisfaction. In the US General Social Survey the change in income has more effect on happiness than does its level i.e. $\beta > 0.5$. In the Swiss study I mentioned earlier lagged income is a major influence on income-aspirations, and this has been confirmed by numerous studies by Van Praag and his colleagues. By contrast there is no evidence that people become habituated to good personal relationships, but there is less time for these when people work more.

Policy implications

Habituation to income is only a problem for public policy if this effect is unforeseen. But there is substantial evidence that people over-estimate the extra happiness they will get from extra possessions.¹² For simplicity assume there is no foresight: individuals do not realise that their current consumption will reduce their future happiness. Robert Frank has called this a negative externality. The result is that people will work too hard and consume too much. To be rigorous, redefine y above to mean consumption. Then if the rate of discount (d) for utility equals the interest rate and if real wages are constant, the efficient corrective tax rate is

$$t = \beta(1 - d)$$

It is the same type of correction as for an externality, except that the damage comes one period later. The required correction is towards lower work effort and **thus** lower

consumption. But there is no required correction towards higher saving. This only becomes necessary to the extent that real wages are rising.

To the extent that addiction is foreseen the need for tax is less. But much of the addiction to general spending, like the addiction to smoking, is not foreseen. If we are willing to tax addictive substances, we should also be willing to tax other forms of addiction.

Loss aversion

At this point we need to introduce a quite different consideration: loss-aversion. In the account we have given so far

$$u = u((1 - \beta)y + \beta\Delta y, h)$$

whatever the sign of Δy . But important research by Kahneman and his colleagues shows that the effect on happiness of one unit of Δy is typically twice as great when Δy is negative as when it is positive.¹⁴ This means that the utility of income function is kinked at previous period's income, reflecting a status quo bias or endowment effect. And it is this kink which makes people so risk-averse. This is a fortunate finding, for as Rabin (2000) has shown, it would be impossible without it to explain why the same people can be risk-averse to small risks yet willing to undertake very large ones if the expected gain is high enough. Given the simplicity of this explanation of risk behaviour, it is time that the text books and the theory of finance stopped using an incorrect explanation.

Clearly it is loss aversion which makes stabilisation policy so important. If Lucas (2003) had used Kahneman's estimates of this, he would have come to rather large estimates of the cost of fluctuations.

Adaptation and poverty

Let me add one further comment on adaptation. It clearly means that the function relating happiness to income is flatter in the long-run than in the short-run. Existing studies support the idea that the marginal utility of income diminishes with income, both within societies and across societies. But the curvature is probably less in the long-run than the short-run. If so, the optimum degree of equality is less than if we focussed on the short-run relationships.

Some on the Left object to taking adaptation into account, just as some on the Right object to taking social comparisons into account. Both arguments seem contrary to a

humane philosophy which should both seek to modify human nature but also work with human nature as it is. If there are some experiences which are totally impossible to adapt to, like mental illness, and some like poverty to which there is partial adaptation, that information is relevant to policy and we should use it in determining our priorities for public expenditure. At present our policies are based far too much on policy-makers' judgements about how they would feel in a given situation, rather than detailed studies of how people actually feel.

TASTES

Economics normally assumes that tastes are given. This is clearly false in two senses. First, social factors can affect our ordinal preferences – our indifference curves. But second, they may also affect the cardinal happiness we get from a given consumption bundle, even if they have no effect on our indifference curves. Thus, as we have argued, average community income affects our happiness, as does our own lagged income. But there are many other taste variables which I shall call T , so that now we are looking at:

$$u = u(y, h, T)$$

Good tastes are those which increase happiness, and vice versa.

How far can public economics take into account the formation of tastes? If it aims to provide a general framework for policy, it must do so. I will give only three examples.

The most obvious is advertising. Though this can provide information, it almost always makes us feel we need more money than we should otherwise have felt we needed. For example the US General Social Survey provides data on how a person perceives their position in the income distribution. If we regress this estimate on a person's actual income and the hours he watches TV, we find that watching TV makes a person feel poorer,¹⁸ and thus less happy. The problem of advertising is greatest in relation to children, which explains why Sweden bans advertising directed at children.

Another example is performance-related pay. The theory in favour of this is blindingly obvious to most economists: we must align the interests of the agent with those of the

principal. He must therefore be directly and rapidly rewarded for his performance. The more we do this, the more we add to his motivation.

But can we assume that his tastes will remain constant? Probably not. Psychologists have done many experiments to examine the effect on a person's inner motivation of increasing the external motivating factors. Most of these studies show that extra financial rewards reduce internal motivation and can even reduce total motivation unless they are very large. It is easy to understand why – if someone pays you to do something, you may cease to feel you ought to do it anyway. A simple example comes from an Israeli child-care centre. To encourage people to pick up their children on time they fined parents who were late. The result was that more people were late – they felt it was alright to be late since now they paid for it.

However PRP is often a good idea when there is an unambiguous measure of performance. But usually there is no such measure and individuals have to be ranked against their colleagues. Often the rankings by different colleagues are poorly correlated. The effect of all this is to raise the salience of rank order comparisons in the utility function. Relationships between colleagues become more strained as people strain harder to climb above each other on a ladder where the total number of places is fixed. Since the extra pay is usually small, this additional stress can generally be justified only if shareholders or customers gain. But, as I have suggested, these gains are uncertain. Economists should therefore be more humble before relying on the simple rationality postulate and recommending performance-related pay: they may well be changing tastes at the same time.

Finally, let me take the most global aspect of our tastes – our feelings about what our life is about. Economists offer a fairly clear view, if we leave aside the rare studies of altruism. We say that each person seeks to be as happy as possible and the question of what makes him happy is unimportant. For example it is not important whether it makes him happy to help other people or not. (We then, according to Atkinson and Stiglitz, seek the optimum pattern of taxes and spending to maximise the social welfare function – always taking the individual utility function as given.)

This is not of course how most people feel. They think people's values matter. That is one reason why we have compulsory education – because the utility functions of other people's children put such obvious constraints on our own utility.

I am not suggesting that economists should become moralists. But in some ways they already are, and their individualistic view of the world has gained increasing influence as belief has waned in conventional religion and in socialism. Crudely the view which the public absorbs from economists is this. Don't expect people to be interested in anybody else beyond the family. But don't let that worry you, because the outcome will be as good as it could be, provided we establish the rule of law and the right tax / expenditure plan. Given that, let's have the maximum of competition between firms and individuals.

This involves a major confusion. We do want the maximum of competition between firms, but not between individuals. We want a lot of cooperation between individuals, for one reason above all – that life is more enjoyable that way. Cooperation may also improve final output, but in many cases it will not – competition can be a formidable spur. But the final output is only justified by its contribution to happiness. A world where everyone else appears as a threat is unlikely to generate much happiness, even if it generates massive output.

CONCLUSION

I conclude that economics uses exactly the right framework for thinking about public policy. Policy instruments are set so as to maximise the sum of (cardinal) utilities, with additional weight being given to those whose utility is low. What is wrong is the account we use of what makes people happy. Broadly, economics says that utility increases with the opportunities for voluntary exchange. This overlooks the huge importance of involuntary interactions between people – of how others affect our norms, our aspirations, our feelings of what is important, and our experience of whether the world is friendly or threatening.

One might wish to say that these things are the province of other social sciences. It would be convenient if life worked that way, as illustrated in Figure 2. But it does not. We have already given important examples of this. Or take mobility policy, illustrated in Figure 3. More mobility certainly increases income but it also affects the quality of relationships in the community and in families. Economists should not advocate more mobility without considering these effects also.

This requires collaboration between economists and other social scientists, especially psychologists. In my view the prime purpose of social science should be to discover

what helps and hinders happiness. Economists could play a lead role in promoting this approach: there is so much that could readily be studied and has not been.

Economists have much to contribute, especially cost-benefit analysis. Eventually costs and benefits could perhaps be expressed in utils. But for the present the money equivalent of a util will do fine, provided it is specified as the extra money which would in the long-run secure for the average person an extra util of happiness.

Thirty years ago population surveys revolutionised labour economics. A similar revolution will soon revolutionise public economics, when psychological data on happiness are at last combined with the insights of revealed preference. This will lead to better theory, and to better policies.

Figure 1
Income and happiness in the United States

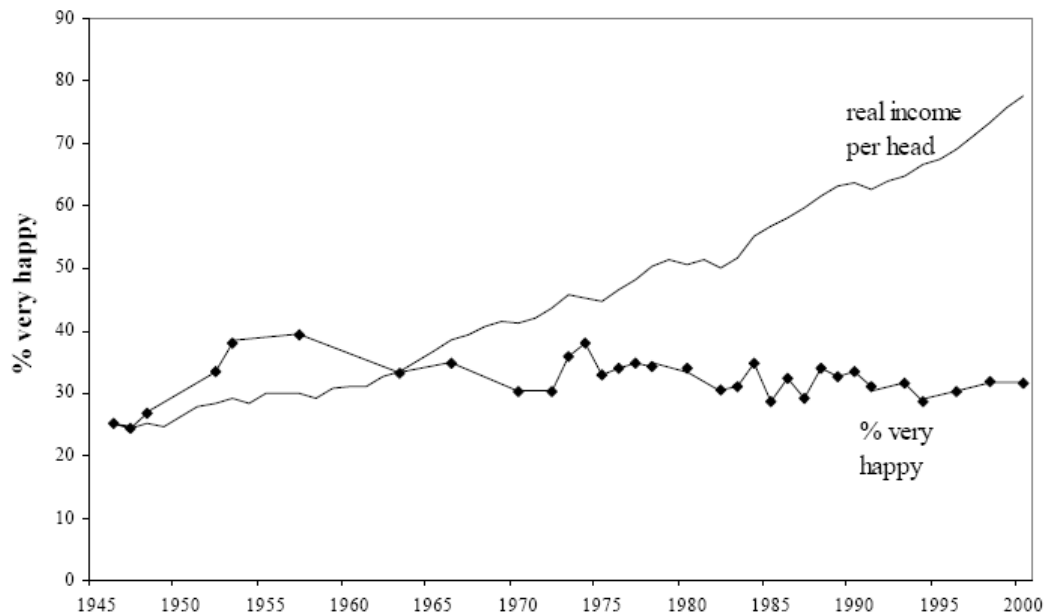


Figure 2
The policy-maker's ideal world

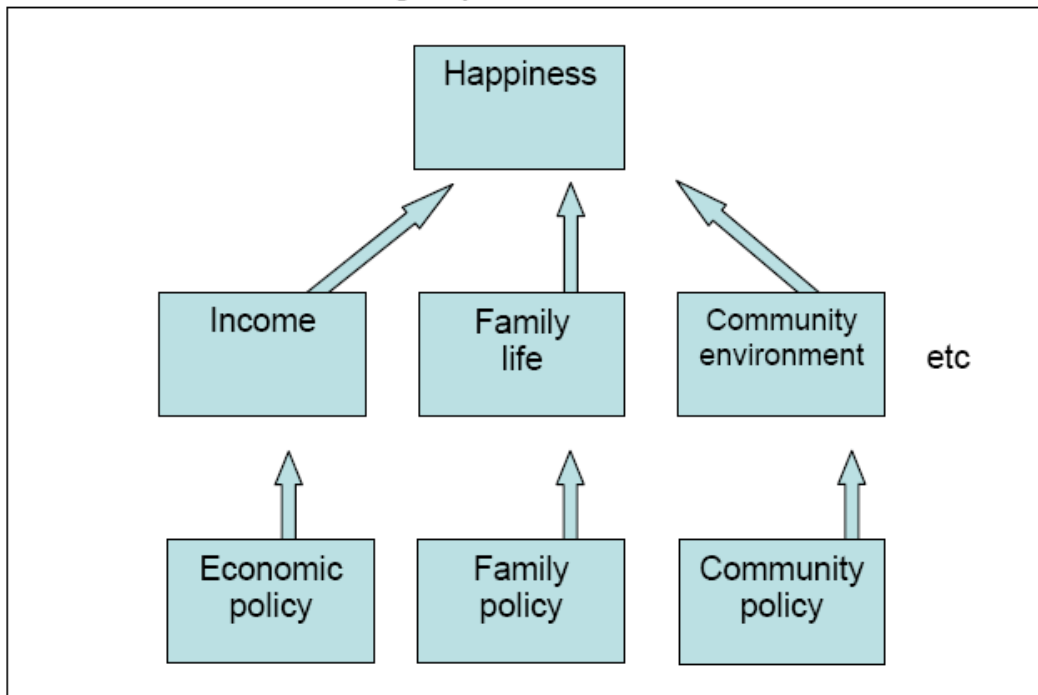
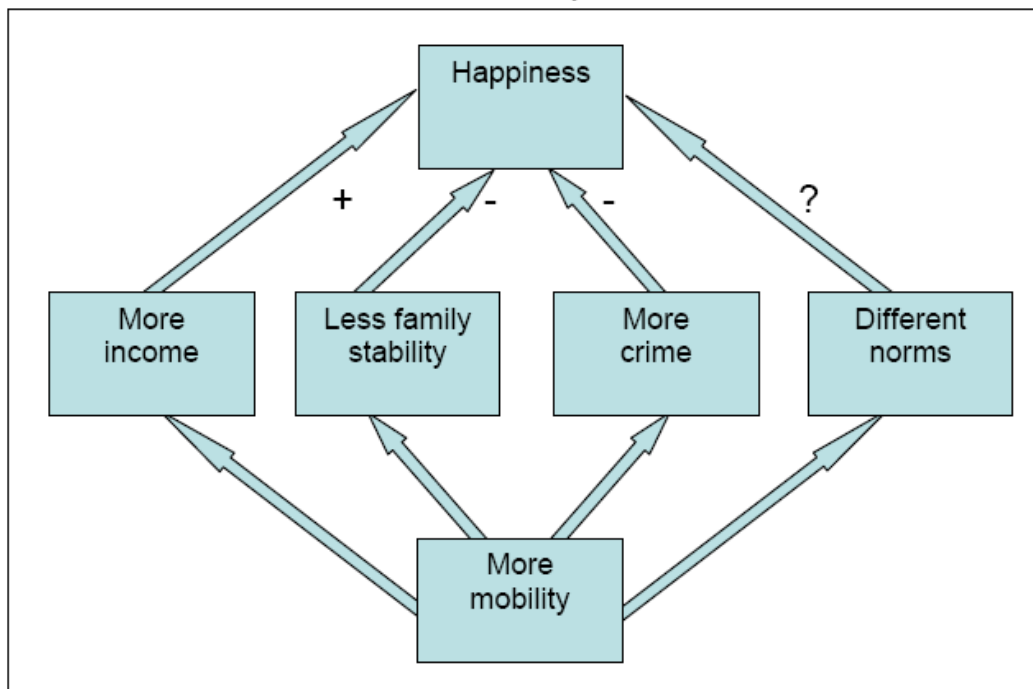


Figure 3
"Reality"



References

- Atkinson, A. and Stiglitz, J (1980) *Lectures in Public Economics*, London: McGraw-Hill.
- Brammer, G., Raleigh, M. and McGuire, M. (1994) 'Neurotransmitters and social status', in L. Ellis (ed.) *Social Stratification and Socioeconomic Inequality*, vol. 2, Westport, CT: Greenwood.
- Frank, R. (1999) *Luxury Fever: Money and Happiness in an Era of Excess*, New York: Free Press.
- Frey, B. and Stutzer, A. (2002) *Happiness and Economics: How the Economy and Institutions Affect Well-Being*, Princeton: Princeton University Press.
- Frey, B. and Stutzer, A. (2003) 'Economic consequences of miscalculating utility', Working Paper, Institute for Empirical Research in Economics, University of Zurich.
- Gilbert, D. and Watson, T. (2001) 'Miswanting: Some problems in the forecasting of future affective states', in J. Forgas (ed.) *Feeling and Thinking*, Cambridge: Cambridge University Press.
- Gneezy, U. and Rustichini, A. (2000) 'A fine is a price', *Journal of Legal Studies*, 29, 1-18.
- Helliwell, J. (2003) 'How's life? Combining individual and national variables to explain subjective well-being', *Economic Modelling*, 20, 331-60.
- Kahneman, D. and Tversky, A. (2000) (eds) *Choices, Values and Frames*, New York: Cambridge University Press.
- Layard, R. (1980) 'Human satisfactions and public policy', *Economic Journal*, 90, 737-50.
- Layard, R. (2005) *Happiness: Lessons From a New Science*, New York and London: Penguin.
- Layard, R. (2005a) 'Rethinking public economics: The implications of rivalry and habit', in L. Bruni and P.L. Porta (eds) *Economics and Happiness: Reality and Paradoxes*, pp 147-169, Oxford: Oxford University Press.
- Loewenstein, G. and Schkade, D. (1999) 'Wouldn't it be nice? Predicting future feelings', in D. Kahneman, E. Diener, and N. Schwarz (eds) *Well-Being: the Foundations of Hedonic Psychology*, pp 85-108, New York: Russell Sage Foundation.
- Loewenstein, G., O'Donoghue, T. and Rabin, M. (2003) 'Projection bias in predicting future utility', *Quarterly Journal of Economics*, 118, 1209-48.
- Lucas, R. (2003) 'Macroeconomic priorities', *American Economic Review*, 93, 1-14.
- Lucas, R., Clark, A., Georgellis, Y. and Diener, E. (2004) 'Unemployment alters the set-point for life satisfaction', *Psychological Science*, 15, 8-13.
- Rabin, M. (1998) 'Psychology and economics', *Journal of Economic Literature*, 36, 11-46.
- Rabin, M. (2000) 'Diminishing marginal utility of wealth cannot explain risk aversion', in Kahneman and Tversky (2000).
- Solnick, S. and Hemenway, D. (1998) 'Is more always better? A survey on positional concerns', *Journal of Economic Behaviour and Organisation*, 37, 373-83.

Happiness: Has Social Science a Clue?

Richard Layard

Lecture1

What is happiness? Are we getting happier?

I'm delighted to be giving these lectures because when I was very young and impressionable, I had the great experience of working with Lionel Robbins. He was chairman of the Robbins Committee on Higher Education and in his autobiography he says that working with Claus Moser and me at that time was "one of the most rewarding experiences" of his life. I feel exactly the same. Discussing any issue with Lionel was like a great voyage of discovery, and, if anyone ever practised the evidence-based approach to social policy, it was him.

However in these lectures I shall be taking a very different line from the one he took on the subject of happiness, and a little intellectual history will set the scene for what I want to do.

In the eighteenth century Bentham and others proposed that the object of public policy should be to maximise the sum of happiness in society. So economics evolved as the study of utility or happiness, which was assumed to be in principle measurable and comparable across people. It was also assumed that the marginal utility of income was higher for poor people than for rich people, so that income ought to be redistributed unless the efficiency cost was too high.

All these assumptions were challenged by Lionel Robbins in his famous book on the Nature and Significance of Economic Science published in 1932. Robbins argued correctly that, if you wanted to predict a person's behaviour, you need only assume he has a stable set of preferences. His level of happiness need not be measurable nor need it be compared with other people. Moreover economics was, as Robbins put it, about "the relationship between given ends and scarce means", and how the "ends" or preferences came to be formed was outside its scope.

So this was to be the agenda of positive economics, and it has remained so to this day. But what are we to say about public policy? Robbins himself was not averse to public

debate but he did not believe that optimal public policy could be analysed within a formal economic framework. However his followers in the remarkable economics department which he created here were more bold. Hicks and Kaldor proposed as a measure of national welfare something close to the GDP adjusted for leisure and pollution. Though some economists (including some here) have objected to this,¹ the majority of economists work with it quite happily.

But in fact the GDP is a hopeless measure of welfare. For since the War that measure has shot up by leaps and bounds, while the happiness of the population has stagnated. To understand how the economy actually affects our well-being, we have to use psychology as well as economics. Fortunately psychology is now moving rapidly in the right direction and I hope economics will follow.

Interestingly, psychology like economics went through its behaviourist phase, but a little earlier. In the nineteenth century psychologists were allowed to talk about feelings. But then along came Pavlov, followed by Skinner, who argued that we can never know other people's feelings and that all we can therefore do is to study their behaviour. At that time behaviour was largely attributed to conditioning. You may know the story of how Skinner's students decided to test his theory. When he was lecturing, Skinner used to walk up and down the platform, and the students agreed that, whenever he went to the left part of the platform, they would look down and frown, and when he went to the right end they would look up and smile. After a short time they had him falling off the right of the platform.

So behaviourism was the intellectual climate of the 1930s and it is not surprising that economics absorbed that credo. But in the last 20 years psychologists have returned in strength to the study of feelings – measuring them, comparing them across people, and explaining them.² And many anthropologists have also concluded that there are important universals in human nature, without which it would be impossible for us to understand each other.³

So people concerned with policy can now revert to the task of maximising the sum of human well-being, based on a steadily improving social science. In these lectures I want to develop a picture of this project and some initial conclusions. What I shall do is this. In the first lecture I shall discuss the nature and measurement of happiness and

provide compelling evidence that, despite economic growth, happiness in the West has not grown in the last 50 years.

In the second lecture I shall ask **why** happiness has not increased, despite huge increases in living standards, and draw some startling conclusions about the efficient level of taxation. And in the third lecture I shall discuss what other policies really would produce a better quality of life. I shall end with a rousing defence of the utilitarian philosophy, which motivates this whole endeavour.

DEFINITION

So what do I mean by 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, and in social surveys such questions get 99% response rates – much higher than the average response rate to questions.

I want to stress the point about a single dimension. Happiness is just like noise. There are many qualities of noise, from a trombone to a caterwaul. But they can all be compared in terms of decibels. In the same way different types of pain, like toothache and tummy ache, can be compared, and so can different modes of enjoyment. Moreover, as I shall show, happiness and unhappiness are not separate dimensions; they are simply different points along a continuum. They may feel quite different, like heat and cold, but they are all part of the same phenomenon.

This is what Bentham thought, but John Stuart Mill of course made a distinction. He thought there were two dimensions of happiness, quantity and quality. However psychologists have not been able to identify a separate qualitative dimension. Mill was surely onto something, but what he should have said is that there are different causes of happiness – those that produce enduring effects on happiness and those whose effects are transient.

THE FLUCTUATION OF MOOD

Obviously people's feelings fluctuate from hour to hour and from day to day. Using peoples' own reports psychologists have begun to study carefully how peoples' mood varies from activity to activity. I will give only one example, from a study of around 1000 working women in Texas.⁴ They were asked to divide the previous day into episodes, like a film. Typically they identified about 15 episodes. They then said what they were doing in each episode, and who they were doing it with. Finally they also asked how they felt in each episode, along twelve dimensions which were then combined into a single index of feeling. The first table shows what they liked most – sex, and what they liked least – commuting.

The second table shows what company they most enjoyed. They were highly gregarious – preferring almost any company to being alone. Only the boss's company was worse, which presumably means that there was little sex involved.

We can also use these reports to measure how feelings change as the day goes on. As the graph shows, people feel better as time passes, except for a dip after lunch (Figure 1). They also feel more tired as the day goes on – except for a period around about now (Figure 2). But the most striking finding of the study is not the movement in the graph as people move between activities but the huge difference in the general level of happiness between different people.⁵ It is this underlying happiness and its determinants which these lectures are about.⁶ What we really want to understand is the average level of happiness which a person feels, when averaged over a long period of time.

Table 1
Happiness in different activities

	Happiness (index)	Average hours per day
Sex	4.7	0.2
Socialising after work	4.1	1.1
Dinner	4.0	0.8
Relaxing	3.9	2.2
Lunch	3.9	0.6
Exercising	3.8	0.2
Praying	3.8	0.5
Socialising at work	3.8	1.1
Watching TV	3.6	2.2
Phone at home	3.5	0.9
Napping	3.3	0.9
Cooking	3.2	1.1
Shopping	3.2	0.4
Computer at home	3.1	0.5
Housework	3.0	1.1
Childcare	3.0	1.1
Evening commute	2.8	0.6
Working	2.7	6.9
Morning commute	2.0	0.4

Table 2
Happiness while spending time with different people

Interacting with:	Average happiness
Friends	3.3
Parents/relatives	3.0
Spouse	2.8
My children	2.7
Co-workers	2.6
Clients/customers etc	2.4
Alone	2.2
Boss	2.0

Figure 1
Average happiness through the day

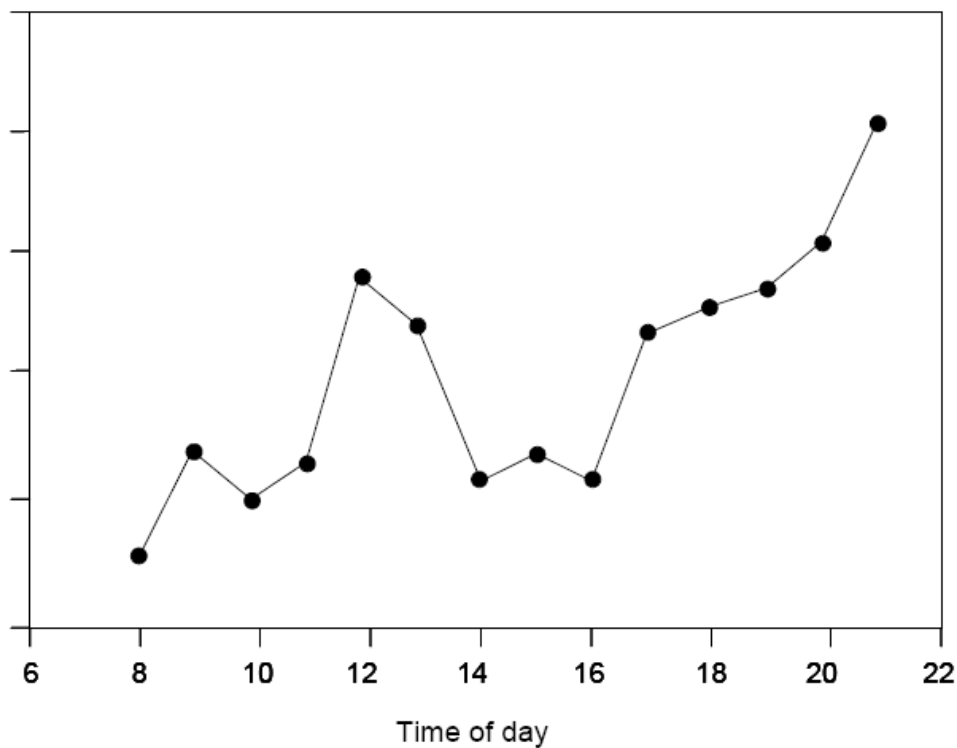
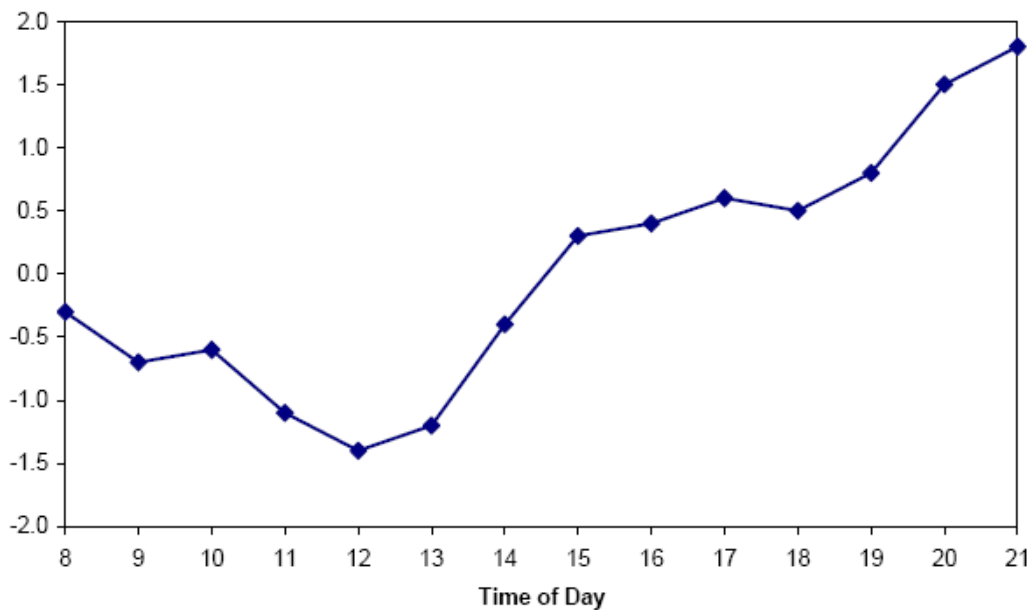


Figure 2
Average tiredness through the day



EVIDENCE FROM NEURO-SCIENCE

But before we do that we have to ask whether the feelings which people **report** correspond at all accurately to any kind of objective reality? We need to be sure that, when people say they feel something, there is a corresponding event that can be objectively measured.

We now know that there **is**. For the feelings which people report correspond closely to activities in the brain which we can now measure from instant to instant. This relationship is important to us for two reasons. First, the correlation applies quite accurately over time within each individual, providing a solid basis for the notion that happiness is a cardinal variable, rising and falling just like your blood pressure. And, second, the correlation holds strongly across people, confirming our view that happiness can be compared between people.

So let me tell you a bit about these findings, many of which are due to the remarkable work of Richard Davidson at Wisconsin.⁷ The main finding is that positive feelings correspond to brain activity in the left side of the pre-frontal cortex, somewhat above and in front of the ear. And negative feelings correspond to brain activity in the same

place on the right side of the brain. (All this is for right-handed people.) To detect the activity, you can use electrodes on the scalp to get an EEG which measures the electrical activity in that part of the brain. Or, more reliably, you can pick up the flow of oxygen to replace the energy used up in the electrical activity. This can be measured by functional magnetic resonance imaging (fMRI). Or, slightly less instantaneous, you can use the so-called PET scan to measure the blood flow using radio-active isotopes put into the blood.

All these methods give good correlations between reported feelings and brain measurements. Here is an example when people are put inside an MRI scanner and then shown nice or nasty pictures. People are shown the following two pictures: of a happy baby and of one that is severely deformed. The MRI scanner picks up the corresponding change in oxygen flow in the brain and records it as light patches in the following two photographs. The nice picture activates the left side of the brain and the horrendous picture activates the right side.⁸

So here we have objective measurements of how feelings change over time. More important, the same measurements can also be used to compare the happiness of different people. For people differ in the pattern of their brain activity, even when they are at rest. People whose left side is especially active ('left-siders') report more positive feelings and memories than 'right-siders' do. Left-siders smile more and their friends assess them as happier. By contrast, people who are especially active on the right side tend to report more negative thoughts, to smile less and to be assessed as less happy by their friends. Interestingly, the EEG approach works even on newly-born babies. When given something nice to suck, their left fore-brain starts humming, while a sour taste sets off activity in the right brain. At 10 months old, a baby's brain activity at rest predicts how well it will respond if its mother disappears for a minute. Babies who are most active on the right side tend to howl, while the left-siders remain upbeat. And at 2½ years old, left-sided youngsters are more exploratory, while right-siders cling more to their mothers. However, fortunately, between the ages of 3 and 11 there are many changes in the ranking of children, both by character traits and by brain-waves.⁹

And what about the question of whether negative feelings are simply the negative end of positive feelings? The evidence supports this view. Provided we measure feelings over short periods of time, positive and negative feelings are strongly inversely correlated. This is true whether we are comparing the same individual at different moments of time, or comparing different individuals. And it is true whether we are using

psychological reports of feeling or measurements on the brain. If feelings are measured over longer periods of time, the correlation goes down but this is because the variance of true happiness falls and gets buried under measurement error. So once again we can conceptually think of happiness as a single variable.¹⁰

Finally, let me mention that the measures of happiness that I have discussed are well correlated with many measures of physical health – with better immune-system responses and with lower stress-causing cortisol. As one example, when the flu virus was administered to a group of people, those with strong activity in the left forebrain were less likely to get ill.

THE DESIRE TO FEEL GOOD

So I hope I have persuaded you that there is such a thing as happiness, as Bentham believed. But Bentham also believed that happiness matters because it is what people want. Indeed he argued that in the end all actions are driven by the desire to feel good. So what does modern psychology say?

Most psychologists believe two things about this. First they believe that we are always, often unconsciously, evaluating our situation and the elements in it. Second, we are attracted to the favourable elements and seek to have them or to prolong them; and we are repelled by the unfavourable elements and seek to avoid them or try to bring them to an end. Psychologists call this “approach and avoidance”.

It is easy to see why evolution would have selected beings who behaved like this. First we like what is good for our survival. We then seek what we like. And so it follows that we survive.

The two psychological propositions are illustrated by two ingenious experiments of John Bargh.¹¹ His technique is to flash up good or bad words on a screen and observe how people respond. In one experiment he flashed the words subliminally and recorded the impact on the subject’s mood. The good words improved mood and the bad ones worsened mood – showing the passive nature of the evaluation process. He next examined approach and avoidance behaviour by making the words on the screen legible but asking the subject to remove them with a lever. For group A the words were to be removed in the natural way by pulling for the good words and pushing for the bad.

But group B had to pull for the bad words and push for the good which is unnatural. They did the job much more slowly.

So there is an evaluative faculty in all of us which tells us how happy we are and then directs our actions towards improving our happiness. From the various possibilities open to us, we choose whichever combination of activities will make us feel best.

This is not a vacuous statement, as is sometimes alleged. It means quite specifically that if a person likes A and B, and the cost of A in terms of B rises, the person will choose less A. This so-called law of demand has been confirmed throughout human life and among rats.¹² It is not uniquely human but probably applies to most living things, all of which have a tendency to pursue their own good as best they can. In lower animals the process is unconscious, and even in humans it is mostly so, since the conscious brain could not possibly handle the whole of this huge problem. However we do have a massive frontal cortex which other mammals lack, and that is where the conscious part of the balancing operation is performed.

This psychological model is very much like the one that economists have used from Adam Smith onwards. We want to be happy and we act to promote our own happiness, given the possibilities open to us.

There are of course exceptions. Some types of behaviour which are desired are bad for survival – anorexia is bad for you and so is cigarette smoking. And people are often short-sighted and bad at forecasting their future feelings. Natural selection has not produced perfect psyches nor has it produced perfect bodies. We are clearly selected to be healthy but we sometimes get sick. Similarly we are selected to feel good, and it would be impossible to explain human action and human survival except by the desire to achieve that feeling.

THE OVERALL SOCIAL OUTCOME

And what is the result of this process? Good in parts. In the standard economic model, private actions and exchanges get us to a Pareto optimum where no one could be happier without someone else being less happy. There are of course problems of information, foresight, externality and economies of scale which require some collective action. But, broadly speaking, the economic model says that the higher the real wage the happier the population.

What is wrong with that model is that it assumes constant tastes. It fails to realise that our wants (once we are above subsistence level) are largely derived from society and

that they are major factors affecting our happiness.¹³ To a large extent we want things and experiences because other people have them. We are also products of our education and the moral values which we inherit. And we live in communities which can be more or less peaceful and trusting. All these outside influences come at us direct, and not through contractual agreements in which we exercise our choice.

If these social influences were **unaffected** by economic policy and by economic ideology, we could think of economic policy in one compartment and social policy in another. But unfortunately the world is not like that, and rational policy requires the simultaneous use of many disciplines.

The need is pretty obvious, but one fact makes it absolutely essential. People in the West have got no happier in the last 50 years. They have become much richer, they work much less, they have longer holidays, they travel more, they live longer, and they are healthier. But they are no happier. This shocking fact should be the starting point for much of our social science.

So let me spend the rest of this lecture documenting this fact.

TRENDS IN HAPPINESS

For the US the General Social Survey has asked the following question since the early 1970s, "Taken all together, how would you say things are these days – would you say you are very happy, pretty happy or not too happy". Here are some answers (Table 3). As you can see, the distribution of happiness is practically unchanged over the period.

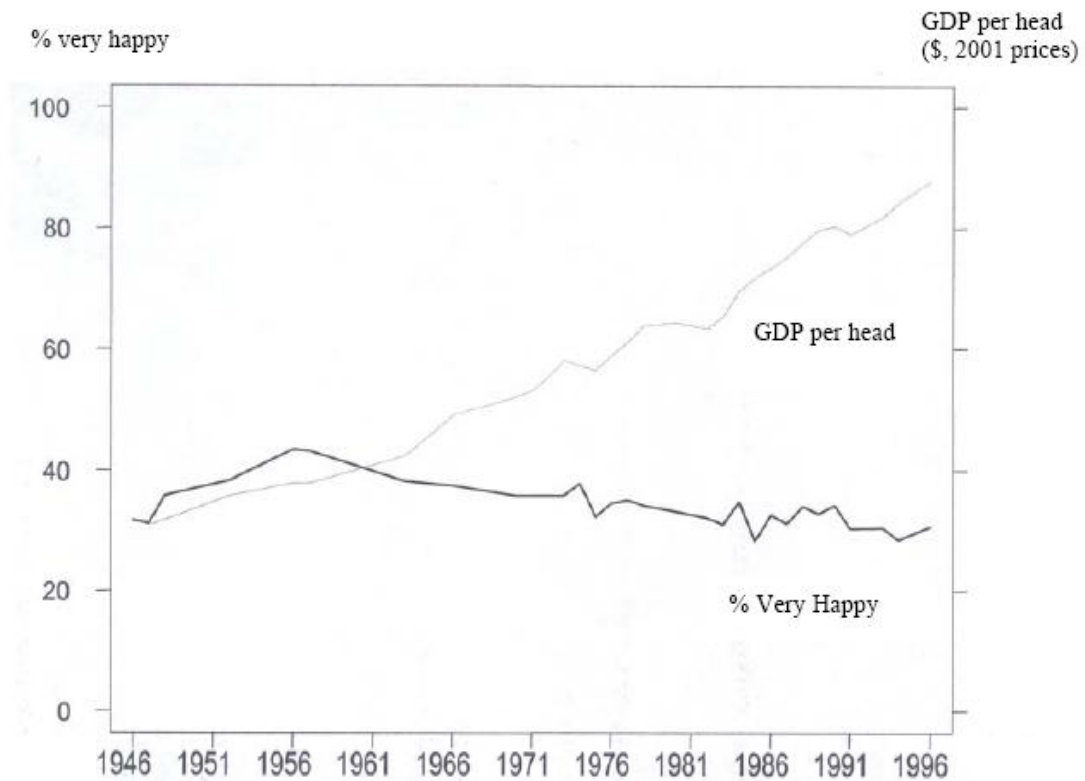
Table 3
Distribution of happiness in the U.S. (%)

	1975	1996
Very happy	32	31
Pretty happy	55	58
Not too happy	13	11
	100	100

Source: General Social Survey. Persons over 15.

Before the early 1970s a similar question was asked by the Gallup organisation and in Figure 4 I have linked the two series together to show what proportion of people were very happy throughout the post-war period. As you can see, the proportion of people who said they were very happy rose in the 1950s, fell in the 1960s and has been fairly stable ever since. The contrast with the trend in GDP per head is striking.

Figure 4
Income and happiness in the USA



For Japan figures on happiness are also available on a continuous basis since 1950. They show no change in happiness despite a 6-fold rise in income per head.¹⁴ In Europe the series collected by Eurobarometer began in the early 1970s. Again there has been no increase in happiness. And if we look at individual European countries separately, there has been no rise in happiness except in Denmark and Italy.¹⁵

These findings are all the more surprising since at any time within any community there is a clear relation between happiness and income. This is shown for example in Table 4. In 1975 39% of the rich (in the top quarter) were very happy, compared with only 19% of the poor (in the bottom quarter). This would lead you to expect that when the

people in the bottom quarter became richer, as they had by 1998, they would also have become happier. But they did not.

Table 4
Happiness according to income position, US, 1975

	Top quarter	Bottom quarter
Very happy	41	26
Pretty happy	52	61
Not too happy	7	13
	100	100

Source: General Social Survey. Persons over 16. Family income

You can guess what kind of explanation I shall offer in the next lecture. But first let us test these facts. The sceptic's reaction is to say: People have simply shifted upwards the standard of happiness which they identify as "very happy". Their expectations of happiness have risen, so that, **although they are truly happier**, they do not report themselves as such.

There are two technical and two substantive reasons for believing that this is not the explanation. First, European survey data also tell us whether people are "satisfied with their life". The word satisfied has a more relativistic character than the word happy. So if rising expectations are distorting the reported trends of happiness in a downward direction, they should do so even more in the case of satisfaction. Yet trends in satisfaction are similar to those in happiness.

Moreover if people now expect to be happier than people used to be in the past, one would expect the biggest changes in expected happiness to occur between cohorts, rather than within cohorts. Yet within each cohort the level of happiness is remarkably flat over the lifespan, despite sharp rises in income over the lifespan.¹⁶

But these are technical arguments and the first main reason for believing the time-series is that it is reflected in the **cross-section** of countries. The second is the rise in depression and crime.

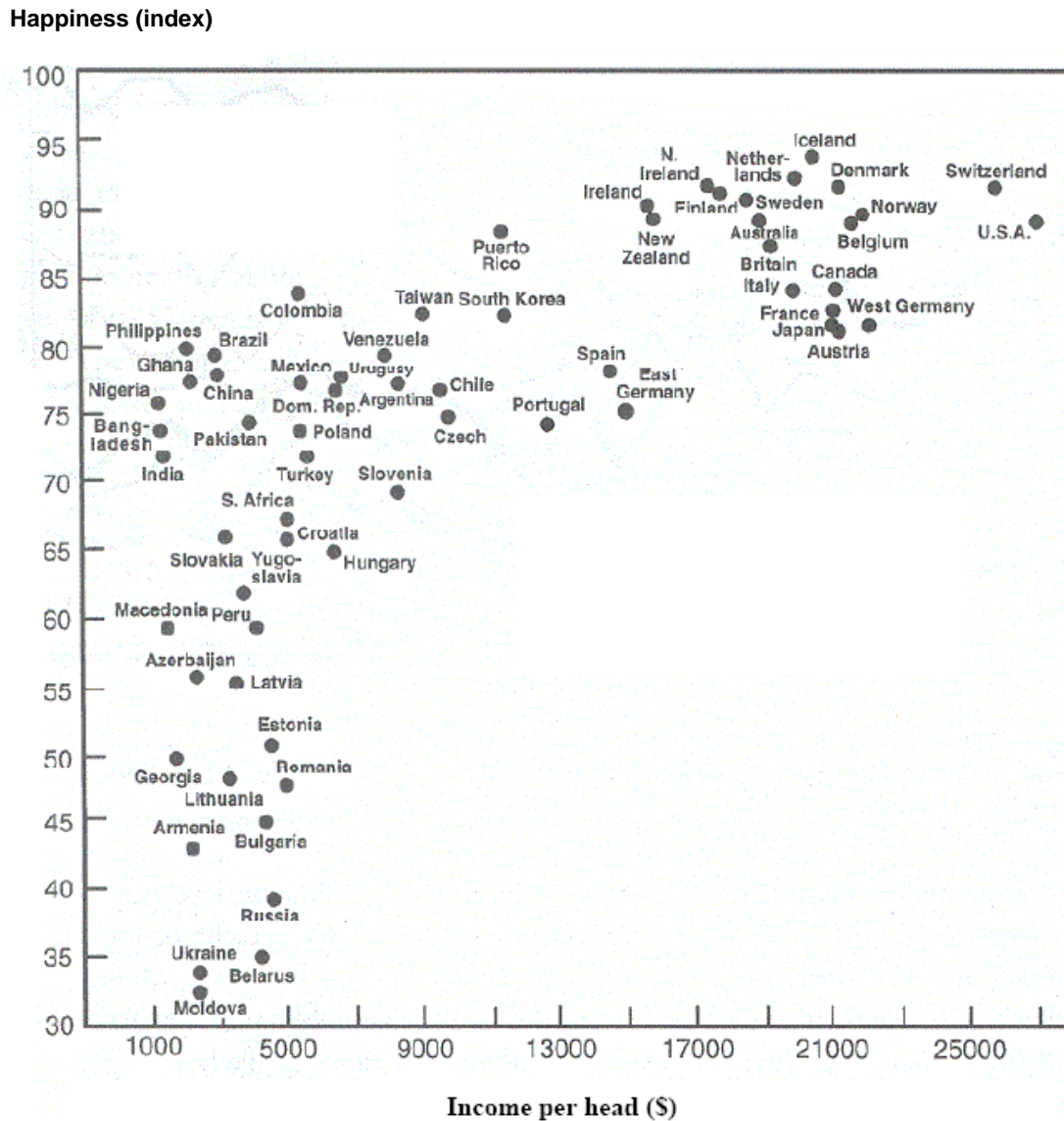
COMPARING HAPPINESS ACROSS COUNTRIES

Figure 5 shows the cross-section of countries. Income is on the horizontal axis and on the vertical axis is happiness measured by the average of two numbers: the percentage happy and the percentage who are satisfied with their life. As it shows, once a country has over \$15,000 per head, its level of happiness appears to be independent of its income per head. For poorer countries, however, there is a clear impact of income on happiness, which is also borne out by the time-series in India, Mexico and the Philippines. When you are near the bread-line, income really does matter. But, for countries above \$15,000 per head, the flat cross-sectional finding in the graph ought to bother economists just as much as the flat time-series.

If Figure 5 tells us something about economics, it also tells us something about politics. The most striking finding is the misery of Russia and South Africa, where oppression as well as poverty has degraded the human condition. At the height of Communism Russians were among the most miserable people on earth.¹⁷ But the economic chaos which followed the collapse of Communism has made things even worse, for the time being. In the 1990s all the ex-Communist countries except Poland were more unhappy than India, and the suffering was greatest in what was once the Soviet Union.

Of course one could question whether the word 'happy' means the same thing in different languages. If it does not, we can learn nothing by comparing different countries. However countries can be rated separately on three different measures: how 'happy' they are, how 'satisfied' they are, and what score they give to life, using a scale running from 'worst possible life' to the 'best'. The ranking of countries is almost identical on all three measures.¹⁸ This suggests that words are not causing a problem.

Figure 5
Income and Happiness



Source: Inglehart and Klingemann (2000), Figure 7.2 and Table 7.1. Latest year (all in 1990s).

Moreover there is direct evidence, for a number of languages, that the words do have the same meaning in different languages. For example a group of Chinese students were asked to answer the happiness question, once in Chinese and once in English, with two weeks between the two events. The students reported almost exactly the same average level of happiness in both Chinese and English, and the answers in the different languages were highly correlated across the students.

Since the English and Chinese languages are very far apart, this finding is highly reassuring. Similarly we can take the three groups of people in Switzerland – those speaking French, German and Italian. All three groups give similar replies to the question about happiness. And, interestingly, each group of Swiss people is happier than those who speak the same language but live next door in France, Germany or Italy. So the country and its life, rather than language, is the overriding factor which influences how people report their level of happiness.

But, again, might not people in some countries feel more impelled to report high or low levels of happiness, because of local cultural norms? There is no evidence of this – for example no clear tendency for individualistic countries to report high or collectivist cultures to report low.²⁰ And the concept of happiness seems equally familiar in all cultures – getting response rates of around 99% in every country.

So comparing countries confirms what history also shows – that, above \$15,000 per head, higher average income is no guarantee of greater happiness.

TRENDS IN DEPRESSION AND CRIME

In any case we also have other time-series measures of national well-being, at the lower tail of happiness: we have the evidence of increased depression, alcoholism and crime.

All the evidence suggests that clinical depression has increased since the Second World War.²¹ By clinical depression I do not mean the spells of misery that we all experience at some stage. I mean a tightly defined psychiatric condition in which individuals cannot perform their normal social roles for at least some weeks. To assess the prevalence of depression we rely on interview surveys where people report their experiences which are then diagnosed by specialists in the survey organisation. In the US roughly 14% of people aged 35 have experienced a depression. Many who have experienced it once have experienced it again, so that at any one time about 2% of the population are suffering from it.

The main evidence of an increase comes from comparing the memories of people born in different years. If we take Americans who reached 35 in the 1950s, only 2% had experienced depression by that age. And now it is 14%. What is striking is that this

recorded depression increased mainly in the golden period of economic growth in the decades after the Second World War. Increases are also found in most countries where data exist. There is some controversy over the magnitude of the increase, but no one believes depression has fallen despite the huge reduction in absolute poverty.

Suicide data provide less relevant evidence since in the typical country only about 1% of deaths are by suicide. So it is at the very extreme of misery. But suicide has indeed increased in most advanced countries except the US, Britain, Sweden and Switzerland, and youth suicide has increased in almost every advanced country.²²

I shan't dwell on the growth of drug abuse, since this is partly propelled by easier access to the countries which supply drugs. But alcohol addiction is a very meaningful indicator of unhappiness. The history of alcoholism, is if I may say so, very sobering. In the first quarter of the twentieth century alcohol consumption fell in many countries, despite economic growth, and it stayed roughly constant in the second quarter. Since then it has soared in every country except France, which still consumes more alcohol than anywhere else. Much of this drinking is unhealthy. In the US over a quarter of young white men say they have already experienced problems with alcohol.²³ This compares with under 15% of older men (over 65) who say they have ever experienced such problems. The hardest evidence however is medical – deaths from cirrhosis of the liver are up since 1950 in every country except France.

And then there is crime – a similar story. In most advanced countries, crime fell in the years before the First World War, again despite economic growth. It was then stable between the Wars and most people thought that, if full-employment could be achieved, crime would fall still lower. The opposite happened. In most countries except Japan crime increased by a factor of around five between 1950 and 1980 – a truly astonishing increase.²⁴ In Britain a third of all young men have been convicted of a crime by the time they are 30. If there is this degree of alienation, it is not surprising that the overall happiness figures have failed to rise.

LOOKING AHEAD

So what is going on? In the next lecture I shall try to provide some answers, and then discuss what policies might lead us in a better direction. The dominant issue will be the trade-off between economic growth and the social costs which might result from policies to maximise growth.

But let me finally look back on what we have done so far.

1. I've argued that rational policy-making is possible since happiness is a real scalar variable and can be compared between people. I've given evidence that both these conditions are satisfied. We're at the very beginning of developing this knowledge and these measurements. But we know enough to see the way ahead.
2. We also know that happiness is basic to human motivation, even though we often do act in ways that are against our overall interest.
3. We have found that happiness has not increased in the last 50 years. That should not depress us, because we probably live in the happiest society that has ever existed. But it would be good if we could do better, especially for the people who are least happy.

That is what I want to discuss in the next two lectures.

References

- Bargh, J. and Chartrand, T.L. (1999) 'The unbearable automaticity of being', American Psychologist, 54, 462-479.
- Brown, D.E. (1991) *Human Universals*, New York: McGraw Hill.
- Davidson, R.J. (2000) 'Affective style, psychopathology and resilience: Brain mechanisms and plasticity', American Psychologist, 55, 1196-1214.
- Davidson, R.J., Jackson, D.C. and Kalin, N.H. (2000) 'Emotion, plasticity, context and regulation: Perspectives from affective neuroscience', Psychological Bulletin, 126, 890-906.
- Diener, E. and Suh, E.M. (eds) (2000) *Culture and Subjective Well-being*, Cambridge MA: MIT Press.
- Dickstra, R.F.W., Kienhorst, C.W.M. and de Wilde, E.J. (1995) 'Suicide and suicidal behaviour among adolescents', in Rutter and Smith (1995).
- Easterlin R.A. (2001), 'Income and happiness: towards a unified theory', Economic Journal, 111, pp.465-484.
- Fombonne, E. (1995) 'Depressive disorders: Time trends and possible explanatory mechanisms', in Rutter and Smith (1995).
- Frey, B.S. and Stutzer, A. (2002) *Happiness and Economics: How the Economy and Institutions Affect Human Well-being*, New Jersey: Princeton University Press.
- Inglehart, R. and Klingemann, H-D. (2000) 'Genes, culture, democracy and happiness', in Diener and Suh (2000).
- Kahneman, D. (1999) 'Objective happiness', in Kahneman et al (1999).
- Kahneman, D., Diener, E. and Schwarz, N. (eds) (1999) *Well-being: The Foundations of Hedonic Psychology*, New York: Russell Sage Foundation.

Rutter, M. and Smith, D.J. (eds) (1995) *Psychosocial Disorders in Young People. Time Trends and Their Causes*, Chichester: John Wiley & Sons.

Shizgal, P. and Conover, K. (1996) 'On the neural computation of utility' Current Directions in Psychological Science, 5 (2): 37-43.

Shao, L. (1993) 'Multilanguage comparability of life satisfaction and happiness measures in mainland Chinese and American students', mimeo, University of Illinois.

Silbereisen, R.K., Robins, L. and Rutter, M. (1995) 'Secular trends in substance use: Concepts and data on the impact of social change on alcohol and drug abuse', in Rutter and Smith (1995).

Smith, D.J. (1995) 'Youth crime and conduct disorders: trends, patterns and causal explanations', in Rutter and Smith (1995).

Veenhoven, R. (2000) 'Freedom and happiness: A comparative study in 44 nations in the early 1990s', in Diener and Suh (2000).

Lecture 2

Income and happiness: rethinking economic policy

Yesterday I showed that in advanced countries happiness has not risen, despite unprecedented increases in income. Today I want to try to explain this, and to draw some policy conclusions.

But first I need to start with a caution (Figure 1). As the golfer says, “Researchers say I’m not happier for being richer, but do you know how much researchers make?”

In one sense the golfer is on to something. For there are **two** key facts that we have to explain. First at any one time rich people are on average happier than poorer ones. And yet over time advanced societies have not grown happier as they have grown richer.

What is happening is illustrated in this table (Table 1). In 1975 rich people (in the top quarter) were happier than poor ones (in the bottom quarter). The same was true in 1998, when both groups were both richer than before (especially the top group). But in 1998 each group was no more happy than before, despite its higher income. That is the challenge, and the paradox.

Table 1
Happiness in the US: by income

	Top quarter of income		Bottom quarter of income	
	1975	1998	1975	1998
Very happy	39	37	19	16
Pretty happy	53	57	51	53
Not too happy	8	6	30	31
	100	100	100	100

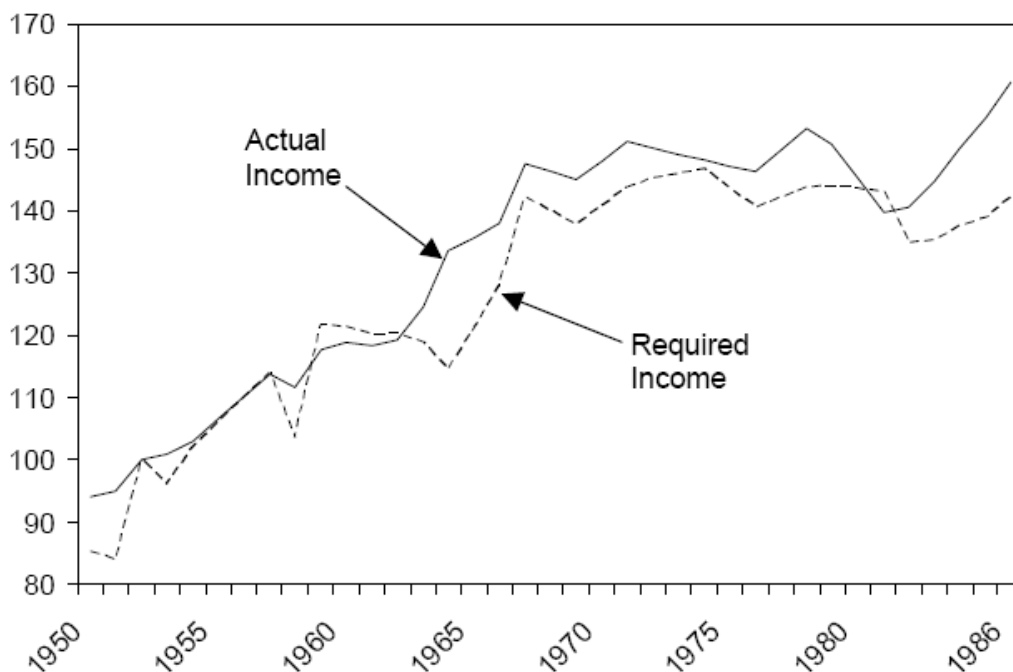
Source: General Social Survey tapes. People over 16.

It is an absolutely standard pattern in all countries. And indeed we find much the same if, instead of taking two dates for the same country, we take two countries at the same time – with one country being richer than another.¹ So what is going on? On the one hand a given individual in a given country becomes happier if he is richer, and that is why most people want to be richer. But at the same time, when the whole society becomes richer, nobody seems to be any happier.

Obviously people must be comparing their income with some norm – some level of expectations. And that norm must be moving up in line with actual income. You can see this from the following data collected by the Gallup Poll in the US for many years. They asked, 'What is the smallest amount of money a family of four needs to get along in this community?' Over time, as Figure 1 shows, the answers rose in line with actual incomes.²

Another depressing fact confirms that this is the mechanism at work. Since 1972 Americans have been asked whether they are satisfied with their financial position. Although real income per head has risen by 50%, the proportion of people who say they are pretty well satisfied with their financial situation has actually fallen.³

Figure 1
Required real income and actual average real income (1952 = 100)



This moving up of the norm is coming from two sources – first habituation and second rivalry. First, I compare what I have with what I have become used to (through a process of habituation). As I ratchet up my standards, this reduces the enjoyment I get from any given standard of living. Second, I compare what I have with what other people have (through a process of rivalry). If others get better off, I need more in order to feel as good as before. So, we have two mechanisms which help to explain why all our efforts to become richer are so largely self-defeating in terms of the overall happiness of society.

I want to discuss these effects in turn – and then to discuss the policy implications. I'll begin with habituation, or as psychologists call it adaptation.

HABITUATION

A key feature of any successful organism is its ability to adapt to its environment, and human beings are amazingly adaptable. This is a strength and a weakness. In the face of adversity it saves us from abject misery, but it also makes it difficult to lift us onto a permanently higher plane of experience.

On the downside, people who become paraplegic suffer greatly immediately after their stroke. But after a while their happiness is only slightly below the average in the population.⁴ The same is true on the upside – for example after people get married.⁵

So when our living standards increase, we love it at first but then we get used to it and it makes little difference. But we would find it very difficult to go back - to where we started from. I had no central heating at home until I was 40, but now I can barely imagine living without it.

The evidence for habituation comes from many sources. One approach is to compare individuals with different incomes.⁶ Each individual is asked, 'What after-tax income for your family would you consider to be: very bad, bad, insufficient, sufficient, good, very good?' From these answers we can pick out for each individual the income level which is mid-way between sufficient and insufficient. This 'required income' varies strongly with the actual income of the individual: a 10% rise in actual income causes a roughly 5% rise in required income.⁷

Alternatively we can look at reported happiness over time. In panel studies of individuals in the UK job satisfaction is unaffected by the level of wages and depends only on their rate of change – implying a strong negative effect of habituation coming from the previous lagged wage.⁸ At a more aggregate level, in a panel of countries Di Tella, MacCulloch and I (2002) found that lagged income reduced average happiness by two thirds as much as current income increased it. (Thus a steady rise in income did increase happiness somewhat, but in the historical record this effect was off-set by the negative effects of other changes – higher divorce, crime and so on.)

So people measure their situation largely by reference to where they have recently got to. They are on what psychologists call the 'hedonic treadmill'. They try to rise up a rung but in the next period that rung is once again at the bottom, from which they again try to rise. We have essentially a problem of addiction, where people's past standard of living affects in a negative way the happiness they get from their present living standard. In this way it is just like smoking.

If we just got used to everything equally, that might be the end of the story – with no clear policy implications. But, as Robert Frank has argued strongly, the things that we get used to most easily and then take for granted are our material possessions – our car, our house. We do not have the same experience with the rest of our life, the time we spend with our family, nor with the quality and security of our job.⁹

If we do not foresee how we get used to our material possessions, we shall over-invest in acquiring them, at the expense of our leisure. There is lots of evidence that people underestimate the process of habituation.¹⁰ (For example, academics think that gaining tenure will make them happier for longer than it actually does.) The result is a distortion of our life towards work and away from other pursuits. I want to stress that that is the main distortion rather than the distortion between spending and saving. And a natural way to offset the distortion is to tax spending (just as we tax smoking) in order to discourage excessive self-defeating work.¹¹

RIVALRY

Let me turn now to the second factor explaining the paradox of income and happiness: I mean the phenomenon of rivalry. Let me begin with a simple question. Let me ask you which of these two worlds you would prefer, assuming prices constant (Figure 2).

Figure 2
Which world would you prefer?
(prices are the same)

- A. You get \$50k a year and others get half that
- B. You get \$100k a year and others get more than double that

In a recent study, graduate students of public health at Harvard were asked just that question.¹² The majority preferred the first type of world. They were happy to be poorer, provided their relative position improved.

Many other studies have come to the conclusion - that people care about other peoples' incomes as well as their own.¹³ We are all upset when others get a raise but we do not. And the only situation where we might happily accept a pay cut is when others do the same. That is why there was so little economic discontent in the Second World War. By contrast the great inflation of the 1970s created great discontent, because throughout most of the year other people's wages were rising rapidly, while one's own wage was constant.¹⁴

When people compare their wages, it is generally with people close to themselves, rather than with film stars or paupers. What matters is what happens to your "reference group" because what your reference group gets might have been feasible for you, while what David Beckham gets is not. Hence much of the most intense rivalry is within organisations and within families. In organisations, calm can often be maintained only by keeping peoples' salaries secret. In families, it has been found that the more your spouse earns, the less satisfied you are with your own job.¹⁵ And among women, if your sister's husband is earning more than your own husband earns, you are more likely to

go out to work.¹⁶ In other words people are concerned about their relative income and not simply about its absolute level. They want to keep up with the Joneses or if possible to outdo them.

If people change their reference group, this can seriously change their happiness. Let me give you two examples where in both cases people became objectively better off but felt subjectively worse. One is the case of East Germany where the living standards of those in work have soared since 1990, but their level of happiness has plummeted because they now compare themselves with the West Germans, rather than with other countries in the Soviet bloc. Another case is women, whose pay and opportunities have improved considerably relative to men, but their level of happiness has not. Indeed in the US women's happiness has fallen relative to men's, perhaps because they compare themselves more specifically with men than they used to, and are therefore more aware of the gaps that still exist.

Given rivalry, the findings of our table are not very surprising. The rich are happier than the poor, because from their lofty position the people they compare themselves with include a greater fraction of people who are poorer than they are. And the opposite is true of those at the bottom of the pile.

But for a society as a whole the implications are massive. Imagine the most extreme case, where people care only about their relative income and not at all about their income as such. Then economic growth cannot make people better off. The only exception is if people were to adopt reference groups that were lower in the pecking order than before. But, if the reference group remained stable and relative income were unchanged, everybody's happiness would remain the same.

However the evidence suggests that things are not quite as bad as that. If we compare states in the USA we find that, if other people in your state get more, you do feel worse off.¹⁷ But the negative feeling is not so large that it completely cancels the gain, provided your income rises as much as everyone else's. So there is hope after all. To be precise, if my income increases, the **loss** of happiness to everybody else is about 30% of the **gain** in happiness to me.

This is a form of pollution, and to discourage excessive pollution, the polluter should pay for the disbenefit he causes. So the polluter should lose 30 pence out of every 100 pence that he earns – a tax rate of 30% on all additional income. Assuming the tax

proceeds are returned to him through useful public spending, he will work less hard – and the self-defeating element in work will have been eliminated.

But for this conclusion to be correct, one further condition must be satisfied: though people are comparing their **income** with that of other people, they must not be comparing their **leisure**. Is that in fact how we behave? To throw light on it, we need to look at a second question which was asked of the Harvard students. They were offered two further possible worlds, C and D (Figure 3).

Figure 3
Which world would you prefer?

- C. You have 2 weeks vacation, and others have half that
- D. You have 4 weeks vacation, and others have double that

Only 20% of the students chose world C. So most people are not rivalrous about their leisure. The result is that we consume too little leisure, unless this is corrected by public policy.

In reply to this argument, libertarians often argue that the rivalrous person has only himself to blame, and he should not be protected by public efforts to discourage others from earning money. But this is to miss the mark. We may be able to modify human nature. But we cannot annihilate our existing nature – and libertarians should be the first to take that as their starting point.

RETHINKING PUBLIC ECONOMICS

In fact the phenomena of rivalry and habituation are so important that they require a complete rethinking of the theory of public economics. By public economics I mean the theory of microeconomic policy as developed in particular by James Meade, Amartya Sen and Tony Atkinson, all from LSE, as well as James Mirrlees.

The normal starting point in that theory is that taxation distorts the choice between leisure and income – making people work too little. The taxation may be justified by the

value of the public expenditure or the redistribution which it finances. But, when comparing the tax cost with the benefits of the spending, we should always allow for a substantial “excess burden” of the tax, coming from the distorted choices it is supposed to have caused. In this sense the presumption is always against state activity.

Rivalry and habituation lead to a quite different conclusion. They tell us that in an efficient economy, there will be substantial levels of corrective taxation. And so long as taxation is not higher than that, cost-benefit analysis of public expenditure need not worry about any excess burden coming from the costs of financing the expenditure.

So what **is** the appropriate level of taxation at the margin? The quantitative evidence is only beginning to accumulate, but I have already suggested 30 per cent to deal with rivalry, and the evidence suggests at least as much to deal with habituation. Thus 60 per cent would not seem inappropriate, and that is in fact the typical level of marginal taxation in Europe – if you allow for direct and indirect taxes.¹⁸ I suspect that in some almost unconscious way the electorate understand that the scramble to spend more is in some degree self-defeating and this makes them more favourable to public expenditure. But the time is now ripe to make this argument explicit – as one of the central features of Social Democracy, or dare I say it the Third Way.

We should be clear that such taxation is almost certainly reducing our measured GDP, by reducing work effort. But we should be equally clear that this does not matter, because GDP is a faulty measure of well-being.

CHANGING VALUES

So far we have taken people’s values as given, and thought about how people can have the best life, given these values. That is a reasonable first step and it is one that economists are good at.

But values are not of course given, and society has a major impact on them. So I want to end this lecture by discussing first how far our rivalrous attitudes can and should be modified, and second whether existing tendencies are tending to exacerbate them.

Clearly a degree of rivalry is wired into our genes. Among our monkey relatives the top male monkey gets the females. In consequence monkeys with the strongest drive to

reach the top reproduce most and that drive has become spread throughout the species.

The mechanism that produces that drive is interesting. It is not so much the desire to reproduce as the sheer pleasure of being top. Serotonin is a neurotransmitter that accompanies good feeling, and McGuire and his colleagues at UCLA studied how the level of serotonin varies in vervet monkeys.¹⁹ When a male monkey becomes top monkey his serotonin level soars. But, if the researchers artificially displace him from that position, his serotonin level drops. Similar effects are evident in humans, so that people who win Oscars live 4 years longer than people who are nominated but fail to win.²⁰ So the desire for position and status seems to be a universal among our ancestors and among ourselves.

Clearly this competitive instinct enhanced reproductive fitness in the wild. But, since our life has become easier, we have reconsidered our situation. We now preserve weaker members of the species who would have perished in rougher times. What should we do about our competitive instinct?

To question the competitive instinct is not to be a Communist. We all know that life goes better when most people make most of their own arrangements for satisfying their needs. The market system delivers better products and more personal autonomy. But there remains the problem that actions undertaken in pursuit of status are truly fruitless at the level of society. In case this is still not obvious, I want to spell it out once more. For I can hear people saying, I don't mind if my carmaker is only motivated by status, provided he gives me a good car.

THE FALLACY OF CONSUMER SOVEREIGNTY

The fallacy here is to think of consumers and producers as different. We are each of us at one and the same time a consumer and a producer. We both consume the output and produce it. Of course I value much of what I consume, for its own sake. But, if I also seek further income and consumption as a route to status, that part of my effort is self-defeating.

To see this let's look at the happiness function of the i^{th} person.

$$\text{Happiness}_i = f(\text{Leisure}_i, \text{Valued Consumption}_i) + \alpha \text{Rank}_i \quad (1)$$

I sacrifice Leisure both to increase Consumption that I value for its own sake, and to get Rank. But, if I now look at society as a whole,

$$\sum_i \text{Happiness}_i = \sum_i f(\text{Leisure}_i, \text{Valued Consumption}_i) + \text{Constant}$$

So, even if we do value much of our consumption for its own sake, the extra work that is done to achieve rank is totally counterproductive. It achieves nothing because the total of rank is fixed. The game is zero-sum. When we bring people up, we should therefore try to reduce their α s and avoid creating institutions that focus attention on rank.

That is the negative agenda: it says we should avoid those games against other people, which are intrinsically zero sum. But there's also a positive agenda: to promote enjoyment of games against nature, where we develop our talents to the highest possible level because such achievement gives us satisfaction.

We should support benchmarking designed to show us what we could achieve. But we should question benchmarking where league table scores are highly public and deliberately made public in order to motivate people through the quest for rank. For this condemns as many to fail as to succeed – not a good formula for raising human happiness. The utility function we should be promoting through our system of childrearing is

$$\text{Happiness}_i = f(\text{Leisure}_i, \text{Valued Consumption}_i) + \alpha \text{Rank}_i + \beta \text{Output}_i$$

where α is as small as possible and β as large as possible. Above all we want people to enjoy their contribution to the social product – a notion unknown to standard economics but experienced by each one of us. The virtue of the last term in the equation is that when summed across all people it can grow without limit – it is non-zero-sum.

THE RECORD OF THE 1980s AND 1990s

Against this background, how has society evolved in the 1990s? I would say: up and β down. There has been increasing stress on “getting ahead”, and on financial incentives as the way to motivate people. The whole aim in modern pay policy is to align pay and output as closely as possible – in other words performance-related pay. This is easy to

do when output is simple to measure, as it is for many mechanical tasks and for some individualistic ones in the financial sector. It is more difficult to align pay with output the more the task is multi-dimensional, long-term and based on teamwork. In these cases people have to be evaluated by a relative rather than an absolute standard – how they compare with their peers. By focussing on comparative performance, this inevitably raises α .

And there is also another effect. Economists and politicians have tended to assume that when external motives for performance are increased, other motives remain the same. But that is not so, as our colleague Richard Titmuss pointed out long ago when discussing the supply of blood.²¹ Let me report two suggestive studies. Edward Deci gave puzzles to two groups of students.²² One group he paid for each correct solution, the other he did not. After time was up, both groups were allowed to go on working. The unpaid group did much more further work – due to their intrinsic interest in the exercise. But, for the group that had been paid, the external motivation had reduced the internal motivation that would have otherwise existed.

A second example is a real life case from Switzerland in 1993 when two communities had been selected as potential sites for the storing of radioactive waste. An economist Bruno Frey arranged a survey of most of the inhabitants.²³ They were asked two questions. First, “Would you be willing to have the repository here?” 51% said Yes. Following that they were asked, “If you were offered a certain amount of compensation (specified), would you be willing to have the repository here?” To this second question under 25% said Yes. Thus focussing on financial rewards reduced people’s willingness to act on the merits of the case.

In the light of this it seems that British governments over the last 20 years have made serious errors in their approach to the reform of public services. They have stressed ever more the need to reward individual performance, rather than providing an adequate general level of pay and stressing the importance of the job and the promotion of professional norms and professional competence.

I want to end this section with one other issue. As you will remember, we are trying to explain why happiness has not risen, and why depression, alcoholism and crime **have** – especially in the golden period of economic growth 1950-73. It is no good blaming economic growth in general since in some earlier periods of economic growth like

1850-1914 alcoholism and crime both fell. So what was new in the post-war world? The most obvious transformation of our life was the arrival of television, which shows us with total intimacy how other people live. Where people once compared themselves with the people round the corner, they can now compare themselves with anyone they like, up to J.R. in Dallas. It would be astonishing if such comparisons were not unsettling.

Television differs from any previous medium of communication in two ways. The first is immediacy. But the second is the sheer amount of exposure. The typical (median) Briton watches television for 3½ hours a day – roughly 25 hours a week.²⁴ Over a lifetime a typical Briton spends more time watching television than doing paid work. In most European countries viewing is rather lower but it is above 2 hours a day in most countries. So it is not fanciful to suppose that TV has had a profound influence on our lives and on our well-being.

Most of the public discussion about television has focussed on the issues of violence and sex. This research generally supports the commonsense view that repeated violence on TV tends to legitimise violent behaviour, just as repeated scenes of adultery tend to legitimise adultery. For example in the 1950s television was introduced in US different states in different years and the research has estimated that in the year that it arrived it increased larceny by 5% and we can only guess its subsequent cumulative effect.²⁵ Moreover this research says little about the direct effect of TV upon happiness, so that here we are forced to rely on conjecture and indirect inference.

The following research must be relevant. In a series of psychological experiments with women, Kenrick showed them pictures of female models.²⁶ He evaluated their mood before and after doing this. After seeing the pictures of the models, the women's mood fell. So how must television affect the mood of the women who watch it? In 3 hours of viewing TV each day a woman cannot fail to see a parade of beautiful women. This is unlikely to enhance their mood. And what about the effect on men? Kenrick also showed the pictures of models to a sample of men. Before and after this, he evaluated their feelings about their own wives. After seeing the models, most men felt less good about their wives.²⁷

This research provides clues to a more general hypothesis. Television creates discontent by bombarding us with images of body shapes, riches and goods we do not

have. It does this both in TV drama and in advertisements. Among the most impressionable viewers of advertisements are young people – and it is them the advertisers target most assiduously. Because all children see the same advertisements, they must all have the same thing in order to keep up with the Jones'. That pressure, which is deep in human nature anyway, is inevitably increased through television. In Norway and Sweden advertising directed at children under 12 is banned. Why not elsewhere? And why should advertising not be limited to the provision of information?

EQUALITY

Finally let me revert to the theory of public economics. The proponents of that theory from James Meade onwards insisted bravely that utility was measurable, for without such a notion it is impossible to consider the question of the optimal distribution of income. They assumed that extra income was more valuable to the poor than to the rich. But they were unable to produce empirical evidence in support of this. We can now do so. For example using Eurobarometer, to compare individuals, one can show that the marginal utility of relative income diminishes sharply as income rises.²⁸ Equally, using the World Values Survey to compare countries, John Helliwell has estimated that increases in average income only raise average happiness in countries below around \$15,000 per head.²⁹ So here we have strong arguments for reducing the inequality of incomes both within and across countries. And these arguments are reinforced by the low excess burden of taxation, which I discussed earlier.

SUMMARY

So what have I been saying?

1. If my income rises I am happier, especially in the short term.
2. But this makes others less happy and the effect on me fades in ways I did not foresee.
3. So corrective taxation is needed if my work-life balance is to be efficient. This should be a key doctrine in the Third Way.
4. We ought not to encourage income comparisons and the zero-sum struggle for rank.

5. External incentives can undermine our internal motivation to do good work.
So PRP should be used only with care.
6. Advertising should be controlled, especially towards children.
7. We should redistribute income towards the poor.

LOOKING FORWARD

Finally let me set the scene for tomorrow, when I shall look at all the other factors which affect happiness, and their policy implications. In designing policy our aim is to choose policies which maximise the sum of happiness, subject to our causal model and the limitations of our initial resources.

Causal model

Happiness depends on Genes, Experience, and Situation

Experience depends on Genes, Background, National resources, and Policies

Situation depends on Ditto

(Policies include economic system; education system; health system; moral system; laws about family, work, advertising etc.)

As you can see, I've included the genes at every stage in this approach, because I don't want you to think I believe it's easy to make people happier. So let me end this lecture with a word about the role of the genes.

GENES

We all know from comparing siblings that people are born different, and these differences are then amplified by subsequent experience. So our happiness depends on our genes **and** our experience (past and present). Any social reformer has to be mainly interested in the role of experience since that is all that we can change. But we will never understand that bit unless we understand the complete reality, and the complete reality includes a strong role for the genes.

Table 2
Correlation of well-being
across pairs of twins

	Identical	Non-identical
Raised together	.44	.08
Raised apart	.52	-.02

So here is a typical finding, drawn from the Minnesota study of middle-aged twins. For each pair of twins the researchers knew whether they were identical or non-identical, and whether they were brought up together or separated soon after birth. There were thus four groups (see Table 2). Each person was tested for their level of well-being using the Multi-dimensional Personality Questionnaire (MPQ).³⁰ Within each group the researchers then correlated the well-being of one twin with that of the other. The correlations were above .4 for identical twins and roughly zero for non-identical twins – and whether the twins were separated at birth or not made little difference to the correlation.

I think it is important for parents to recognise that a part of our nature arises in this way, and it is even more important in the case of mental illness where we know that heredity plays a major role in schizophrenia and in depression, especially in manic-depression. Those like Ronnie Laing who have blamed the behaviour of parents for everything that goes wrong have greatly added to the unhappiness of the world.

Having said that, I want to make an extremely basic point. If happiness depends on genes and environment and the average environment improves, average happiness increases but the standard measure of heritability may be unaffected. For heritability looks at the variation of individual happiness around the average, and then measures the extent to which this variation can be explained by the genes. If a better environment made everybody happier, heritability might remain just as high as before. But everybody's life would have improved. This is exactly what has happened with height. In the last century average height has increased by many inches. But as far as we know the heritability of height has changed little. Even if the heritability of happiness continues to be quite high, it says nothing about what we might be able to do to the

average level of happiness, provided we focus on what we can change, rather than on what we cannot.

That's what I shall talk about next time. I believe there's a great deal we can do and I shall end with a rousing defence of the view that the good of our society should indeed be the happiness of all.

References

- Ashenfelter, O. and Layard, R. (1983) 'Incomes policy and wage differentials', Economica, May.
- Blanchflower, D.G. and Oswald, A.J. (2000) 'Well-being over time in Britain and the U.S.A', mimeo, University of Warwick.
- Blanchflower, D.G. and Oswald, A.J. (2000a) 'Is the UK moving up the international well-being ranking?', mimeo.
- Brickman, P., Coates, D. and Janoff-Bulman, R. (1978) 'Lottery winners and accident victims: is happiness relative?', Journal of Personality and Social Psychology, 36, 8: 917-927.
- Clark, A. (1999) 'Are wages habit-forming? Evidence from micro data', Journal of Economic Behaviour and Organisation, 39, 179-200, June.
- Clark, A. and Oswald, A. (1986) 'Satisfaction and comparison income', Journal of Public Economics, 61, 359-81.
- Deci, E.L. and Ryan, R.M. (1985) *Intrinsic motivation and self-determination in human behaviour*, New York: Plenum Press.
- Di Tella, R., MacCulloch, R. and Layard, R. (2002) 'Income, happiness and inequality as measures of welfare', mimeo.
- Frank, R. (1999) *Luxury Fever: Why Money Fails to Satisfy in an Era of Excess*, New York: N.Y. Free Press.
- Frey, B.S. and Oberholzer-Gee, F. (1997) 'The cost of price incentives: an empirical analysis of motivation crowding-out', American Economic Review, 87 (4): 746-55.
- Helliwell, J. (2001) 'How's life? Combining individual and national variables to explain subjective well-being', NBER Working Paper.
- Hennigan, K.M. et al (1982) 'Impact of the introduction of television on crime in the U.S.: empirical findings and theoretical implications', Journal of Personality and Social Psychology, 42, 461-79.
- James, O. (1998) *Britain on the Couch*, London: Arrow Books.
- Kenrick, D.T. et al (1989) 'Influence of popular erotica on judgments of strangers and mates' Journal of Experimental Social Psychology, 25, 159-67.
- Kenrick, D.T. Montello, D.R., Gutierrez, S.E., and Trost, M.R. (1993) 'Effects of physical attractiveness on affect and perceptual judgments: When social comparison overrides social reinforcement', Personality and Social Psychology Bulletin, 19, 195-199.
- Lane, R.E. (2000) *The Loss of Happiness in Market Economies*, New Haven and London: Yale University Press.
- Layard, R. (1980) 'Human satisfactions and public policy', Economic Journal.
- Layard, R. (2002) 'Rethinking public economics: implications of rivalry and habit', Centre for Economic Performance, LSE, mimeo.

- Loewenstein, G., O'Donoghue, T. and Rabin, M. (2000) 'Projection bias in predicting future utility', mimeo, March.
- Loewenstein, G. and Schkade, D. (1999) 'Wouldn't it be nice? Predicting future feelings', in Kahneman et al (1999).
- Lykken, D. and Tellegen, A. (1996) 'Happiness is a stochastic phenomenon', *Psychological Science* 7 (3), May.
- McGuire, M.T. et al (1993) 'Life-lasting strategies, adaptive variations and behaviour-physiologic interactions: the sociophysiology of vervet monkeys', in Barchas, P. *Sociophysiology*, New York: Oxford University Press.
- Neumark, D. and Postlethwaite, A. (1998) 'Relative income concerns and the rise in married women's employment', *Journal of Public Economics*, (70), pp.157-183.
- Pinker, S. (2002) *The Blank Slate*, Penguin.
- Rainwater, L. (1990) 'Poverty and equivalence as social ??', Luxembourg Income Study Working Paper 55.
- Redelmeier, D.A. and Singh, S.M. (2001) 'Survival in academy award-winning actors and actresses', *Ann Intern Med* 134, 955-62.
- Runciman, W.G. (1966) *Relative Deprivation and Social Justice*, Harmondsworth: Penguin.
- Seligman, M. (2002) *Authentic Happiness*, New York: Free Press.
- Smith, D.J. (1995) 'Living conditions in the twentieth century', in Rutter, M. and Smith, D.J. (eds) *Psychological Disorders in Young People*, London: John Wiley.
- Solnick, S.J. and Hemenway, D. (1998) 'Is more always better? A survey on positional concerns', *Journal of Economic Behaviour and Organisation*, 37, pp.373-383.
- Titmuss, R.H. (1970) *The Gift Relationship*, London and New York: Allen and Unwin.
- Van Praag, B. and Frijters, P. (1999) 'The measurement of welfare and well-being: the Leyden approach', in Kahneman et al (1999).
- Williamson, R.G. (1996) *Unhealthy Societies*, London and New York: Routledge.

Lecture 3

What would make a happier society?

Not long ago I was asked to speak at a seminar in the Treasury and to answer the following question, “What difference would it make if we really tried to make people happier?”¹ To my mind that is exactly the right question, so let me share with you my rather inadequate answer. In particular I want to bring out where it differs from the normal answers given by economists, especially from bodies like the OECD.

My main message will be that happiness depends on a lot more than your purchasing power. It depends on your tastes, which you acquire from your environment – and on the whole social context in which you live. So, when we evaluate policies which increase purchasing power, we absolutely must take those other effects into account. Finally I shall come back to the question of our objectives and say why I think Bentham was right and the greatest happiness should be the agreed goal of our society.

SOME EVIDENCE

Let me start with the evidence on what makes people happy. Of course this is still very partial, but there have been huge strides by psychologists and by some economists like Andrew Oswald who has been a major figure in this field, beginning in our Centre and now at Warwick.

Most of the research points to 7 main factors, which I have listed here in no particular order (Figure 1). They are income, work, private life, community, health, freedom, and a philosophy of life. We discussed the significant but limited impact of income yesterday, and today I want to compare the effect of other factors with that of income. This table (Table 1) is based partly on Andrew Oswald’s work on the Eurobarometer data but mainly on a paper by John Helliwell which used the World Values Surveys of 1981, 91 and 96, which cover 90,000 individuals in 46 different countries. Where the two surveys overlap, they give broadly similar results.

The idea of the table is quite simple. We measure a person’s happiness and then we try to explain it by a whole battery of facts about their situation. In each row of the table we are measuring how each factor affects happiness, others factors being held constant.² To think about the size of these effects, we compare the size of each effect

with the effect of income. So, we choose the units of happiness so that, when family income falls by a third relative to average income, happiness falls by 1 unit.

Table 1
Effects on happiness

	Fall in happiness (index)
Income	
Family income down 33% relative to average	1
Work	
Unemployed (rather than employed)	3
Job insecure (rather than secure)	1.5
Unemployment rate up 10 percentage points	1.5
Inflation rate up 10 percentage points	0.5
Family	
Divorced (rather than married)	2.5
Separated (rather than married)	4.5
Widowed (rather than married)	2
Health	
Subjective health down 1 point (on a 5-point scale)	3

Source of all rows except 3-5: Helliwell (2001), Equation 2. To find the effect of a 33% decrease in family income I assume that we move from the 6th decile group to the 4th decile group – (correct for the UK, see O.N.S. Economic Trends, April 2000, p.62).

Source of row 3: Blanchflower and Oswald (1999), Table 7. V. approximate.

Source of rows 4-5: Di Tella, MacCulloch and Layard (2002).

Compared with this, let's start with the effect of personal unemployment, excluding any effect coming through lower income. As you can see, there is a very large non-income effect of unemployment. For people in work there is also a big effect of job insecurity, in the next row. And in the row below that we can see that a rise in general unemployment is deeply disturbing, even if you're not unemployed yourself – and more disturbing than an equal percentage point rise in inflation.

Moving on to the influence of private life, our family variables here are a poor proxy for troubled private lives and there is certainly **some** reverse causality – with unhappy people being more likely to divorce. Even so these are huge numbers and confirm how important family influences are, when compared with income. So is the health of the individual. Moreover, as we know from yesterday, if society **as a whole** decreased its income by a third, the happiness of each individual would not fall by 1 unit but by less, due to the fact that everyone was suffering together. So you can see just how important these other influences are.

I think the table is really informative and it is confirmed by other studies using different data. Notice that none of the findings could have been obtained by the standard method of economics, which is to infer valuation from behaviour (via so-called revealed preference). Nor would they have been obtained by the normal psychological method of asking hypothetical questions about how people would value changes. Instead they reflect the most obvious and direct way of establishing what causes X – namely to measure X in this case happiness and see what factors influence it.

POLICY IMPLICATIONS

The findings are pretty devastating in their policy implications. Let me begin with policies towards work.

Work, job security and stress

Whichever country you study, unemployment is for most people a major disaster. This comes not only from comparing people who are currently employed and unemployed, but also from looking at the same people as they move from employment to unemployment, and back again. It is a disaster similar to marriage break-up – in each case you cease to be needed.

This is in marked contrast to the assumptions of many economists who consider the main loss from unemployment to be the loss of income to society as a whole, adjusted downwards for the value of increased leisure. But our analysis shows the huge psychic impact of unemployment on the unemployed person, on top of whatever income the unemployed person loses. That is why low unemployment should be a key goal for any government. It also means that almost any job is better than no job. That is something which you are not allowed to say in France or Germany at present, but the evidence supports it. That is why I believe strongly in welfare-to-work.

If unemployment is such a disaster, it is also not surprising that, even when people are in work, they are much happier if they feel their job is secure. Yet there are powerful voices arguing that we cannot afford to offer the job security which we once thought reasonable. At OECD flexibility is the name of the game. But how can we not afford security now that we are richer, when we could afford it when we were poorer?

One possible answer is that employment protection was bad for employment in the past as well as now. But the majority of economists dispute that. A second answer

could be increasing globalisation, which is supposed to have reduced the potential for stable employment. But, as a matter of fact, in the British workforce as a whole, job tenures are as high as they ever were. And, as a matter of principle, a country can always accept lower real wages if that is the price of the security we would prefer.

This choice is not however open to an individual since, if he asks for more security in return for a lower wage, it casts doubt on his willingness to work. So collective action (including legislation) to provide reasonable job security is an important element of a civilised society. But most Americans still consider that European labour relations are far too gentlemanly. It is not surprising that Europeans want to keep their own way of doing things, especially when Continentals north of the Mediterranean have achieved US hourly productivity without US levels of insecurity.

There is also the question of the pace of work. In order to improve performance, workers are under increasing pressure to achieve targets. This is leading to increased stress. For example in 1996 the Eurobarometer survey asked employed people in every country whether in the last 5 years there had been a “significant increase in the stress involved in your job”. Nearly 50% said Yes, it had increased, and under 10% said it had diminished. Figures for Britain were similar to the European average.

Some might argue that this is the pace of work which people have chosen. But not all options are in practice available. For example US lawyers now work harder than they used to, and a survey of associates in US law firms showed that they would like to work shorter hours for less pay. But the problem of the lemon is at work again – the person who first proposes this is felt to show lack of commitment. And the partners in the firm are in fact using work hours as a test of other qualities which they cannot observe.

So we need a new approach to the work-life balance. I discussed a part of this strategy yesterday – it is the simple mechanism of taxation. But we also need a change in cultural priorities, so that performance (i.e. GDP) is put into its proper place.

And how should we regard the standard OECD view that we need more entrepreneurship and risk-taking? Such statements are of course contrary to standard economic theory, which says that no one set of tastes is better than any other. What is however clear is that for most people the desire for security is a central part of their nature. That is why we set up the Welfare State and introduced stabilisation policy in every advanced country. Of course mistakes have been made, and in many countries

income is guaranteed to people even if they ignore the work that is available. But, as we become richer, it must be mad if, at the same time, we become less secure and more stressed. Both security and a quiet mind are normal goods, which should be increased (not decreased) as people become richer.

Yet the Anglo-American elite glorify novelty. Nothing is good unless “innovative”. Civil servants gaily reorganise every public service, oblivious of how each reorganisation destroys a major channel of personal security and trust. I believe we have a lot to learn from “old Europe”, where the value of stability is better understood.

Secure families and communities

Turning to security in the family and the community, I am no expert. I want to discuss only one factor – geographical mobility. This illustrates the problem which arises when policies are adopted because they increase GDP, even though they may have other effects on happiness which are negative. Economists are generally in favour of geographical mobility since it moves people from places where they are less productive to ones where they are more productive. But clearly geographical mobility increases family break-up and criminality.

If people live where they grew up, close to their parents and their old friends, they are probably less likely to break up. They have a network of social support, which is less common in more mobile situations.

Similarly, if people are highly mobile, they feel less bonded to the people among whom they live, and crime is more common. The evidence shows that crime is lower when people trust each other and that people trust each other more if fewer people are moving house and the community is more homogenous. These are really important findings. For, if we look at the failures of modern societies, the growth of crime is surely the most obvious failure. And in some countries it is closely linked to a decline in trust, to which I shall return. Similarly, mental illness is more likely if you live in an area where your group is in the minority than if you live where your group is in the majority. If mobility has this cost, it should be taken into account before Europeans are urged to match US levels of geographical mobility, or indeed immigration.

Mental and physical health

Let me then move to a more individual condition - health. Self-reported health is strongly related to happiness. But there is the standard selectivity problem here, and

objective measures of health are much less closely correlated with happiness except in cases of severe chronic pain. One conclusion is that the social arrangements for health care should be taken very seriously, relative to the targets for objective health. But, more important, mental health is the health variable that is much the most closely related to happiness. Most of the worst unhappiness is caused by mental disorders, especially depression and schizophrenia.

It is a complete scandal that we spend so little on mental health. Mental illness causes 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 and 5% of the MRC budget. Roughly 25% of us experience serious mental illness during our lives, and about 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.

Indeed in OECD countries since the War the single most striking improvement in human happiness has been among those who suffer from schizophrenia and depression, who were untreatable before the War and can now be helped. So at this point let me speculate somewhat wildly. Even already, after only 50 years of research, many people are helped by Prozac to “feel themselves” rather than some sub-standard person that they only half recognise. As drug research advances, it would be surprising if more and more people could not be helped to be what they feel is the real them.

Political and personal freedom

What about the bigger community – the system of government and laws under which we live? From our earlier comparison of countries it was obvious that people hated Communism, even apart from its effect on income. The finding is confirmed econometrically in Table 2 which continues the multiple regression analysis which began in our first Table. The index of political standards here involves a measure of the standard of governance in six different dimensions, and the result shows a huge difference in happiness associated with a government like that of post-Communist Hungary as compared with still-Communist Belarus. There are at least three dimensions to freedom: political influence (on government policy); personal freedom

(eg free speech); and economic freedom (to do business). All three are at work in these inter-country results.

A recent study of political democracy has produced remarkable results. Bruno Frey has compared happiness in those Swiss cantons with the **most** frequent referenda with happiness in those Swiss cantons with the **least** frequent referenda. The resulting difference in happiness is roughly equal to the effect of a doubling of income.¹³ This has obvious implications for the rebirth of local democracy.

Table 2
Effects on happiness (continued)

	Rise in happiness (index)
Income	
Family income up 50% relative to average	1
Freedom	
Quality of government improves Hungary 1995 rather than Belarus 1995	2.5
Religion	
“God is important in my life” You say Yes, holding church attendance constant	2
Trust	
“In general, people can be trusted” You say Yes, not No Others saying Yes rise 50 percentage points	1 0.8
Morality	
Tax morality – “Cheating on taxes is never justifiable” You say Yes, not No Others saying Yes rise 50 percentage points	1 0.7

Source: Helliwell (2001), Equation 2. To find the effect of a 50% increase in family income I assume that we move from the 4th decile group to the 6th decile group.

Conclusions so far

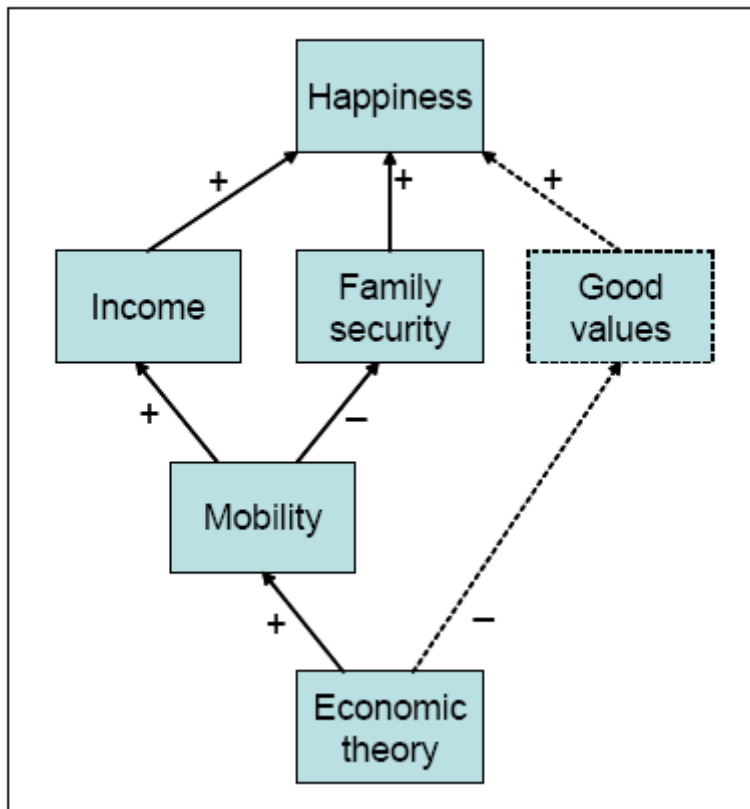
So before I come to values, let me summarise the main policy points I have made in this and the preceding lecture.

1. Self-defeating work should be discouraged by suitable taxation.
2. Producers matter as much as consumers. They should be incentivated more by professional norms and not by ever more financial incentives.
3. We should not promote the search for status, and we should limit dysfunctional advertising.
4. Income should be redistributed towards where it makes most difference.
5. Secure work should be promoted by welfare-to-work and reasonable employment protection. Secure pensions may require a state earnings-related scheme.
6. Security at home and in the community will be reduced if there is too much geographical mobility.
7. Mental health should receive much higher priority.
8. We should actively promote participatory democracy.

But there is also a more general conclusion about the limited power of economics to resolve policy issues on its own. Almost any policy that affects income also affects happiness through non-income channels, which need to be taken into account in any proper cost-benefit analysis. For example in Figure 1 mobility raises income which increases happiness. But it may also reduce the security of families and communities and thus reduce happiness. We cannot have good policy unless we have a major programme of quantitative research on the size of all the non-income channels affecting human welfare. Economic theory cannot have the only say, as it does in this diagram.

And then there is a second point about the effect of economic theory – via its effect on values. Economic theory assumes that people are normally selfish. As I shall show, such teaching can adversely affect people's values, and people's values have a major influence on the happiness of society. I want to end these lectures by discussing the role of values.

Figure 1



A PHILOSOPHY OF LIFE

Mood control

There are two aspects to a philosophy of life – how you interact with yourself and how you interact with others. Obviously people are happier if they are able to appreciate what they have, whatever it is; and if they do not always compare themselves with others; and if they can school their own moods. I think David Goleman is right about emotional intelligence: it exists and it can be taught by parents and teachers.¹⁴ You probably know Sir Henry Wootton’s description of the happy man, which ends:

That man is freed from servile bands
Of hope to rise or fear to fall,
Lord of himself though not of lands,
That having nothing yet hath all

But the clearest statement I know is in Victor Frankl’s book on Man’s Search for Meaning when he wrote about his experiences in Auschwitz and concluded that

(quotes) “everything can be taken from a man but one thing, the last of human freedoms – to choose one’s attitude in any given set of circumstances”.

Different people have different ways of disciplining their minds and their moods – from cognitive therapy, to Buddhist mindfulness, to the 12 Steps of Alcoholics Anonymous, to the spiritual exercises of St Ignatius. People find comfort from within, in all sorts of ways, but these generally include some system of relying for help on the deep positive part of yourself, rather than on the scheming ego.

Some people call this God, and Table 2 reports one of the most robust findings of happiness research: that people who believe in God are happier. But no research has sorted out how far belief causes happiness or how far happiness encourages belief, and in any case no one should believe if it goes against their reason.

Relations with others

So happiness depends on how you interact with yourself, but it also depends on how you interact with others, and on how you perceive them. People are much happier if they feel they live in a friendly and harmonious world. In many countries surveys have regularly asked, ‘Would you say that most people can be trusted? – or would you say that you can’t be too careful in dealing with people?’¹⁶ As Table 2 shows, those who say they trust people are happier. In addition people are happier when surrounded by people who are trusting.

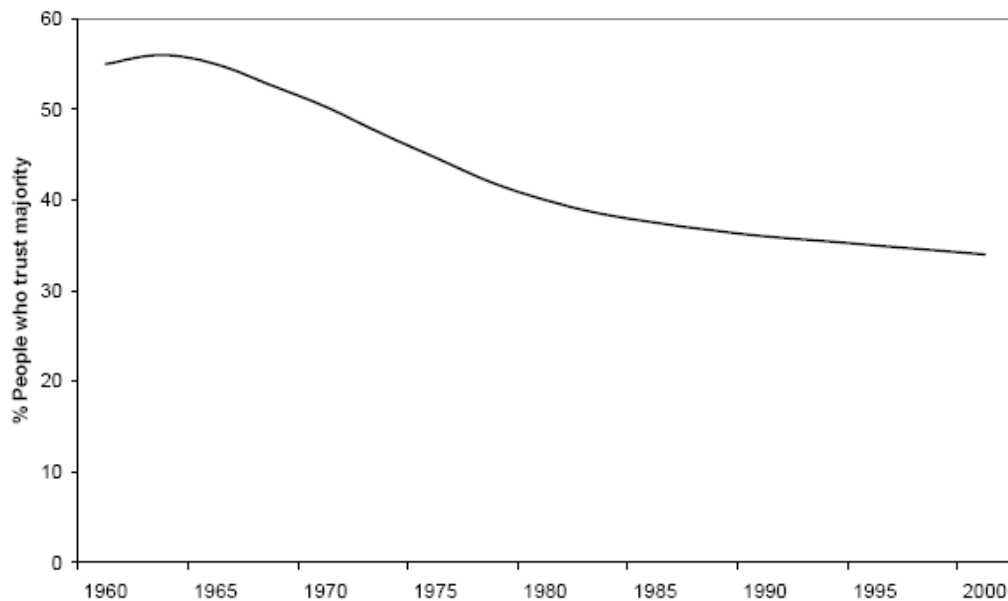
Yet, depressingly, on these measures trust has been declining sharply in both the US and Britain. Here are the figures.

Table 3
Percent who think most people can be trusted (Britain)

1959	56
1981	43
1995	31

Source: Hall (1999), p.432 and World Values Survey 1995.

Figure 2
% who say “most people can be trusted”, US



Source: Putnam (2000) p.140.

They show that in Britain in the late 1950s near 60% of people felt that most other people could be trusted. By the 1990s this had fallen to around 30%. There was a similar fall over the same period in the US.

I do not want to sound like an old fuddy duddy, and certainly not to be one. And there have always been Cassandras who said that things are going to pot. But the following evidence seems to me to be extremely important. In 1952 half of all Americans thought people led “as good lives – moral and honest – as they used to”. So there was no majority for the view that things are going to pot. But by 1998 there was a 3-to-1 majority for precisely that view.

Table 4
**% saying that people lead “as good lives –
moral and honest – as they used to”, US**

1952	51
1965	43
1976	32
1998	27

What has caused these changes is not at all clear. Increased mobility and increased family break-up may have contributed. But there were surely intellectual influences, especially through the assumptions which people imbibe in childhood. In this context it is interesting that the downward trend in trust in the US is not because individual people have become less trustful over their lifetime – but because each generation has started their adult life less trustful than their predecessors did.¹⁹ This suggests that we urgently need to reinforce moral education in the curriculum of our schools. But what moral philosophy should we espouse?

The moral vacuum

If we look at the last hundred years, the most obvious change in our ideas has been the decline in religious belief, caused by the progress of Darwinian science. This removed the sanction of the after-life. However for some time the effect of this change was masked by the rise of socialism or quasi-socialism as a moral code involving mutual obligation. But the failure of socialism-in-action left a vacuum which has been filled by relatively untrammelled individualism.

As Robert Putnam has documented, this individualism has become the dominating ideology in Western culture since the late 1970s. Economists support it by the Smithian argument that the pursuit of self-interest will lead via the invisible hand to the social optimum. All that society has to do in the extreme model is to establish property rights and a strong legal framework.

Yet all our experience shows that this is wrong – that contracts cannot be specified fully enough and courts cannot operate efficiently enough to produce good outcomes, unless most people already have a taste for good behaviour. More important, the pursuit of individual self-interest is not a good formula for personal happiness. You will be happier if you also obtain happiness from the good fortunes of others. In fact the doctrine that your main aim must be self-advancement is a formula for producing anxiety.

In this context the role of economics teaching is truly problematic. We tell people that they are selfish and it is not surprising that they become more so. Robert Frank asked students at Cornell whether they would report it if they were undercharged for a purchase, and whether they would return a lost addressed envelope which contained \$100. They were asked in September and again in December after one term's work. Students who took introductory economics became less honest, while astronomy students became more honest, and the difference was significant. Similarly, when playing the Prisoners Dilemma game, economics students were less likely to cooperate than other students and the gap widened the longer people studied economics. As time passes, economics teaching is seeping increasingly into our culture. This has many good results but also the bad one, of justifying selfishness.

BACK TO BENTHAM

So we are in a situation of moral vacuum, where there are no agreed concepts of how unselfish a person should be, or of what constitutes a good society. I want to suggest that the right concept is the old Enlightenment one of the greatest happiness. The good society is the one where people are happiest. And the right action is the one which produces the greatest happiness.

This is not a currently fashionable view among philosophers. But they do not offer any alternative overarching theory which would help us to resolve our moral dilemmas. Instead they support various separate values: promise-keeping, kindness, truthfulness, fairness and so on. But what do we do when they conflict? What should I do if I have promised to go to my daughter's play and my father is taken to hospital – keep my promise or be kind to my father? I see no way in which conflicts between principles could be resolved without reference to some overarching principle. And that principle would surely focus on the feelings of the people affected. The question is how strongly each of them would feel if I did not turn up.

As I see it, moral philosophy is not about a limited set of moral dilemmas, but about the whole of life – how each of us should spend our time and how society should allocate its resources. Such issues cannot be resolved without an overarching principle. ‘Do as you would be done by’ might seem to be one such principle but it provides little guidance on how the state should treat anyone, be he a criminal, a minor or a taxpayer. And, even in private morality, it seems to require an excessive disregard of the person one knows best, which is oneself.

So I want to propose the principle of the greatest happiness. First let me deal with some of the objections and then attempt to justify the principle.

Some people object that the concept of happiness is too vague or too hedonistic – which I hope I dealt with in the first lecture. Others object to the fact that actions are judged only by their consequences, as if this meant that the nature of the action itself is immaterial. But of course the feelings produced at the time of the action are as much a part of its consequences as the whole stream of feelings thereafter. Others argue that you cannot become happy by trying, so it is inconsistent to consider happiness the goal. Even if it were true, it is a non-sequitur since we have all kinds of goals that can only be pursued indirectly. And finally there is the argument that utilitarianism does not imply any basic rights, which I would deny since people become so miserable without them while the rest of society gains less.

If the critics offered a convincing alternative ideology for public and private morality, we could argue about which was better. But, since none is offered, we have the choice between a society with no comprehensive philosophy or one that embraces utilitarianism.

Even so, why **should** one accept the utilitarian objective? I would base it on 5 propositions, which show that it is a logical development of our nature. Let me state the propositions first and then try to justify them at more length.

1. It is in our nature to want to be happy. On Monday I explained how this acts as a basic motivational mechanism, which has led to our survival.
2. We also want our relatives to be happy, a parent’s love being the strongest example.
3. As regards relationships outside the family, humans are innately sociable and in varying degrees helpful to each other. We know genes are involved in this

because twin studies show that the trait of cooperativeness is partly heritable.

This trait provides the emotional support for the development of a moral theory.

4. So does our next trait, which is an inbuilt sense of fairness, which requires at the very least the equal treatment of equals.
5. To these ingredients we bring the power of reason, which reasons about moral issues in much the same way that it reasons about the working of the natural world. In both cases it seeks a unified theory. In natural science this has paid off handsomely and made us masters of the earth. In moral philosophy there has been less progress but, if we persevere, we surely have a chance to better master ourselves.

Let me end this lecture by discussing these various steps.

Man's partial unselfishness

Humans naturally seek the good of more than themselves. At least they seek the good of their kin. But fruitful enterprises with non-relatives also require cooperation. Natural selection will punish those who cannot cooperate with others, and who instead seek only their short-run gain. So natural selection will select cooperative people, and it will also select those societies which educate their people to be cooperative.

It's convenient to discuss this in the standard context of the Prisoners' Dilemma, involving two people. If we both cooperate, we both do better than if we are both selfish. But how can I ensure that, if I cooperate, you do not cheat? In a series of simulations Axelrod showed that, if I had to deal with you a lot, whatever strategy you followed, I would on average do best to follow Tit for Tat. This means that I would start off cooperating but, if you acted selfishly, so would I, until you started cooperating again, when I would then again cooperate. Thus, in the struggle of life, people would do best who were initially cooperative, but also ready to protect their back.

We humans are roughly that sort of people and this could well be because natural selection operated like a series of Axelrod's simulations, from which people with our kind of strategy emerged victorious. In the lingo of geneticists Tit-for-Tat is an evolutionary stable strategy which will see off personality types who operate differently.

However our instincts for interacting with each other have also been **refined** by upbringing and the values we have been taught. And the result of this joint product of nature and nurture is that we cooperate to an important extent because it makes us

feel better. Here is a little evidence from an experiment in which people's brains were monitored while playing the Prisoners' Dilemma game. When they made cooperative moves in the game, their brains showed the standard signs of pleasurable activity, and not otherwise. And this happened before they knew the outcome of the game and whether the other player had cooperated. To that extent virtue is its own reward.

Notice that I am not here talking about reciprocal altruism – giving favours in expectation of favours returned. I am talking about something that goes beyond that, and explains why we help many people we will never meet again. We tip taxi-drivers, vote in elections and even dive after drowning people that we do not know. These social feelings are deep inside us and can even lead us to sacrifice our lives. But they have survived the stringent test of natural selection because people who are made like that are liked by other people and used for rewarding activities. They are liked because they do not always calculate.

That said, we do also watch our back. In repeated interactions with people we withdraw cooperation if they behave badly. And in one-off interactions, we take care to find out about the person's previous reputation.

So people who behave badly do generally get punished, and good behaviour springs not only from natural sociability but also from the fear of being caught. Both are necessary since natural sociability is not universal. But natural sociability should not be underestimated – and it can of course be encouraged further by good moral education, provided there is a clear moral philosophy to be taught.

So now we come to the conscious formulation of our morality. We seem to have an inherited instinct for fairness, as shown by a whole host of psychological experiments and by the existence of the concept in every known human society. So if we value our own happiness, it is only fair if we value equally the happiness of others. This is harder for some people to do than for others and it is certainly easier the more naturally benevolent we are. But, stepping outside ourselves, it seems extremely natural to say that the best state for society is where the people are happiest – each counting for one. And, going on, right actions are those which promote that state of society.

You could of course argue that rather than look for a clear philosophy we should just stick with our various different moral intuitions. But that was not the way we progressed in our understanding of nature. We did not stick with our partial intuitive concepts of

causality. We sought desperately for a unified theory which could cover all kinds of disparate phenomena – the fall of the apple **and** the rotation of the moon, and so on. It is surely in our nature to make moral progress by the search for an overarching moral principle, and by its widespread adoption.

I do believe such progress is possible. In the West we already have a society that is probably as happy as any there has ever been. But there is a danger that Me-First may pollute our way of life, now that divine punishment no longer provides the sanction for morality. If that happened, we should all be less happy. So we do need a clear philosophy. The obvious aim is the greatest happiness of all – each person counting for one. If we all really pursued that, we should all be less selfish, and we should all be happier.

So my conclusion is: bully for Bentham. Let me end with these words from a birthday letter which he wrote shortly before he died to the daughter of a friend. He wrote: 'Create all the happiness you are able to create: remove all the misery you are able to remove. Every day will allow you to add something to the pleasure of others, or to diminish something of their pains. And for every grain of enjoyment you sow in the bosom of another, you shall find a harvest in your own bosom; while every sorrow which you pluck out from the thoughts and feelings of a fellow creature shall be replaced by beautiful peace and joy in the sanctuary of your soul'. I call that pretty good advice.

References

- Alesina, A. and La Ferrara, E. (2000) 'Participation in heterogeneous communities', Quarterly Journal of Economics, vol.115 (3): 847-904.
- Axelrod, R. (1984) *The Evolution of Cooperation*, New York: Basic Books.
- Blanchflower, D.G. and Oswald, A. (1999) 'Well-being, insecurity and the decline of American job satisfaction', NBER Working Paper.
- Blanchflower, D.G. and Oswald, A. (2000) 'Is the UK moving up the international wellbeing rankings?', NBER Working Paper.
- Brief, A.P., Butcher, A.H., George, J.M. and Link, K.E. (1993) 'Integrating bottom-up and top-down theories of subjective well-being: the case of health', Journal of Personality and Social Psychology, 64, 4, 646-653.
- Di Tella, R., MacCulloch, R.J. and Oswald, A.J. (2002) 'The macroeconomics of happiness', Warwick Economic Research Papers Department, No. 615.
- Di Tella, R., MacCulloch, R.J. and Layard, R. (2002) 'Income, happiness and inequality as measures of welfare', Working Paper.
- Frank, R.H., Gilovich, T. and Regan, D.T. (1993) 'Does studying economics inhibit cooperation?', Journal of Economic Perspectives, 7 (2): 159-171.

- Frank, R.H., Gilovich, T. and Regan, D.T. (1996) 'Do economists make bad citizens?', Journal of Economic Perspectives, 10 (1): 187-192.
- Frankl, V. (1985) *Man's Search for Meaning*, New York: Basic Books.
- Frey, B. and Stutzer, A. (2002) *Happiness and Economics*, Princeton and Oxford: Princeton University Press.
- Glaeser, E.L. and DiPasquale, D. (1999) 'Incentives and social capital: are homeowners better citizens?', Journal of Urban Economics, vol.45 (2): 354-384.
- Glaeser, E.L., Laibson, D.I., Scheinkman, J.A. and Soutter, C.L. (2000) 'Measuring trust', Quarterly Journal of Economics, 115 (3): 811-846.
- Goleman, D. (1996) *Emotional Intelligence: Why It Can Matter More Than IQ*, London: Bloomsbury Publishing.
- Halpern, D. (2001) 'Moral values, social trust and inequality', British Journal of Criminology, 41: 236-251.
- Halpern, D. and Nazroo, J. (1999) 'The ethic density effect: results from a national community survey of England and Wales', International Journal of Social Psychiatry, Vol.46, No.1, pp.34-46.
- Helliwell, J. (2001) 'How's life? Combining individual and national variables to explain subjective well-being', NBER Working Paper No. w9065.
- Landers, R.M., Rebitzer, J.B. and Taylor, L.J. (1996) 'Rat race redux: adverse selection in the determination of work hours in law firms', American Economic Review, 86 (3): 329-348.
- Nesse, R. (2002) (ed.) *Natural Selection and the Capacity for Commitment*,
- Nickell, S. and Layard, R. (1999) 'Labor market institutions and economic performance', in Ashenfelter, O. and Card, D. (eds), Handbook of Labor Economics, vol.3, 3029-3084.
- Putnam, R. (2000) *Bowling Alone*, New York: Simon and Schuster.
- Rhoads, S.E. (1985) *The Economists View of the World*,
- Rilling, J.K., Gutman, D.A., Zeh, T.R., Pagnoni, G., Berns, G.S. and Kilts, C.D. (2002) 'A neural basis for social cooperation', Neuron, Vol.35, 395-405.
- Seligman, M. (2002) *Authentic Happiness*, New York: The Free Press.
- Sen, A.K. (1999) *Development as Freedom*, World Bank.
- Taylor, R. (2002) 'Britain's world of work – myths and realities', Future of Work Commentary Series, ESRC.
- Winkelman, L. and Winkelman, R. (1998) 'Why are the unemployed so unhappy? Evidence from panel data', Economica, 65: 1-15.
- Wright, R. (2000) *Non-Zero: The Logic of Human Destiny*, New York: Pantheon.

