



European
University
Institute

Max Weber Programme

Max Weber Lecture Series

MWP - LS 2008/09

Social Science and the Causes of Happiness and
Misery

Richard Layard

EUROPEAN UNIVERSITY INSTITUTE
MAX WEBER PROGRAMME

Social Science and the Causes of Happiness and Misery
RICHARD LAYARD

Lecture Delivered 21 May 2008

This text may be downloaded for personal research purposes only. Any additional reproduction for other purposes, whether in hard copy or electronically, requires the consent of the author(s), editor(s). If cited or quoted, reference should be made to the full name of the author(s), editor(s), the title, the working paper or other series, the year, and the publisher.

The author(s)/editor(s) should inform the Max Weber Programme of the EUI if the paper is to be published elsewhere, and should also assume responsibility for any consequent obligation(s).

ISSN 1830-7736

© 2008 Richard Layard

Printed in Italy
European University Institute
Badia Fiesolana
I – 50014 San Domenico di Fiesole (FI)
Italy

<http://www.eui.eu/>
<http://cadmus.eui.eu/>

Social Science and the Causes of Happiness and Misery

RICHARD LAYARD

Centre for Economic Performance
London School of Economics

I have always believed that the best society is the one in which there is the most happiness and the least misery. And the best action among any set of alternatives is the one which produces the most happiness and the least misery. So, to make good choices we have to know the **causes** of happiness and misery. This can only be done through inter-disciplinary research, which is why I was so happy to be asked to give this lecture to the EUI in Florence. I had only one motive for accepting this invitation – to get you to join in the research.

I would like to discuss five questions:

- 1 Why happiness matters and is in fact uniquely important
- 2 How can we measure it
- 3 What causes it
- 4 Implications for policy
- 5 Implications for research

Why Happiness Matters

So why does happiness matter? The **reason** is that everyone wants to be happy. However you might say they also want to be free, to have control over their lives, to be healthy, to achieve things. And you would be right. There are many goods besides

happiness. There is freedom, autonomy, health, achievement and so on. But if you ask people why they want to be free they will give you an explanation – for example they will say that people feel awful if they are unfree, and so on with each of the other goods – except happiness. But if you ask people why it matters if people feel awful you will get no reply. It is self-evident. This is why so many philosophers have identified happiness as the ultimate good, with other goods being instrumental goods, which are good because they are conducive to happiness.

In the ancient world, Aristotle more than anyone else articulated this view. But he got into a logical error. Like anyone else who has thought about these issues he worried about what would happen if everyone sought their own happiness at the expense of others. So he redefined happiness as that kind of good feeling which is conducive to good feelings in others.

This is confusing, and unnecessarily snobbish towards innocent pleasures. Bentham was much clearer. He identified happiness with good feeling associated with any pursuit whatever. However, since the good society is the one with the most happiness and the least misery, you will only have a good society if people care about each other and derive much of their happiness from helping others. But good behaviour is not part of the definition of happiness – it is a cause of it.

Going onto ethics, Bentham argued that people ought to act so as to produce the greatest possible amount of happiness in the world. He did not make any formal justification for making statements about what a person ought to do, and (as we know) it is difficult to justify any ethical propositions. But Bentham's rule is consistent with two important findings of modern psychology. First we now know that there is a sense of fairness which humans inherit in their genes – to varying degrees. This enables us to understand that all people are equally important and we ought therefore to have regard to their feelings. And there is another psychological point: that people who care more about others do on average become happier. These two facts make ethics possible and save us from the conundrum which confused Aristotle.

One final comment on Bentham and the whole utilitarian tradition. Bentham considered the maximand was the sum of happiness. But it is surely more important to increase the happiness of someone who is miserable than of someone who is happy. This should be reflected in our ethical maximand, which brings me to the issue of measurement.

Measuring Happiness

As I have said, happiness is feeling good and wanting that feeling to continue. Misery is feeling bad and wanting that feeling to end. At every moment we are feeling good or bad and what matters is the average of that feeling over our lifetime, rather than the short-term ups and downs. There are of course many causes of feeling good and many different ways of experiencing it. There is joy which is an excited form of happiness, and contentment which is a calmer form of happiness. And so on. But the level of happiness in any state can be compared with any other and so can the level of happiness of different people.

How? First you can ask A how he feels. Then you can ask A's friends how they think A feels. You will find the answers are quite highly correlated – we know quite a lot about each other. Or you can see how A looks through a one-way mirror. Again not a bad correlation. But the real breakthrough has come from neuroscience, when scientists have identified activity in the brain when positive and negative emotions are experienced. The electrical activity in the area is highly correlated with self-reported happiness both in the same individual over time and across individuals. So we can confidently claim that happiness is an objective experience that can be measured (with some error of course).

One of the best reasons for believing these measurements is that we can to a significant extent explain the differences in happiness that we measure.

Causes of Happiness

So what do we know? The last 30 years have seen the development of a new science of happiness, which will in time revolutionise social science and public policy. For, if happiness is the most important thing, it ought to be the central thing we are trying to explain and to influence.

We already know a lot about the causes of happiness. There is of course an important genetic predisposing element. But let me focus on causes coming from experience and the environment. Much of this knowledge comes from a whole series of surveys in which people are asked questions about their happiness and about their circumstances. The surveys include U.S. General Social Survey, European Barometer, European Social Survey, European Quality of Life Survey, World Values Survey and Gallup World Poll. Perhaps most valuable of all are the longitudinal surveys of the same individuals over many years being done in Germany and Britain.

So what do we know? As I'm an economist let me start with income. In my book I begin with a New Yorker cartoon with two American businessmen on a golf course and one says to the other "Researchers tell us money can't buy happiness, but do you know how much money researchers make?". The researchers are half right and half wrong. Of course individuals care about money. But in rich countries it seems that they care very largely about relative income. In my book I identified rich countries as those with more than 20,000 U.S. dollars in purchasing power per head. The main evidence for this is that in the U.S. and Britain happiness has not risen since the 1950s, despite massive increases in income at all points of the income distribution. In continental Europe we can only measure happiness since the early 1970s, using Eurobarometer, and there has been little change in many European countries (though substantial increases in some like Denmark and above all Italy.)

So, to summarise the evidence, when one individual's income increases and other people's stays constant, his happiness increases. But when everyone's income has increased happiness has increased much less or remained unchanged. This is partly because relative income matters more than absolute income and partly because other

factors (above all the quality of human relationships) have worsened. I shall return to that. But first two more points about income.

Of course in poorer countries absolute income is much more important. I said this in my book and it is confirmed by the work of Angus Deaton on the Gallup World Poll data (see his article in the *Journal of Economic Perspectives*) and by the careful paper by Stevenson and Wolfers, (in the *Brookings Papers on Economic Activity*) which is now receiving a lot of attention. These papers focus mainly on the cross-sectional evidence across countries, where again there is no significant correlation between average happiness and income per head for countries above the \$20,000 cut off. Unfortunately neither paper focuses separately on these advanced countries (i.e. those richer than Spain) which have policy problems quite different from those of countries lower in the income scale.¹

So for rich countries economic growth should not be the central objective. Growth will of course go on for ever (if climate change is controlled). It is a manifestation of human creativity. But the policy focus should be on other factors which are more important to happiness – above all on human relationships, which ought not to be sacrificed in the name of economic growth.

If we estimate a happiness equation in any of these surveys the top factor explaining the variance of happiness is the quality of family and close personal relationships. Also very important is having work (if you want it) and the quality of work (relationships with colleagues, job security and so on). Next is relationships in the community, with friends and strangers. A very good index here is the answer which people give to the question ‘Do you think most people can be trusted?’ Countries differ greatly in their answers, with Scandinavian countries coming very high. The most interesting work trying to explain international differences in happiness has been done by John Helliwell² and he finds that variation in trust is extremely important. Health too of course is extremely important – especially a record of mental health which explains more of the variance of happiness within a society than any other single variable.

Policy Implications

Let us come to policy. If happiness rather than wealth-creation is to become the main objective of government policy, this will require some major changes of focus. In Britain there has already been a big shift in the policy debate. Well-being has become a policy issue in every government department, and at the same time the Conservative party leader David Cameron has said that *GWB*, General Well-Being, is a better objective than *GNP*. Likewise the OECD has launched a major programme to redefine our concept of progress. So let me pick on just two issues as illustrations of the new thinking needed.

¹ They do look specifically at all countries above \$15,000 per head but these include countries with very different policy problems. For further evidence on these matters see Layard, Mayraz and Nickell ‘Does relative income matter? Are the critics right?’

² ‘How’s life?’ *Economic Modelling* 20, 331-360, 2003.

1. Mental health.

The first is mental health. A recent article in the *Lancet* journal showed that depression is 50% more debilitating than either diabetes, arthritis, angina or asthma. Yet in Europe and the U.S.A. 95% of people with the latter conditions are in treatment and only roughly a third of people with depression. This reflects quite simply the difficulty we have in taking seriously the subjective inner life of people.

Even though that is their ultimate reality, we find it much easier to deal with hard facts, especially with things you can see. But for any individual their inner feelings are the most real thing there is. Psychologists can now measure the severity of depression in a completely non-controversial way, which shows why we should have such confidence in the parallel measurement of happiness. Last year in Britain the government committed itself to a 6-year programme to provide proper psychological therapy services for everyone with depression and anxiety and one of the key factors of the service will be that a patient's progress is measured at every session of treatment.

However the best remedy for mental illness is to prevent it before it happens. There are well-researched programmes for promoting psychological resilience in school children, which have been shown to halve teenage depression, based on the ideas of cognitive behaviour therapy. Programmes of this kind are being progressively introduced in British schools.

2. Equality

The second issue I want to discuss is equality. Happiness research provides good evidence in favour of redistribution of income. Some of this is presented in a forthcoming special issue of the *Journal of Public Economics*. This shows that if £1 is transferred to a poor person from someone ten times richer, the poor person gains 10 times as much happiness as the rich person loses. The scope for redistribution is of course limited by the inefficiency which results from high marginal tax rates. But happiness research is relevant here too. For if it is relative income which matters, then individuals have an excessive incentive to earn money, since their extra earnings make others feel poorer. To discourage this the efficient marginal tax rate is a lot higher than zero. So we can afford to be more egalitarian than we used to think.

But equality is important in wider ways than just income. Richard Wilkinson has shown the remarkable cross-sectional correlation of inequality with all kinds of bad outcomes. An example is an index of child well-being. In a recent UNICEF report, children in the U.S. and U.K. are found to do worse on a range of indicators than children in any of the other rich countries. These countries also have more children in relative poverty. Does this mean that British and American children who are not poor do alright? It does not. They too suffer compared with other countries. It seems that an ethos which tolerates high inequality also produces other evils. The characteristics of this ethos may be inadequate respect between persons.

Research Implications

I have given you just a flavour of where this research can lead. But I want to make a more major proposition. If our aim is to enable people to lead happy lives, the main purpose of research should be to find the conditions in which that happens. As I see it, happiness is the overarching good and it depends on happy outcomes in many dimensions of life (i.e. family, work, community, income, health and so on) and each of these in turn has its own causality. There is a tree of causality which leads up to happiness, and research gets its significance for its ability to contribute to that map. Moreover, whenever we decide which outcomes to measure, we should always include measured happiness as one of them. It is truly depressing to read the myriads of research papers on children which have looked at their test scores, their crimes, their teenage babies, but their happiness? Not that often. That is what we need to change.

Anthropologists and sociologists should be asking how happy people are. Historians should research how people felt in the past. Lawyers and political scientists should focus on how laws affect happiness. And we economists? We should get back the 19th century vision of Marshall and Edgworth. As Edgworth pointed out, to implement that vision required a hedonimeter. Today the hedonimeter has arrived.