EXECUTIVE SUMMARY

> *'The care of human life and happiness, and not their destruction, is the first and only object of good government' (Thomas Jefferson, a founding father of the United States of America, in 1809).[1]*

> *'The welfare of a nation can…scarcely be inferred from a measure of national income' (Simon Kuznets, Nobel Laureate, a founding father of Gross Domestic Product, or GDP, in 1934).[2]*

Everyone wants to be happy. Over the ages, tracts of the ancient moral philosophers – Plato, Aristotle, Confucius – have probed the question of happiness. The stirring words in the preamble to the Declaration of Independence that established 'Life, Liberty and the pursuit of Happiness' as 'unalienable Rights' served as the inspiration that launched a nation, the United States of America. Yet, more than 240 years later, the relationship between government's objectives and human happiness is not straightforward, even over the matters of whether it can and should be a government aim.

We approach this question not as philosophers, but as social scientists seeking to understand happiness through data. Our work in these pages is intended to enhance understanding of how the well-being of individuals and societies is affected by myriad forces, among them: income, inflation, governance, genes, inflation, inequality, bereavement, biology, aspirations, unemployment, recession, economic growth, life expectancies, infant mortality, war and conflict, family and social networks, and mental and physical health and health care. Our report suggests the ways in which this information might be brought to bear to rethink traditional aims and definitions of socioeconomic progress, and to create a better – and, yes, happier – world. We explain what the data say to us: our times demand new approaches.

The definition of national success has for a long time been largely defined by three letters: GDP. Gross Domestic Product has been treated as the gauge of a nation's prosperity and progress, health and achievements, and power and prestige; it has been called 'the ultimate measure of a country's overall welfare, a window into an economy's soul, the statistic to end all statistics'.[3] Yet even from the time of its origins after the upheaval wrought by the Great Depression and World War II, the creators themselves were well aware of its limitations. The passage of time has only underscored its shortcomings, and led to growing questions about how to find a measure that can incorporate more than the value of a nation's goods and services. The search is on to create and use a new sort of calculus, some metric capable of capturing more of the complexity of the modern human condition - in short, a bottom line for the state of a society's well-being.

Happiness, a fuzzy concept that not so long ago provoked bemusement in certain policy circles, is now something of a cri de coeur for a growing international movement,[4] and the subject of one of the fastest-growing lines of academic research.[5] To wit: In 2009, French President Nicolas Sarkozy, calling for a revolution in the way national wealth is measured and an end to 'GDP fetishism', urged countries to adopt new measures of economic output as suggested by a panel of international economists led by Nobel Laureates Joseph Stiglitz and Amartya Sen;[6] In 2010, UK Prime Minister David Cameron asked the Office of National Statistics to 'start measuring our progress as a country, not just by how our economy is growing, but by how our lives are improving'.[7] In 2011, the Organisation for Economic Co-operation and Development created a Better Life Index to bring together internationally comparable measures of well-being.[8] The same year, the United Nations General Assembly adopted Resolution 65/309, 'Happiness: towards a holistic approach to development', which urged member states to develop and pursue well-being measures to guide public policy.[9] In 2012, the United Nations Sustainable Development Solutions Network published its first World Happiness Report, the first global survey of well-being. 'We live in an age of stark contradictions', economists John Helliwell, Richard Layard and Jeffrey Sachs, observed in the report. 'Countries achieve great progress in economic development as conventionally measured; yet along the way succumb to new crises of obesity, smoking, diabetes, depression, and other ills of modern life'.[10]

Modern economic ills - the Financial Crisis of 2007-2008 and the Great Recession that followed – have also spurred thinking on the need to find more relevant measures that can take into account these contemporary contradictions and important issues such as mental and physical health outcomes, social and environmental degradation and sustainability. As the Commission on the Measurement of Economic Performance and Social Progress, concluded, '…the whole commission is convinced that the crisis is teaching us a very important lesson: those attempting to guide the economy and our societies are like pilots…steering a course without a reliable compass. The decisions they (and we as individual citizens) make depend on what we measure, how good our measurements are and how well our measures are understood'.[11]

All this signals new ways of thinking about socioeconomic progress and a willingness, as the Commission's report put it, 'to shift emphasis from measuring economic production to measure people's well-being'.[12]

Underpinning this new way of thinking is a relatively new science – or, more accurately, a mix of sciences. The subject is now a pursuit of academic social sciences and the sciences including economics, political science, psychology, geography, sociology, and medical, epidemiological and biological sciences.

The catalyst for this genre of research and the policy interest occurred more than 40 years ago when Richard Easterlin reached the controversial conclusion that economic growth and happiness are not linked.[13] The Easterlin Paradox or Happiness Paradox, which has been documented in nations around the world, found that economic growth bought little in the way of happiness.[14] Though we do not fully understand why this may be, one likely reason is that we humans are creatures of comparison. Research shows that we tend to be happier when our income or status relative to others is higher; yet, when everyone's income rises, status does not - an insight that has enormous policy implications,[15] and one that manages to explain why 'we go from having one Ford to having three Lexuses, and nobody is happier'.[16] For, if, in fact, economic growth does little to improve social welfare, should economic growth be the goal? As Easterlin himself observes, 'Through public policies, we could improve people's well-being… independently of economic growth, but of course to the extent we have economic growth that makes it easier to conduct these policies. So, this is not an anti-growth view. It's that what we do with the fruits of economic growth…to improve people's happiness'.[17]

Against this backdrop, our policy report, 'Understanding Happiness', presents the findings of three new and varied research approaches that explore the subject of well-being. In these pages we analyse how subjective feelings may prove to be a measure that can advance human happiness in a way that has proved elusive via the GDP yardstick; we examine how much of our happiness is the result of our biological makeup; and we look at how human happiness has been affected by major events over two centuries of history. We then present the policy implications of these avenues of research.

Key findings of the research include:

- **Happiness as an aim of public policy:** Many countries, including the UK, now gather data that can complement economic data, and can provide a source for tracking the progress of well-being in society. New thinking is shifting away from ways that solely add up net income, and toward ways to add up net well-being. A key policy issue for the future of Western societies is likely to be, not whether to use data on feelings, but which feelings will be given most importance. The relative weight given to feelings (such as increasing happiness or reducing anxiety) is important because different policy priorities may follow. We believe that policymakers make a mistake by eschewing the use of data on self-reported feelings, or regarding these data as somehow inferior to other statistics. When it comes to government policy, the goal is generally what can achieve the greatest national good. In the pursuit of this goal, governments always face budget limits, public pressure to spend wisely and for the greatest benefit, and sharp political debate over how, and how much, to spend (and tax). The full policy picture ought to incorporate measures of how people feel, and whether these feelings are moving in a positive or negative direction. If governments want to aim to increase human well-being, rather than simply to increase GDP per capita, then somehow or other, a mixture of human feelings must be given weight in government policy-making.

- **The happiness gene:** Certain nations consistently rank among the world's happiest nations, with Denmark frequently topping the list. Taking advantage of new technologies, and research on the brain and our DNA, we examine whether genetic components play a role in this by using three tests: genetic distance (comparing the closeness of genetic stocks among nations), genetic variation (looking for the prevalence of mutations of genes that may lead people to be less resilient in the face of life's stresses), and genetic inheritance (whether variation in happiness levels among certain nations survives through the happiness levels of descendants who have emigrated). Though we underscore that our findings should be taken with a note of caution, we do find that genes play a role in happiness that is statistically significant and practically significant. That is, genes matter, and genes matter enough for us to care. The findings represent an upper limit, or maximum value, on the role played by genetic variation. The maximum value is around one third, and the true value may well be less. All the rest of the variation in happiness – at least two thirds of the variation - must be explained by circumstances that are not inherited, and are therefore to some degree under the influence of society and policy.
- **Happiness through history:** We create a happiness index by examining the emotions conveyed by words from some 8 million digitised books published in six countries over more than two centuries. Looking at changes over time offers us a way to gain insights about what made – or failed to make - earlier societies happier. It also informs 'emotional accounting' for governments and agencies. The research confirms that economic growth does not necessarily lead to improved happiness of societies. Wars, civil conflict, and the economic collapse of the Great Depression led to plummeting levels in well-being. Increases in life expectancy and decreases in rates of child mortality coincided with increased levels of happiness.

Key policy implications include:

- Government measures of socioeconomic progress should evolve to reflect the complexity of modern life. While our report should not be interpreted to mean that the condition of a national economy is unimportant or irrelevant, we underscore that the pursuit of economic growth should not come at the expense of other important aims that can enhance well-being. The fruits of economic growth ought to be directed in ways that are targeted toward improving the life satisfaction of people, rather than toward the sole aim of income growth.
- Happiness measures have the potential to help direct limited government resources toward the most effective public policy interventions. This is particularly important as governments seek to keep up or improve satisfaction with public services and perhaps to reduce the money spent on them.
- Mental health services that help people to cope with the vicissitudes of life are likely to improve well-being. Despite the profound limits in understanding of how and the degree to which genes influence happiness, policies that make mental health services affordable, widely available, easily accessible, and less stigmatised would help people to cope, and would be of particular benefit to those who are likely to be most vulnerable to the stresses of life.
- Policies that target greater happiness among some individuals or groups have the potential to circulate more widely in society through friendship and family networks. Genetic similarities among certain populations explain some of the differences among the happiness levels of citizens of different nations, but multiplier effects of social networks likely play a role as well. In other words, happiness circulates. As a result, measures that foster and cultivate strong, positive social networks provide channels that spread well-being. The implication of this for the design of policy initiatives – focusing on the social dimension by which gains in happiness might be expected to circulate as well as basic increases in individual happiness – feels particularly relevant when social isolation has become a growing mental and

physical health concern,[18] with risks comparable to those associated with smoking and exceeding those from inactivity.[19]

- Policies that seek to boost life satisfaction should funnel resources into activities that foster better health. Health care that improves the likelihood that we and our children will live long and healthful lives is very important to human happiness. The importance of increased longevity and reduced child mortality in the happiness of societies over the past 200 years underscores that looking forward to a long, healthy life for ourselves and for our offspring figures more prominently in the well-being picture than economic growth.
- Monetary and fiscal policies that foster economic stability are a source of well-being. Policies that help to secure stable employment levels and avoid runaway inflation are important – not just for technical economic reasons but also for happiness.

A greater focus on happiness in policy-making could shape priorities right from their conception. In the same way that economic cost-benefit analysis can be used to prioritise policy intervention, it is possible to imagine the targeting of happiness gains when policy choices between competing priorities are being made.

If this approach were taken to its logical conclusion, the next public spending round in a nation like the UK would consist of the different government departments presenting their sets of policies with estimated costs and happiness benefits, and then choices being made with the aim of maximising happiness. This would be a major change in the design, or technology, of how policy is designed and made, one that we believe flows from the greater focus on happiness that our research suggests is now not only possible but increasingly robust and better understood.

Conventional economics and the economics of happiness do not always lead to the same policy conclusions. Conventional economics argues that greater GDP will make society happier. But if the criteria are human feelings and genuinely greater well-being, the evidence is mixed. What many economists who work on the subject of happiness believe we would actually need to boost well-being, for example, would be lower unemployment rates and better health. When thought through, these are neither the same as nor guaranteed by higher national income. To improve well-being, we also need to pursue other things such as cleaner air and shorter commutes and other matters that conventional economics finds hard to value - in both senses of the term.

For example, what happens when Person A grows richer? If everyone else's income stays fixed, Person A may become happier. But what if Person A grows richer, and so does everyone else? Happiness research has demonstrated that, in this case, Person A is unlikely to feel any happier. We believe this is because people care predominantly about their relative standing. Thus, when all citizens get richer, it is possible - despite conventional economic wisdom suggesting otherwise - for people to feel no better about their lives. The data support this disruptive idea.