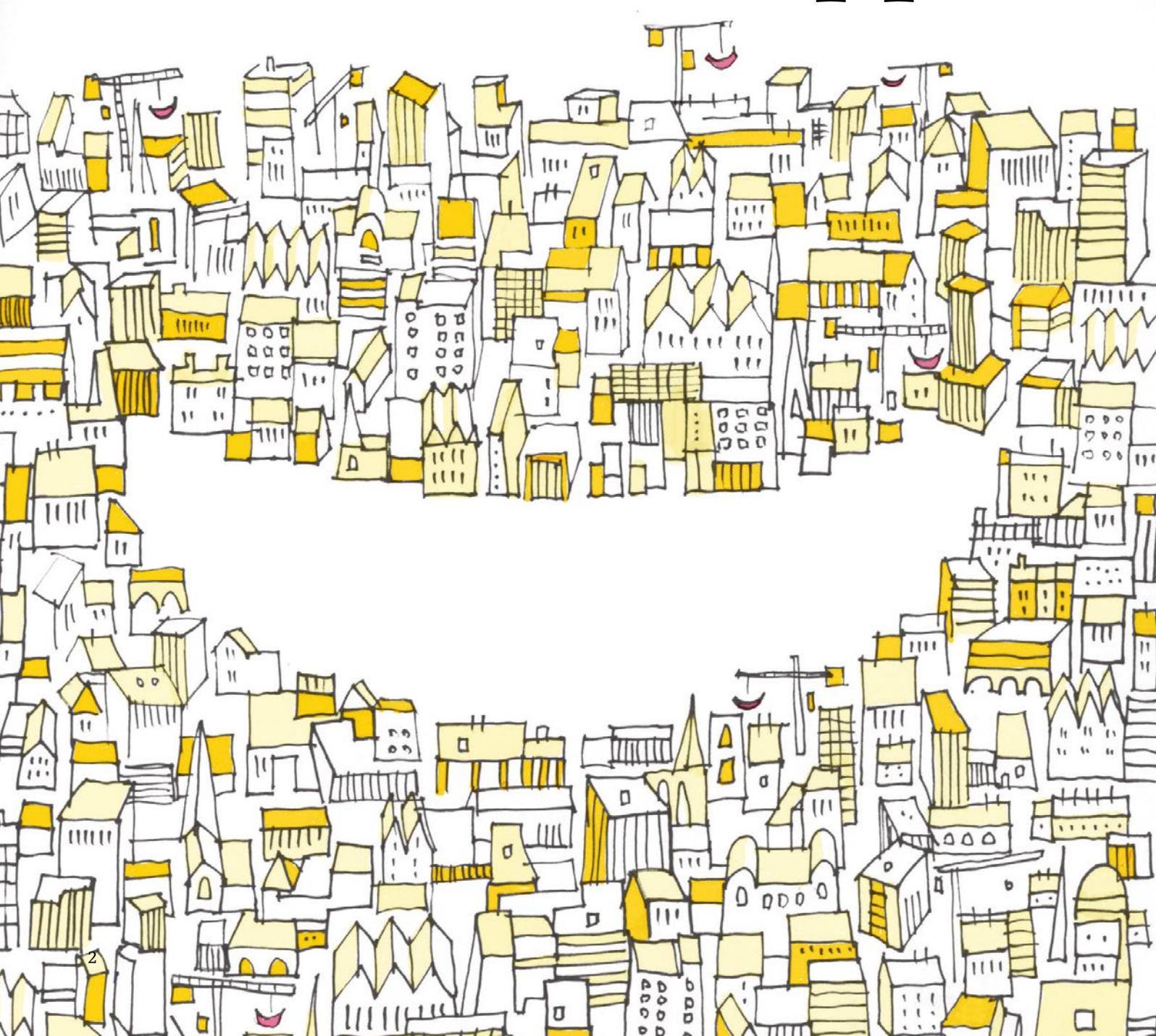


In CEP's first anniversary lecture marking 30 years since the Centre began, founder director **Richard Layard** outlined the science of wellbeing and its implications for public policy. As society tries to recover from the coronavirus crisis, he concludes that in seeking to 'build back better', our fundamental aim should be to 'build back happier'.

# Build back happier



# The Covid-19 moment is the best possible time to reflect on where our society should be going and how the economic and social sciences can contribute

**T**he Covid-19 moment is the best possible time to reflect on where our society should be going and how the economic and social sciences can contribute. Everyone wants to build back better – but what is better?

This is ultimately a philosophical question. We need an overarching objective for our society against which we can judge whether one situation is better than another. So how can we judge whether one state of society is better than another, and indeed whether one policy is better than another?

The great philosophers of the 18th century Anglo-Scottish Enlightenment had a simple answer. What matters, they said, is the wellbeing of the people – whether people are enjoying their lives, feeling satisfied and fulfilled.

In this view, there are many things that are good – health, freedom, wealth, wellbeing. But if we ask why each one is good, we generally give some further reason. Health is good because being sick makes you feel bad. Freedom is good because slavery is awful. But when we get to wellbeing, to how we feel, we can give no further explanation of why it matters. It just self-evidently does. So it is the overarching good and the others are good because of how they contribute to wellbeing.

From this it follows that the goal of every action and every institution should be the maximisation of wellbeing. That was the philosophical belief of the founders of the London School of Economics, the Webbs, and its greatest director, William Beveridge. It was what motivated all that they did.

But until recently, wellbeing as such was not taught at LSE nor researched because the science had not been developed. What have been taught are the separate factors affecting wellbeing and how they are determined. So one department talks about income and employment, another about health, education and housing, another about the family and the media, another about law and order, another about politics and another about war and peace.

And they did the job very well. But what we lacked was a metric with which to compare the relative importance of all those factors – the importance of extra household income, say, compared with better health or more effective policing. The science did not exist – but now it does.

## The science of wellbeing

From the early 1980s, a new science of wellbeing has been born, and this opens up the possibility of a much more integrated form of social science. The central concept here is ‘subjective wellbeing’ – how people feel about their lives. People answer on a scale of 0-10, where 0 is completely dissatisfied and 10 is completely satisfied.

But do the answers they give mean anything? They do. The answers are well correlated with objective brain

measurements, as well as with plausible causes and consequences of wellbeing. And from three decades of work by psychologists, economists and sociologists, we now know a huge amount about how far different factors affect wellbeing.

## The causes of wellbeing

There is a huge spread of wellbeing in the world and this is, of course, the most fundamental inequality. I’m a co-editor of the *World Happiness Report* and this uses the Gallup World Poll to analyse the worldwide distribution of happiness. The spread is massive. On the scale of 0-10, a fifth of all people report themselves as 3 or below while nearly a fifth report themselves at 8 or above.

The top countries are in Scandinavia with an average of more than 7.5, and the bottom ones are the war-torn countries of Afghanistan, the Central African Republic and South Sudan with an average of 3. Even so, of the total variance of wellbeing in the world, only 20% is between countries, while 80% is within countries.

So what explains this huge variance within countries? To explain it, CEP’s research group on wellbeing used eight major surveys in four advanced countries. We published our results in a book called *The Origins of Happiness*.

# The science of wellbeing opens up the possibility of a much more integrated form of social science

## Our knowledge of the origins of happiness should enable better policies – to build back happier

The first challenge is to explain the spread of people's wellbeing by things we know about as adults. Top of the factors we can identify as most important is mental illness defined by the answer to a simple question: have you ever been diagnosed with depression or an anxiety disorder? Physical illness is also important. Next come human relationships, at work, in the family and in the community.

Income is less important than health or human relationships. This is a standard finding worldwide. There is no country where income inequality explains more than 20% of the variance of wellbeing.

Next, we need to explore what dimensions of childhood best predict how satisfying a life a child will have as an adult. The most important is emotional health at 16. This matters more than your highest qualifications, even up to PhD.

The third challenge is to explain emotional health at 16. The evidence shows that the school attended at that age and the primary school children went to explain more of the variance than everything we know about their parents. This has huge implications for educational priorities.

And finally, we want to explain the variation in wellbeing between countries. As the *World Happiness Report* shows, this depends partly on income and health but importantly on social factors, especially freedom, corruption, trust, social support, generosity and peace.

So we have a rapidly growing science, which now contributes nearly 2,000 articles a year to peer-reviewed journals and 200 articles a year to economic journals. It shows how wellbeing depends



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on all the different factors that are studied in social science. But what is new is that wellbeing provides a common metric that enables us to compare the impact of changes in all these dimensions. It gives us a good insight into how much different factors matter.

### Public policy

The next step is to use new knowledge to produce better policies – to build back better and to build back happier. This requires more than knowing how much different aspects of life matter. It requires detailed knowledge about the effects of specific policies and their costs. This can only be settled by proper controlled experiments – in schools, in business, in health services and so on.

That has now got to be the top priority in the next phase of wellbeing research. We need every social experiment to measure wellbeing as an outcome. Once that is done, we can compare that with the cost. And finance ministers around the world should evaluate policy options on the basis of the overall change in wellbeing relative to the cost.

I'm not saying that we should abolish cost-benefit analysis. Where we can measure benefits in units of money, that's fine and we can convert these monetary measures of benefit into wellbeing since we know how much extra money affects wellbeing. But for most public expenditure – for health, social care, law and order, the environment, redistribution – we cannot infer a monetary value based on people's choices. For these areas of policy, we can measure their effects through direct measures of wellbeing.

Politicians around the world are increasingly interested in this way of seeing things. And so they should be given evidence that the main factor determining whether a government gets re-elected is the measured wellbeing of the population. Politicians have every reason to take wellbeing seriously – and increasingly they are doing so.

For many years, the OECD has promoted the idea of wellbeing, and it has now persuaded all its member countries to measure their citizens' wellbeing annually. The European Union's Council of Ministers has gone further, urging member states to 'put people and their wellbeing at the centre of policy design'. The countries that have done this so far are New Zealand,

Scotland and Iceland, but many more are looking at 'beyond GDP'.

Meanwhile in business, there is increasing emphasis on the social component of the ESG agenda – 'environmental, social and governance'. That means valuing the wellbeing of workers, customers and suppliers as well as shareholders. It is significant that in 2019 the US Business Roundtable confirmed that businesses have obligations to all their stakeholders and not just their shareholders. That obligation should be to promote their wellbeing.

### The wellbeing movement

If you accept the philosophy of wellbeing, then everything we do has to be justified by the way in which it contributes to wellbeing – and that applies not just to the government and business but also to schools and universities, and to each of us as individuals. In Mexico, the TecMilenio University tells its students that they should have two overriding objectives at university – the first is to find their purpose in life and the second is to acquire the tools to achieve it.

On top of that, TecMilenio is one of many universities that offer all first-year students a course on the psychology of the good life. At both Yale and Harvard, a course of this kind has broken records for the number of students attending. After all, why wouldn't you want to learn how to manage your inner life better, as well as your external relations with other people? Surely all universities should offer such a course.

Wellbeing should also be an explicit goal of every primary and secondary school. It should be regularly measured, as it is in secondary schools in the Netherlands, and it should be promoted by proper evidence-based teaching of life skills throughout the curriculum.

So how is the wellbeing agenda going? I would say that at the personal level, there is considerable progress. Millions of people's lives have been changed either by positive psychology or the wisdom of the East, or both. In business, a radical transformation is also under way. There is perhaps the slowest progress in the area of policy.

So what is holding back progress? One limitation is that the state of knowledge is too fragmented; the other is that there are insufficient trained people to spread

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good practice throughout society. These are the classic problems of an interdisciplinary field. Until wellbeing is recognised as a field, there is no academic career path in it and the brave spirits who go there take considerable risks.

So the key next step is for wellbeing to become a recognised interdisciplinary field like geography or social policy. Whichever university takes this step will reap great rewards. The first is intellectual: here is a field more than any other that can promote a real integration of the social sciences. The second is educational: there is huge demand for trained workers out there in business and government that is simply not being met.

I believe that LSE has a major role to play in all this. Just as the School pioneered sociology, geography and economic history, so it should be the pioneering place where the science of wellbeing becomes an established discipline.

We are at a crucial moment: the coronavirus crisis has made us all rethink our priorities. The key principle here must be the greatest wellbeing. It's an inspiring principle, but it's also one that can be studied in the most rigorous possible way. So the institutions that lead this intellectual revolution will be the most exciting places to be. They will also do the most to make the world a happier place.

**Richard Layard** is co-director of CEP's community wellbeing programme and founder director of CEP. This article is a version of his CEP 30th anniversary lecture, 'Making Wellbeing the Goal'.