The logo for the Centre for Economic Performance features the text "CENTRE for ECONOMIC PERFORMANCE" in a serif font. The word "CENTRE" is in all caps, "for" is in a smaller, italicized font, and "ECONOMIC PERFORMANCE" is in all caps. Two yellow, arrow-like shapes point outwards from the text.

CENTRE *for* ECONOMIC
P E R F O R M A N C E

HOW TO MAKE HAPPINESS THE GOAL OF POLICY

Richard Layard

21 May 2015

“The care of human life and happiness... is the only legitimate object of good government”.

Thomas Jefferson

Plus the special need to prevent misery.

Our definition of happiness: life-satisfaction

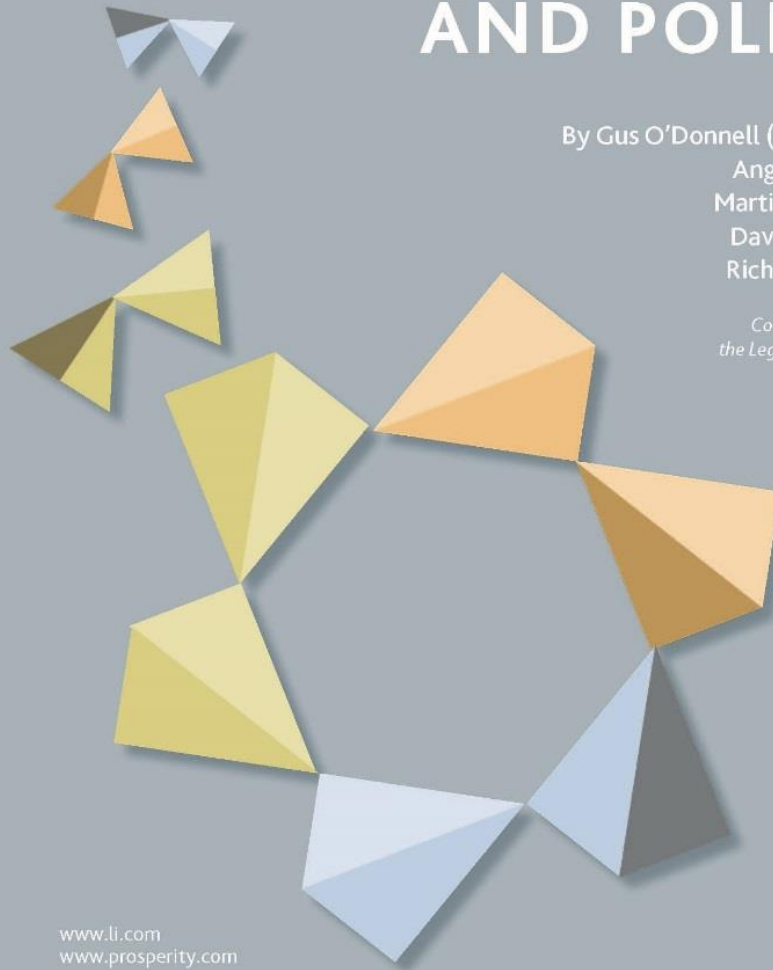


| REPORT | 2014

WELLBEING AND POLICY

By Gus O'Donnell (Chair) and
Angus Deaton
Martine Durand
David Halpern
Richard Layard

*Commissioned by
the Legatum Institute*



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INFORMATION REQUIREMENTS

1. Models of the causes of happiness

- Differences between individuals (me)**
- Differences between societies**
(Helliwell)

2. Controlled trials

3. New method of cost-benefit analysis.

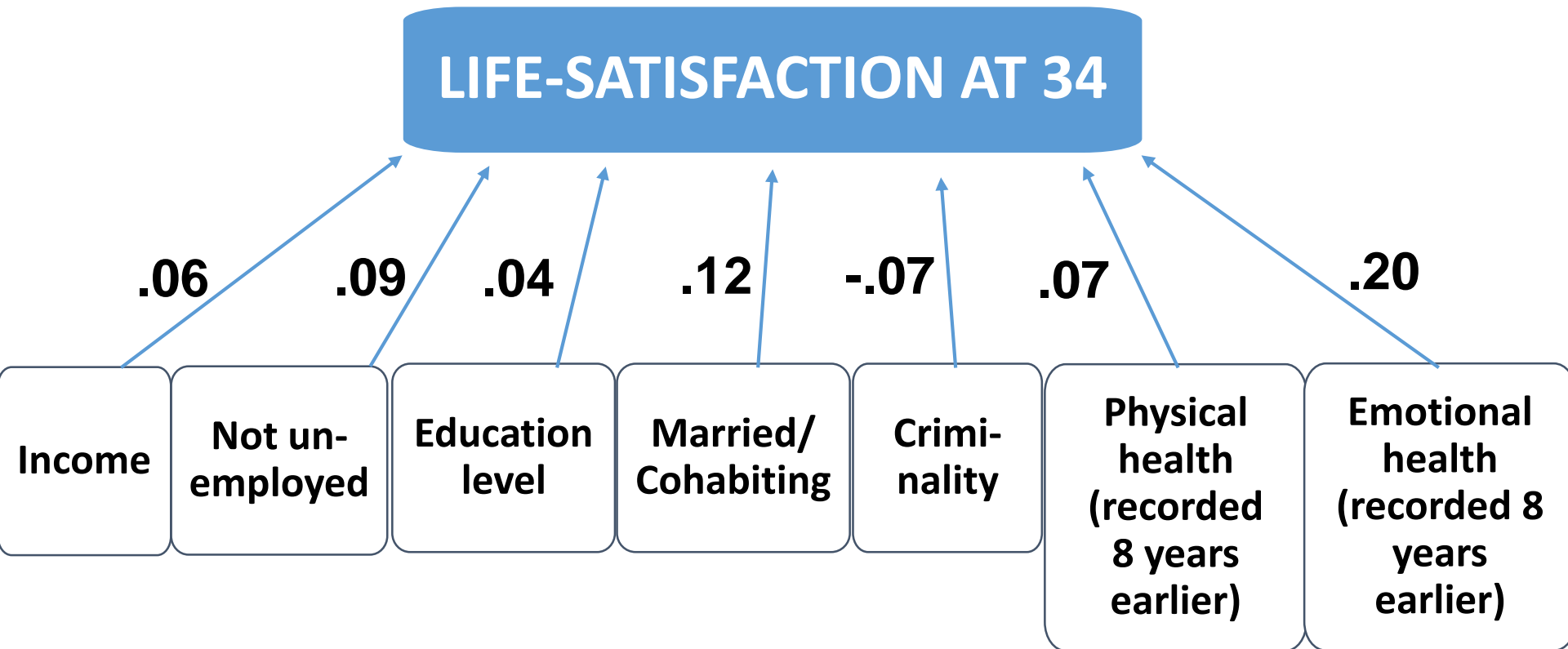
THE CAUSES OF HAPPINESS (INDIVIDUAL ANALYSIS)

- **Proximate causes**
- **Distant causes**

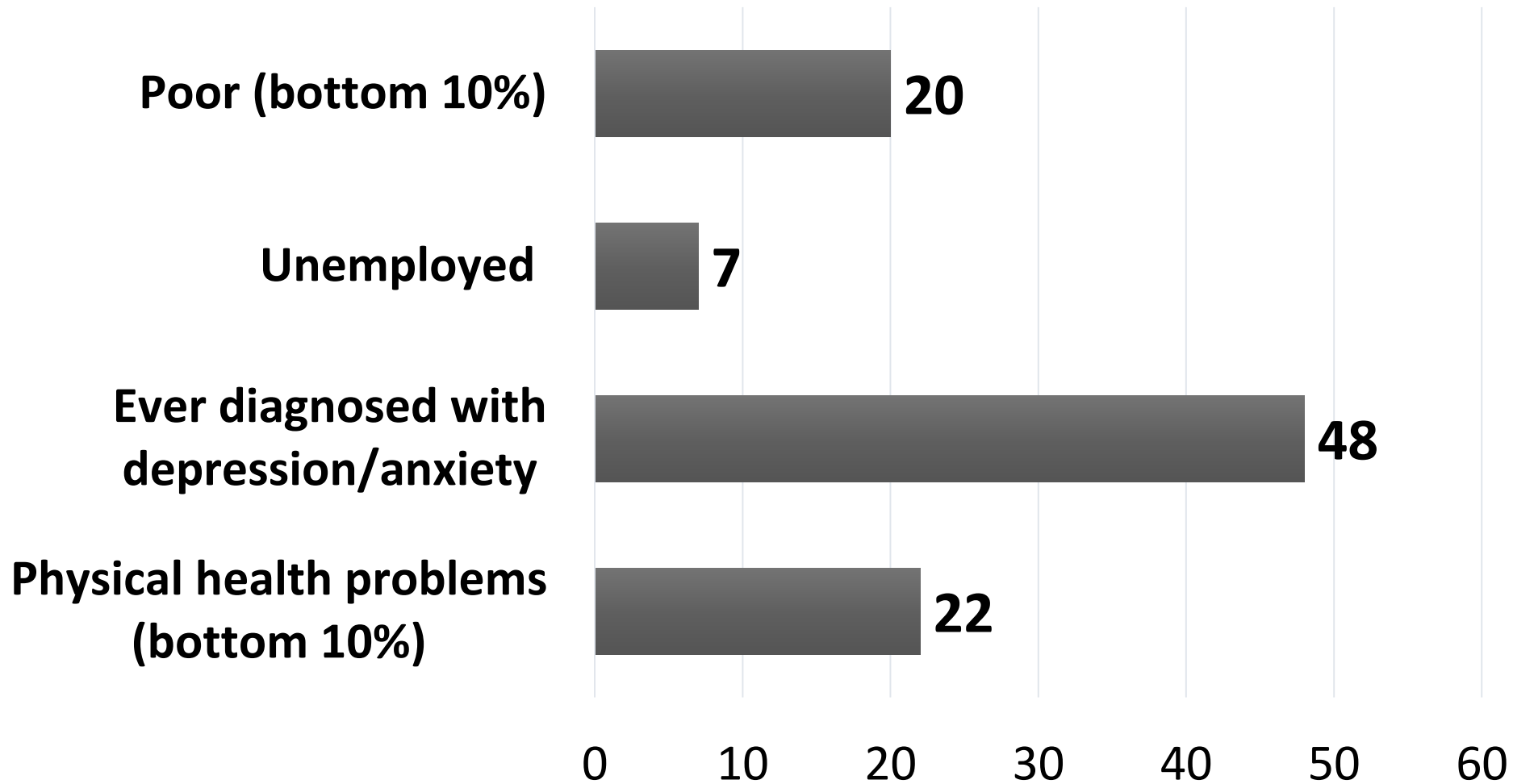
Based on British Cohort Study.

The main immediate influences on adult life-satisfaction

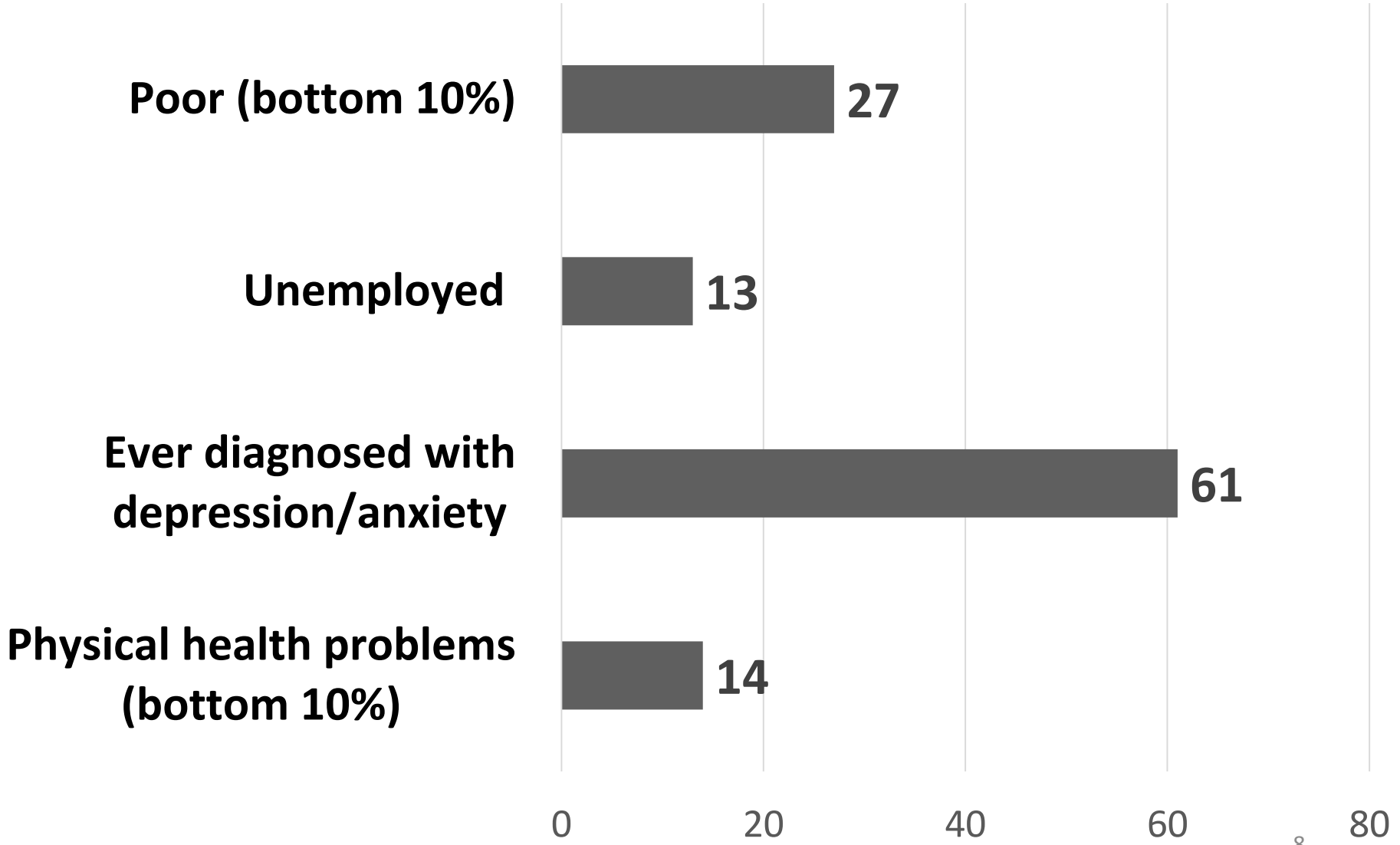
(partial correlation coefficients)



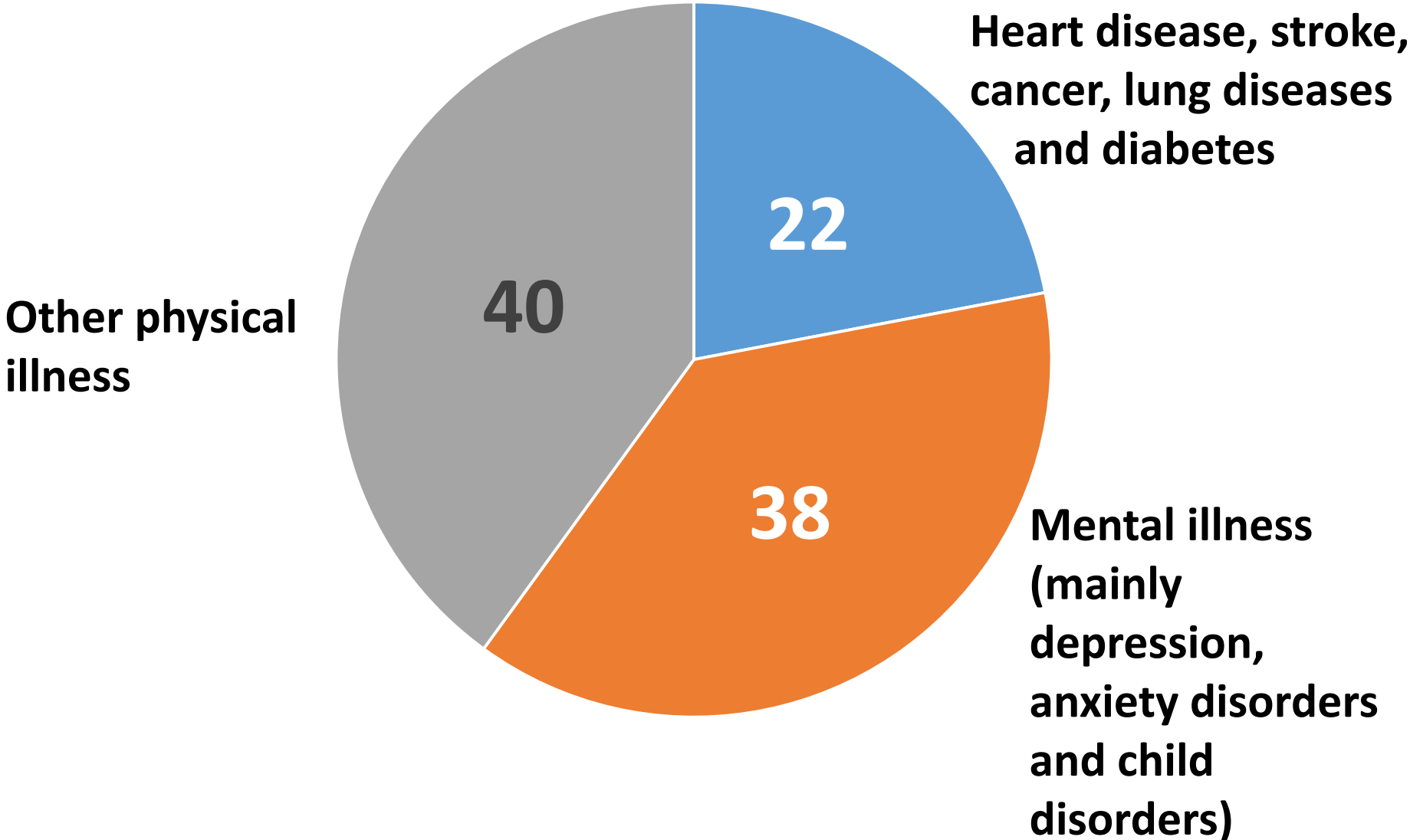
Percentage of those in misery having the stated characteristics (Australia)



Percentage of those in misery having the stated characteristics (United States)



Mental illness is 38% of all illness in rich countries



CHILD MENTAL HEALTH MATTERS

- 1) because it matters at the time**
- 2) because it affects adult happiness,
and**
- 3) because it can generate massive
costs to society**

The main childhood influences on adult life-satisfaction

(partial correlation coefficients)

LIFE-SATISFACTION AT 34

```
graph BT; A[Cognitive development] -- .05 --> B[LIFE-SATISFACTION AT 34]; C[Behaviour] -- .09 --> B; D[Emotional development] -- .17 --> B;
```

.05

.09

.17

**Cognitive
development**

Behaviour

**Emotional
development**

Behavioural problems at age 7-9 predict problems in later life

(New Zealand)

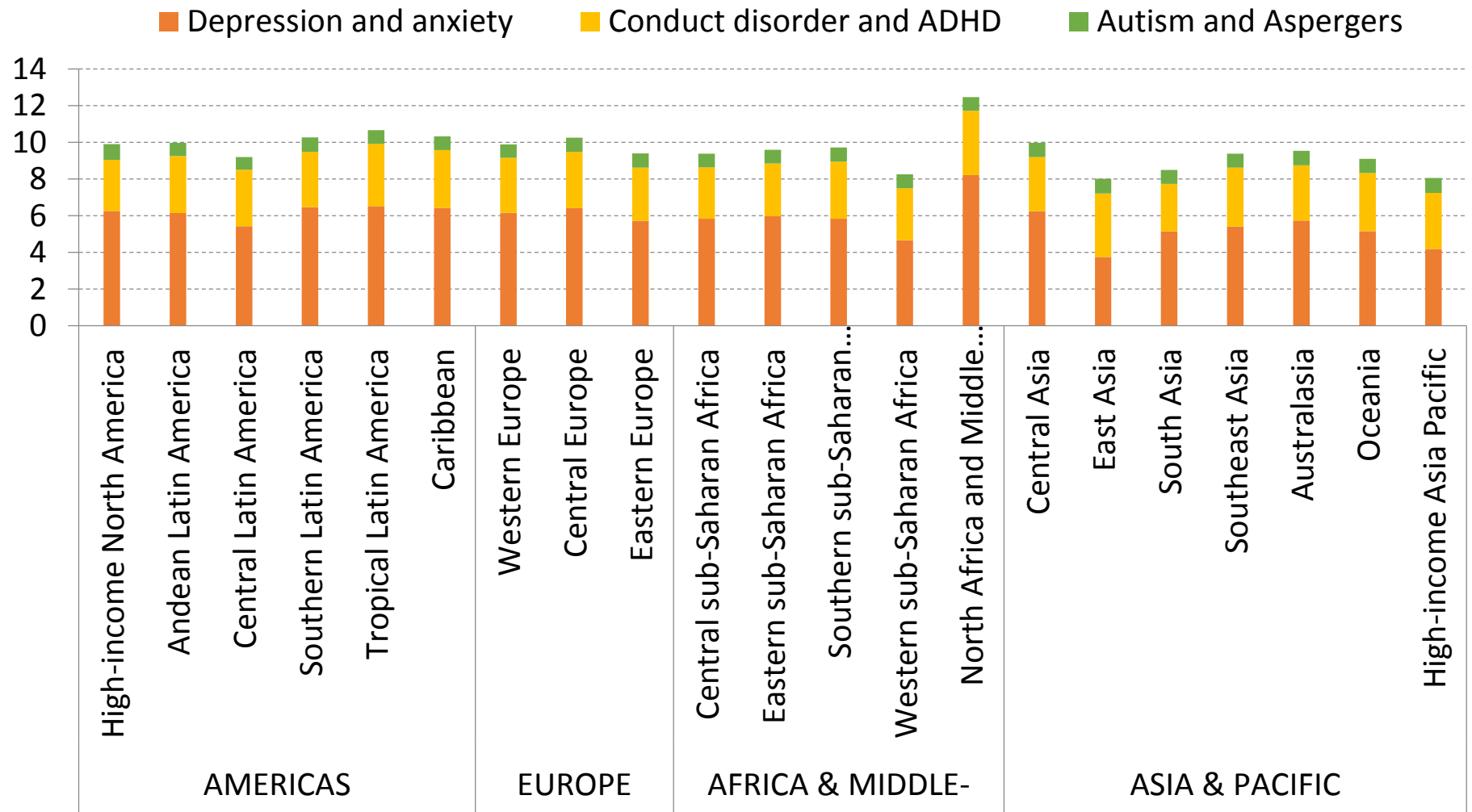
	Children whose childhood conduct was in	
	Worst 5%	Best 50%
Percentage subsequently		
committing violent offences (21-25)	35	3
drug dependent (21-25)	20	5
teenage parent	20	4
suicide attempt (to age 25)	18	4
welfare dependent (age 25)	33	9

CHILD AND ADULT MENTAL HEALTH

- **50% of mentally-ill adults were mentally ill by age of 15.**
- **Mentally-ill children become 7% poorer as adults.**
- **Children with conduct disorder eventually cost criminal justice system 3 times annual average wage.**

YET most mentally-ill children are untreated (1/4 in rich countries).

Prevalence of mental disorders among children under 19 (percentage)



TREATMENTS

Conduct disorder:

Mild to moderate: parent training.

Incredible Years reduces oppositional defiant disorder by 80% 7 years later.

Severe: one-on-one. Medication can help ADHD.

Anxiety Disorder: CBT. 50-60% success rates in children over 8.

Depression (child or maternal): CBT, IPT, medication.

Psychosis: early intervention reduces incidence.

Many of these treatments have no net cost.

HEALTHCARE POLICY

Parity of esteem: equal access to treatment for mental and physical illness.

Train many more therapists and also in poorer countries para-professionals. Also school teachers to identify problems, and health visitors to identify maternal depression.

Measure outcomes (In the UK the Improving Access to Psychological Therapies programme will measure outcomes on 100% of children treated.)

SCHOOLS

- 1. Have happiness of children as an explicit goal.**
- 2. Measure it.**
- 3. Have a Wellbeing Code for whole school.**
- 4. Teach life skills at least once a week.**

A weekly life-skills curriculum for 11-14 year olds (Healthy Minds)

<u>Topic</u>	<u>Programme used</u>
Resilience	Penn Resilience Program; MoodGym
Compassion	Relationship Smarts
Sexual relationships	SexEd Sorted
Drugs	Unplugged
Eating and alcohol	SHAHRP
Mental disorders	Science of Mental Illness
Parenting	Parents under Construction
Media awareness	Media Navigator
Life goals	Schools to Life
Mindfulness	.Breathe

PUBLIC POLICY TO PROMOTE LIFE- SATISFACTION

LIFE-SATISFACTION (LS) AFFECTS VOTING

Incumbent vote share

= 0.64 LS + 0.36 Economic Growth

- 0.06 Unemployment + 0.15 Inflation.

Source: Eurobarometer. All variables standardised.

Controls include previous vote-share.

See Ward, G (2015) "Is happiness a predictor of election results?", CEP Discussion Paper No. 1343.

Requires a new form of cost-benefit analysis with happiness as the measure of benefit.

Already done after a fashion in health, where British NHS requires adequate

$$\frac{\textit{Change in Quality – Adjusted Life Years}}{\textit{£ spent}}$$

Needs modifying and extending to most other areas of policy.

**Objective: Maximise sum of happiness,
subject to constraints.**

Instruments:

- 1. Public expenditure**
- 2. Taxes**
- 3. Regulations**

1. PUBLIC EXPENDITURE

Assume total expenditure and tax receipts fixed.

Then do any expenditure which gives sufficient wellbeing per buck.

That is, do if

$$\frac{\textit{Sum of extra happiness}}{\textit{Sum of net public cost}}$$
 high enough.

2. TAXATION

Raise each tax until the loss of happiness per dollar of tax revenue exceeds the critical level.

That is, do if

$\frac{\textit{Sum of happiness lost}}{\textit{Sum of taxes generated}}$ low enough.

3. REGULATION

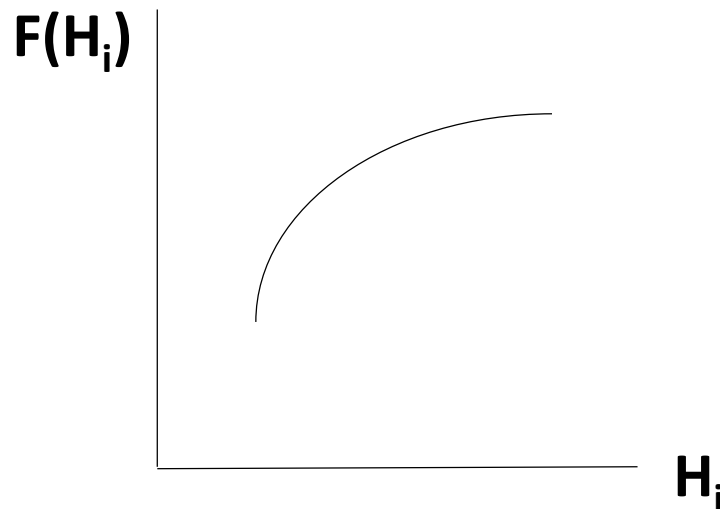
Do if sum of resulting changes in happiness is positive.

STANDARD PROBLEMS

1. Distribution of happiness

We could give more weight to reducing misery.

Maximise not $\sum H_i$ but $\sum f(H_i)$



Ethical issue

2. Discount rate

$$\text{Max } \sum_i \sum_t (1 - \delta)^t H_{it}$$

δ is rate of pure time preference (e.g. 1.5% p.a.)

If you worry about climate change, your δ is low.

3. Length of life

Standard QALY approach adds up each separate year (discounted).

The scale needs a zero (equivalent to being dead).

Normalise on the number of children born.



ACTION FOR HAPPINESS

