

Funding the Future

Article URL

<https://www.taxresearch.org.uk/Blog/2006/09/04/tax-makes-you-happy/>

Published: January 12, 2026, 6:51 pm

Paul Moloney wrote a good article for the Guardian on 28 August, whilst I was off line. He describes himself as a 'counselling psychologist'. His theme was simple. He said:

'poverty and work are what make most of us miserable, and therapy is not the solution'.

I agree, but his argument was more complex than that. What he was seeking to do was argue with LSE economist Richard Layard who is flavour of the month with Downing Street and David Cameron at the same time by promoting the economics of 'happiness'. Now, I have no problem with 'happiness' at all. Nor the economics of it, but Layard's view seems well summarised by Moloney when he says Layard relies on three assumptions:

- 1) unhappiness is caused by the way we see the world, not by the way it is;
- 2) psychotherapy can correct this;
- 3) unhappiness is necessarily bad.

I agree with Moloney, each of these arguments is flawed. Poverty does cause real unhappiness, but as important, and as Moloney notes and as Layard to my intense irritation continually ignores, relative poverty is as important as a cause of unhappiness. As Moloney puts it:

'There is an enormous body of evidence to suggest that happiness will always be profoundly linked to our wider social and material world. In the industrialised nations, the widening gap between rich and poor that has marked the past three decades has been associated with an erosion of communal ties and with a rising waver of psychological distress.'

He is right. Almost every evening I discuss this with my wife, who is a GP in a very poor rural area. She is convinced no drug can help most of her patients. More economic resources would. Psychotherapy cannot, unless it is assumed to be hypnotic to give them the impression of well being when they are not enjoying it.

And we don't need hypnosis. Unhappiness does, in fact have a role. It is a clear signal that all is not well with the world. Curiously, the rich and poor alike are suffering from it in our society. The reason for this is easy to explain. The world in which we live is designed to make everyone feel inadequate. What else, after all is most advertising

about? That, and the message that each of us needs 'more'. Well, it's true, each of us does need more. The poor need more economic resource. The rich need stronger social and community ties to give them a sense of purpose. In both cases the answer is simple. More tax is a route to greater happiness.