

UNIVERSITY OF VICTORIA
ECONOMICS 485B:
Topics in Economics: Happiness and Economics
CRN 24699, Winter, 2nd Term, 2012
T,F 13:00-14:20 HHB 120

What is the highest good in all matters of action? To the name, there is almost complete agreement; for uneducated and educated alike call it happiness, and make happiness identical with the good life and successful living. They disagree, however, about the meaning of happiness.
Aristotle, Nicomachean Ethics 1.4

Instructors and office hours: *Pascal Courty*, BEC 368, Thursday 12:30-14:00, or email request
Merwan Engineer, BEC 350, Tues 3:00-5:00, or appointment

Description: What has happiness got to do with economics? This course confronts the traditional economic approaches to understanding and promoting well being with the new “revolutionary” literature on happiness. This literature is wide ranging and includes research from the other social sciences, philosophy, religious studies, and brain science. Classes will be half lectures and half seminars. Seminars will include class experiments, debates, jokes, presentations as well as detailed discussions of articles and books on which students are expected to write up short commentaries.

Prerequisites: Econ 313, fourth-year standing recommended.

Textbooks: *Happiness: Lessons from a New Science*, 1st Ed, 2005, Richard Layard.

The Pursuit of Happiness: An Economy of Well-Being, 1st Ed, 2011, Carol Graham

Both books have been ordered by the bookstore. These books are not textbooks so much as introductions intended for general audiences. Layard's book has been preminent in bringing happiness studies to the attention of economists and the press. (Unfortunately, the bookstore was unable to order the 2nd edition; it is fine to use the 2nd edition.) Graham's book focuses on how wealth and public policy affect happiness around the world. It is also available through the library as an [ebook](#).

Evaluation: Your final grade will be determined as follows:

Participation	20%
Reading Notes	30%
Presentation	10%
Paper	<u>40%</u>
	100%

This is largely a seminar class in which you are expected to read ahead, prepare reading notes, participate in classroom discussion as well as present to the class on the subject of your paper.

Participation. The bulk of your participation grade (14% of 20%) depends on the quality and quantity of your contributions to the class discussion. The remaining participation grade (6% of 20%) involves several 1-3 minute exercises. Given that the course is partly about the subjective sense of happiness, we want you to develop and bring your sense of happiness to class. To facilitate this we would like you to do the following five exercises:

1. Tell a "clean" joke
2. Present a quote
3. Discuss a formulaic wisdom from philosophy or spirituality about happiness
4. Briefly reflect on one specific event/situation/thing that made you happy/sad
5. Briefly relate a personal story about happiness and relationships (2 marks)

Yes, you'll have to explain the joke, quote, wisdom... if the connection to happiness isn't obvious. We hope to foster an open and happy classroom environment and would like you to try these exercises. (However, if you really feel incapable of doing them accommodations can be made.)

Reading Notes. A few days prior to a particular class, we will send out questions related to the class assigned readings. You are expected to type up brief notes. The questions are to help you understand the material and enable you to contribute to classroom discussion. Some of the questions may be analytical and ask you to solve a problem. We may ask you to send us a copy of your notes prior to class. In any event, bring the notes to class and be prepared to hand them in. Your reading notes should be written in full sentences and be grammatically correct. Plagiarism is not acceptable. Be sure to quote and cite material where appropriate.

Presentation. Your presentation should be related to the topic of your paper. You should introduce and motivate the topic in general terms before getting into the details. Your presentation should be no longer than 15 minutes, and it will be followed by questions and a brief discussion. Presenting provides an opportunity to receive feedback on your paper. Presentations will take place in March.

Paper. Your paper should focus on some aspect of the literature related to economics, happiness and well-being. The paper can take several forms. If you are ambitious, perhaps you could do a small experiment and write it up, or attempt some empirical work. However, a critical survey of some aspect of the literature is perfectly fine. You should get started during reading week and definitely meet with one of us for guidance no later than the end of February. The paper should be no longer than 2000 words excluding references (display your word count). It is due April 15, 4pm.

Numerical Score / Letter Grade Equivalency:

A+	≥90	B+	75-79	C+	60-64	F	<50
A	85-89	B	70-74	C	55-59	(No E grades.)	
A-	80-84	B-	65-69	D	50-54		

Policies: The course policies regarding academic integrity (plagiarism and cheating), attendance, grading, academic concessions, travel plans, students with a disability, and inclusivity and diversity, which may be found at: http://web.uvic.ca/econ/undergraduate/course_policies.php

Background reading and sources: There are a number of excellent recent books on the relatively new science of well being. Giants in Psychology who have done seminal studies on happiness as well as popular books include Daniel Kahneman, Martin Seligman, and Robert Biswas-Diener. Two excellent all round books are:

Exploring Happiness: From Aristotle to Brain Science, 2010, by Sissela Bok.

Nudge: Improving Decisions About Health, Wealth, and Happiness, 2009,
by Richard Thaler and Cass Sustein

There are exciting new websites and journals springing up. The Journal of Well Being was started this year: <http://www.internationaljournalofwellbeing.org/index.php/ijow>
We were surprised to find out that there is a Victoria Foundation's Greater Victoria Happiness Partnership: <http://www.victoriafoundation.bc.ca/web/node/353>.

SYLLABUS

The following outline of topics and readings is *tentative* and we reserve the right to make changes as the course progresses. The key readings in each section are indicated with a star *.

1. **Introduction: Happiness and Economics**

Any intermediate microeconomics and macroeconomics textbooks.

Ashraf, N., Camerer, C., and G. Loewenstein (2005), "Adam Smith as Behavioral Economist", *Journal of Economic Perspectives*, 19(3), 131–45.

Frey, B. and A. Stutzer (2002), "What Can Economists Learn from Happiness Research?", *Journal of Economic Literature*, 40, 402–35.

2. **Utilitarianism: Bentham and Layard**

* Layard: chapter 1 What Philosophy? chapter 8, chapter 9 Cost-Benefit Analysis, chapter 14 Happiness Matters, chapter 15 What About Fairness?

Layard and Walters, *Microeconomics*, 45-47.

Stanford Encyclopedia of Philosophy <http://plato.stanford.edu/>,
entries on: "Hedonism", "History of Utilitarianism", "Rule Consequentialism".

3. **What is Happiness? Back to Aristotle and Forward to Brain Science**

* Graham: chapters 1-2

* Layard chapters 1-2

* Helliwell J. and C. Barrington-Leigh (2010), “Viewpoint: Measuring and Understanding Subjective Well-Being”, *Canadian Journal of Economics*, 43(3), read 729-53.

Rangel, A., Camerer, C. and P. Montague (2008), "A Framework for Studying the Neurobiology of Value-based Decision Making", *Nature Reviews Neuroscience* 9, 545-56.

Fehr, E. and A. Rangel (2011), "Neuroeconomic Foundations of Economic Choice—Recent Advances", *Journal of Economic Perspectives*, 25(4), 3-30.

4. **Measurement Issues**

* Graham: chapters 3-4

* Layard: chapters 3-4

* Kahneman, D. and A. Krueger (2006), "Developments in the Measurement of Subjective Well-Being", *Journal of Economic Perspectives*, 20 (1), 3–24.

5. **Happiness Around the World**

* Graham: chapters 3-4

* Layard: chapters 3-4

* Helliwell and Barrington-Leigh (2010).

6. **What Makes Us Happy?**

* Layard: chapters 5-7, 12-14

Easterlin, R. (2001), “Income and Happiness: Towards a Unified Theory”, *The Economic Journal*, 111, 465–84.

Kahneman, D. and A. Krueger (2006).

Rafael, D. and R. MacCulloch (2006), "Some Uses of Happiness Data in Economics", *Journal of Economic Perspectives*, Volume 20, Number 1, Winter 2006. 25-46.

7. **Do Economists Have a Clue? Do Happiness Researchers Have a Clue? and Ways Forward**

* Layard: chapters 9-11, 15-16

* Graham: chapter 5

* MacKerron G. (2012), "Happiness Economics from 35,000 Feet", *Journal of Economic Surveys*, forthcoming, <http://personal.lse.ac.uk/mackerro/happiness35000ft.pdf> .

8. **Journal Articles** (4-6 articles)

Ashraf, N., Camerer, C., and G. Loewenstein, (2005) "Adam Smith as Behavioral Economist", *Journal of Economic Perspectives*, 19(3), 131–45.

Fehr, E. and A. Rangel (2011), "Neuroeconomic Foundations of Economic Choice—Recent Advances", *Journal of Economic Perspectives*, 25(4), 3-30.

Ifcher J. and H. Zarghamee (2011), "Happiness and Time Preference: The Effect of Positive Affect in a Random-Assignment Experiment", *American Economic Review*, 101, 3109–29.

Kahneman, D. and A. Krueger (2006), "Developments in the Measurement of Subjective Well-Being", *Journal of Economic Perspectives*, 20 (1), 3–24.

Kahneman, D., Wakker, P., and R. Sarin (1997), "Back to Bentham? Explorations of Experienced Utility", *Quarterly Journal of Economics*, 375-405.

Rayo, L. and G. Becker (2007), "Evolution, Efficiency and Happiness", *Journal of Political Economy*, 115(2), 302-37.

Veenhoven, R. (2010), "Capability and happiness: Conceptual difference and reality links" *The Journal of Socio-Economics*, 39, 344–50.