“The ultimate purpose of economics is … to understand and promote the enhancement of well-being.”

Ben S. Bernanke, former Chairman, Board of Governors of the Federal Reserve System

ECON 432
Economics of Happiness
Spring 2017

Syllabus and Assignments

Purpose

An interdisciplinary analysis of the nature and determinants of subjective well-being, with special attention to the importance of income and other economic factors

Prerequisites: Economics 203, 205 or instructor approval.

Course Description

Since World War II there has gradually accumulated a large body of social survey data on self-reported happiness and its causes. These data have generated a large research literature (a recent bibliography lists over 3,000 items), mostly in psychology and sociology. In economics, there are a few studies dating from the 1970s, but the subject has languished until the last two decades, when a surge in interest has occurred. Serious consideration is now being given to happiness as a policy goal by a number of governments

Based on the data and the research literature in psychology, sociology, and economics, this course will examine the subjects on pages 3 and following.

Surveys and Questions on Assignments

Homework, including surveys and questions on reading materials, are designed to prepare you well for class and thus improve your learning experience. Both questions and surveys are available in the folders within the ‘Assignments’ section on https://blackboard.usc.edu. All homework assignments are due before 12 noon on the date...
shown. Late homework will NOT be accepted and will be counted as missing (0 points). It is your responsibility to make sure that your assignments are submitted properly.

Answers to questions on reading materials can only be submitted via Blackboard. Do not email any assignment to your TA. It will not be accepted that way. Number your answers clearly. You will not receive full credit if the answers are not numbered clearly. To receive full credit your answer does not have to be long, but it has to address all parts of the question. Please note that you might find it easier to type your answer in a word document file and attach it to the submission page. (You will still need to click ‘Attach the file’ even after you select the file.)

For data collection purposes, we would like to identify each survey response with a particular student, while maintaining your anonymity. Therefore, we ask you to create, and keep throughout the semester, a survey ID that cannot be directly associated with you. This survey ID should be a combination of two letters and two numbers. You will be asked to provide this survey ID at the beginning of every survey so please make sure that you remember it throughout the semester. Your TA will be able to see whether you complete the surveys and will give you credit for each completed survey. However, he or she will not be able to associate a survey response with a particular student, so the response will remain completely anonymous.

**Exams and Grading**

Grading:

- Participation = 20% of grade divided as follows:
  - 10% On-time (submitted on the due date before 12 noon) response to Blackboard questions on assignments and Blackboard surveys
  - 10% Oral participation and on-time class attendance
- Two midterm exams = 25% each (*Reserve* dates: 2/14, 4/11)
- Final exam = 30% (*Reserve* date: May 10, 2-4)

Students are expected to attend all classes on time and take all exams as scheduled. If an exam is missed, a paper on a mutually agreed topic and deadline is to be done.

**Required texts and materials (letters in parentheses, such as FS, are abbreviations used in the list of assignments)**


(B) Blackboard (blackboard.usc.edu), Questions on Assignments, Class Documents. To log in use the same username and password you use for your USC e-mail account.
You will have to be connected to the USC network to access some of the papers (look at the ISD website to see how you can access the USC network when you are off-campus).

(R) Reader (available at the bookstore)

Reading Assignments

(For participation credit both surveys and Blackboard questions on the assignment must be submitted before 12 noon on the date shown.)

I. CONCEPT AND MEASUREMENT OF UTILITY

A. Organization
1/10/16

B. Objective and Subjective Measures of Well-Being
1/12
   (B) Do surveys of happiness, life satisfaction, and affect. (Survey 1)
   (B) Assignment 1
   (FS-2) “Well-Being and Economics”, pp. 19-30, pp. 36-43

C. Measurement of Subjective Well-Being
1/17
   (B) Do Ladder Survey. (Survey 2)
   (B) Assignment 2
   (FS-1, 2) “Happiness”, “Well-Being and Economics”, pp. 30-36.
   (B) Kapteyn, Arie, Tassot, Caroline (and others), “Dimensions of Subjective Well-Being”, Introduction and Conclusion

II. THE UTILITY OF INCOME

A.1 Empirical studies: Cross section
1/19
   (B) Do “Goal” Survey. (Survey 3)
   (B) Assignment 3

A.2 Empirical studies: Time series
1/24 (B) Assignment 4
(FS-4) “Income”, pp. 76-77.

A.3 Recent empirical studies: Cross section and time series
1/26 (B) Do Income Survey 1. (Survey 4)
(B) Assignment 5

1/29 Last day to drop a class without mark of “W”

B. Social comparison
1/31 (B) Do Income Survey 2. (Survey 5)
(B) Assignment 6

C. Hedonic adaptation and social comparison
2/2 (B) Assignment 7
(B) Do Personality Survey (Survey 6)
(R) Frederick, Shane and George Loewenstein (1999). “Hedonic Adaptation,” ch. 21 in Kahneman, Daniel, Ed Diener and Norbert Schwarz (eds.). *Well-Being: The


D. Loss Aversion
2/7  (E) HGLC, pp. 126-128.

2/9  Review

2/14  FIRST MIDTERM EXAM

III: THE GENERAL UTILITY FUNCTION

A. Psychological factors, life circumstances, and happiness

A-1. Psychological factors
2/16  (B) Do surveys of life satisfaction, happiness, and affect. (Survey 7)
(B) Assignment 8
(FS-3) “Personality and Socio-Demographic Influences on Happiness”, pp. 49-52.
(B) Rietveld, Cornelius A and others, “Molecular Genetics and Subjective Well-Being.” PNAS 110(24), June 11 2013, p. 9692. Abstract only.

A-2. Life circumstances
2/21  (B) Do “Good Life” survey. (Survey 8)
(B) Assignment 9
(FS-3) “Personality and Socio-Demographic Influences on Happiness,” pp. 52-66.
B-1. Life goals
2/23(1)(B) Do Domain Satisfaction survey. (Survey 9)
   (B) Assignment 10

B-2. Life circumstances and happiness: Domain Analysis
2/23(2)(B) Assignment 11
   (E) HGLC (Sections on “Conceptual Framework” and “Prior Work”), Ch. 7.2, pp. 160-161, Ch. 10.1, pp. 208-209.

C-1. Family Life: Formation of Unions
2/28 (B) Assignment 12

C-2. Dissolution of Unions; Children
3/2 (B) Assignment 13
   (B) Steptoe, Andrew and others “Social Isolation, Loneliness, and All-Cause Mortality in Older Men and Women”, PNAS 110(15), April 9, 2013, p.5795 to “Results”; p.5800 “Measures of Social Isolation and Loneliness”
   (B) Glass, Jenifer and others (2014) “Parenthood and Happiness: Effects of Work-Family Reconciliation Policies in 22 OECD Countries,” working paper
(B) van den Berg, Gerard, Petter Lundborg, and Johan Vikstrom, “The Economics of Grief” IZA Discussion Paper (November 2010), only non-technical summary

C-3. Health, Lottery
3/7 (B) Assignment 14

C-4a. Work: Macro-economic circumstances
3/9 (B) Assignment 15
(B) Do “Job Satisfaction” survey. (Survey 10)

3/12-19 Spring Recess

C-4b. Job satisfaction, Retirement
3/21 (B) Assignment 16
(B) Clark, Andrew, “Work and Well-being” (PowerPoint).

D. Social capital and Religion
3/23 (B) Assignment 17
E. Demographic Characteristics: Gender and ethnicity

3/28 (B) Assignment 18
(FS-3) “Influences on Happiness”, pp. 54-56.

E-2a. Age and life cycle

3/30 (B) Assignment 19
(FS-3) “Influences on happiness”, pp. 53-54.

E-2b.


4/6 Review

4/7 Last day to drop class with mark of “W”.

(FS-8) Constitution: Popular Referenda and Federalism
(E) Easterlin, Richard A. (2010), Happiness, Growth and the Life Cycle, Ch. 4, pp 103-104.
IV. POLICY

A. Psychological Needs, Eudamonia, Utilitarianism

4/13 (B) Assignment 20

B. Misprediction of utility

4/18 (B) Do “Goal” Survey. (Survey 11)
(B) Assignment 21

C. Consumer sovereignty and paternalism

4/20 (B) Assignment 22
(B) Friedman, Jeffrey and Adam McCabe (1996), “Preferences or Happiness? Tibor Scitovsky’s Psychology of Human Need”, pp. 49 middle-53.
(B) Sen, Amartya (1996), “Rationality, joy and freedom”.
D. Self-help
4/25 (B) Assignment 23

E. Public policy
4/27 (B) Assignment 24

5/10 FINAL EXAM (2-4)