

EC ☺ N 385R

HAPPINESS ECONOMICS

Oxford College of Emory University **Time:** T R 3:30 - 5:10 **Room:** Humanities Hall 210

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COURSE DESCRIPTION

In this course we will explore one of the most important yet least understood aspects of human nature – what makes us happy. For a long time economists have assumed that happiness cannot be measured. More importantly, they have assumed that happiness need not be measured directly because it can be inferred from the choices that people make which reveal their preferences. This more objective approach to measuring well-being has come to dominate modern (neoclassical) economic theory which assumes that individuals derive happiness only from the consumption of tangible goods and services as well as leisure. Thus, measures of material standards of living such as gross domestic product (GDP), or household and individual income, have come to dominate national debates about social and economic progress despite of their limitations.

This objectivist approach to measuring well-being, however, has been challenged in recent years as research in psychology and economics has pointed out that there are large discrepancies between how people feel, what they value and how they actually behave in real life.

THE PURSUIT OF HAPPINESS

There are 5,000 motivational speakers in the US, earning a collective of 1 billion dollars a year. The self-improvement industry is a \$10 billion-a-year industry, about the same as Hollywood.

"Happiness in this world, when it comes, comes incidentally. Make it the object of pursuit, and it leads us to a wild-goose chase, and is never attained. Follow some other object, and very possibly we may find that we have caught happiness without dreaming of it."

Nathaniel Hawthorne

People have "bounded rationality," do not always act in a way consistent with maximizing happiness, and their judgment is subject to many systematic mistakes. So in the first part of this course we will explore some of these anomalies in decision making and challenge some of the assumptions that economists make. We will ask more fundamental questions: What is happiness, what is its function, how does it relate to our well-being, can we measure it in a reliable and meaningful way, and should we use as a gauge for prosperity.

PREDICTABLY IRRATIONAL

Although most people expect that winning the lottery will make them much happier permanently, those who actually end up winning the lottery often return back to their baseline happiness within a year.

We will then look at a paradox: most people want more income and strive for it. Yet as standards of living have substantially improved in Western societies over the last fifty years, happiness levels have not changed. What socio-economic factors explain this trend?

Why are some nations happier than others? What is the role of other macroeconomic factors such as unemployment, inflation, income inequality, and the quality of governance in determining our happiness? People in ex-communist countries, for example, report significantly lower levels of subjective well-being than people in the more economically free Western societies. What major happiness trade-offs are societies facing in terms of macroeconomic policy?

While we can do little to affect the socio-economic climate that surrounds us, there are plenty of other decisions that are in our control – what kind of careers to pursue, whether to have kids, and, most importantly, how to spend our hard earned dollars. Can a bottle of 1947 Chateau Cheval Blanc make you happier than simply smiling at a stranger? We will next examine how variety of microeconomic factors such as money, work, leisure, reciprocity, gratitude, love, drugs, and social relationships affect our happiness. We will also look at the effect of consumerism on our subjective well-being.

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FALL 2013

COURSE DESCRIPTION

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INCOME & HAPPINESS

Did you know that beyond \$75K of annual household income in the US, money does not make you happier; that older people are generally happier than younger people; and that lawyers are some of the least happy people in the US?

Although the emphasis in the course will be to gain a better understanding of the determinants of happiness and their implication for economic theory and public policy, a part of the course is also dedicated to provide students with the tools of positive psychology that can help them live a happier life. Twentieth century psychology has largely focused on treating mental illness and preventing negative emotions and behaviors (e.g., depression, suicide, etc.) The new field of positive psychology, however, is the study of positive emotions – optimism, hope, and gratitude – and the character virtues and strengths that can help us achieve “authentic” happiness even in the face of adversity.

Finally, I can't promise you that at the end of the semester you will learn how to be happier. As Oscar Wilde once said “education is an admirable thing, but it is worth to remember from time to time that nothing that is worth knowing can be taught.” Happiness is one of those things – identifying, building, and

MEDITATION & SOCIAL MEDIA

Research shows that meditation can change your brain chemistry and bring you lasting happiness. The same is true for small acts of kindness and gratitude. On the other hand, using social media may have the opposite effect.

“Of course money can't buy happiness, but it can make you awfully comfortable while you're being miserable.”

~ Clare Boothe Luce

enhancing the virtues and strengths of your character that will lead to a happy life is something that will inevitably happen outside of the classroom. This does not mean that we have to discard the study of happiness economics. On the contrary, happiness economics can provide us with valuable insights about how people make choices and how these choices affect our ordinary lives. It can also challenge us to examine the meaning of social progress and critically evaluate the values and beliefs that we hold the closest to our hearts. What I can promise you, then, is that if you are motivated and spend the necessary time to explore new ideas and ways of thinking, you will make one more step towards an educated and flourishing life—and this is something valuable in itself. After all, you will have to make all kinds of choices—both for yourself and for your community—and this is something you can do either intelligently or not.



“If you want to be happy, be.” ~ Leo Tolstoy

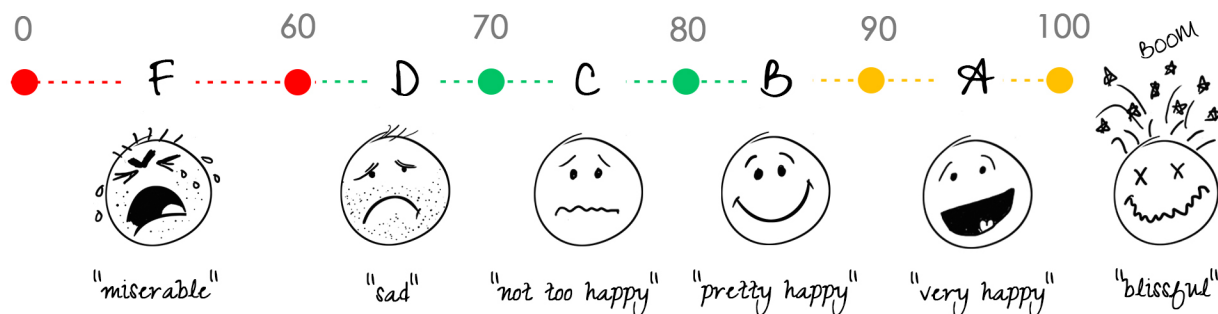
COURSE OBJECTIVES



- A. Examine the meaning of modern socio-economic progress by studying patterns of life satisfaction over time and different demographic groups.
- B. Challenge / supplement the existing economic paradigm by exploring behavioral theories that are different from modern mainstream economics.
- C. Identify some of the most common anomalies in decision-making that prevent us from achieving lasting happiness.
- D. Discredit some common myths about what makes us happy (miserable) & identify key socio-economic determinants of happiness.
- E. Recognize that we are in control (to some extent) of our subjective well-being, and learn ways in which we can develop our character strengths and virtues so we can live a happier life.
- F. Finally, this course fulfills the reading, writing, and speaking intensive requirement for undergraduate students. It is organized in the form of a seminar, so an important goal of the class is to help students improve their reading, writing, and presentation skills.

GRADING

& COURSE REQUIREMENTS



30%

Final Paper

The largest component of your grade will be determined by your final research paper. There will be no assigned topic for this project. It is supposed to be an independent and creative research on a subject related to the course that you find particularly interesting. This is also your opportunity to contribute to the development of the course. Your research should make use of both primary and secondary literature. The final paper should be 12-18 pages long, Times New Roman, 1" margins, double spaced, and is **due Nov 21**. Some topics worth considering include the relationship between happiness and age, gender, social class, higher education, internet, humor, wisdom, novelty, politics, and religion.

Don't be afraid to shoot for the stars!

20%

Short Papers

Your success in this and any other class depends on your systematic studying of the assigned readings. Therefore, weekly short papers (2 pages double spaced) will be assigned to assess your progress in this respect. The papers will be graded from **0-3 points**. You will receive a point for submitting your paper on time, another one if it is in the appropriate length, and 1 point for its quality. Exceptional papers will receive extra credit points. Your worst grade will also be dropped.

105%

lol!

30%

Class Participation

This course is organized in the form of a seminar. The emphasis will be on learning not what to think, but how to think; not what kind of arguments to support, but how to weigh those arguments and make informed decisions. Therefore, class discussion is an important component of the course and respect for the ideas of others is a quality you need to bring to the classroom. During each meeting I will lecture for 15-25 minutes, and the remaining time will be a discussion. You will be expected to come to class prepared and ready to thoroughly discuss the assigned readings. During the semester, I will ask each one of you to summarize quickly one of the readings for the day and share two questions that will encourage class discussion.

20%

Presentation

Since this course fulfills the requirements for a speaking intensive course, you will have to give a short 15-20 minutes presentation discussing your research project. Your presentation should summarize your findings and lead to a discussion which you will moderate (so you will have to come prepared with at least two thought provoking questions to get the discussion started.)

There will be a number of extra credit opportunities during the semester that I will announce. You can complete as many projects as you would like but only up to 5% will be taken into consideration in your final grade formation. Extra credit is always due a week from the day it is announced. All extra credit papers should be typed, double spaced, and at least 2 pages long. Late papers are not going to be accepted so plan your time accordingly.

Extra Credit

5%



+ Attendance

If you do not plan to attend lectures and participate constructively in class discussions, then you should withdraw from this course. Liberal arts education is by its nature aimed at careful self-examination and discussion. Such are the goals of this course too—by studying the economics of happiness to challenge our own preconceived notions about the realities of economic life. A great deal of your grade will be determined by your involvement with the class. In addition, experience shows that students who miss more than two lectures finish with a grade significantly below average. And students who do not attend lectures regularly fail the course.

Should you decide to attend class I will ask that you do it the way it has to be done — no text messaging, no sleeping, be on time, etc. The following penalties will be enforced in case of: (1) Sleeping: You will lose a letter grade from your final grade. (2) Text-messaging: You will lose 20 pts on your final paper. Being more than 5 minutes late: You will lose 10 pts on your final paper. To be fair to you, the same rules will apply to me as well. That is, I will award the same number of points in case I happen to violate **the rules**. For example, if I happen to fall asleep during lecture, I will increase everybody's final grade with a letter.

+ Cheating & Plagiarism

University policies regarding academic dishonesty will be rigorously enforced in this class. It is your responsibility to familiarize yourself with these policies and to follow them strictly (refer to the Undergraduate Catalog). Pay particular attention to the policy on plagiarism as plagiarism is not limited to word-for-word copying of another's work. You are expected to complete all assignments for this class independently unless the assignment specifically states otherwise. I reserve the right to penalize dishonesty with sanctions up to and including an F in the course.

+ Available Help

I encourage you to talk to me after class, to stop by my office or to email me if you have questions regarding assignments, readings, etc. I will be happy to explain material and help you prepare for assignments.

+ "Flat Tire and Crashed Operating System on the Day Paper Is Due" Policy

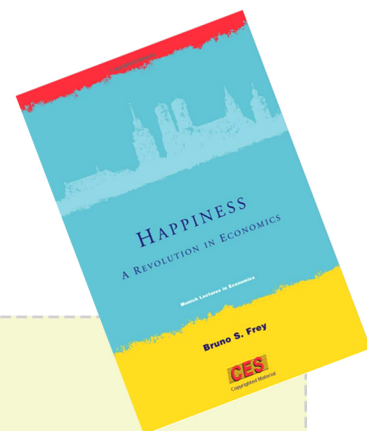
As the name of this policy suggests, no excuses of this type will be accepted. Make sure you back up your work regularly and have a contingency plan to get to school if your car breaks. It is your responsibility to complete all assignments on time.



Departure of the Winged Ship by Vladimir Kush

WHOSE

BOOK IS IT ANYWAY?



- [BF]** Frey, Bruno (2010). **Happiness: A Revolution in Economics.** The MIT Press [buy on Amazon]
- [RL]** Layard, Richard (2005). **Happiness: Lessons from a New Science.** Penguin Books [buy on Amazon]
- [DA]** Ariely, Dan (2010). **Predictably Irrational: The Hidden Forces That Shape Our Decisions.** Harper Perennial [buy on Amazon]
- [BS]** Schwartz, Barry (2009). **The Paradox of Choice.** Harper Collins [buy on Amazon]
- [RF]** Frank, Robert (2010). **Luxury Fever: Weighing the Cost of Excess.** Princeton University Press [buy on Amazon]
- [MS]** Seligman, Martin (2004). **Authentic Happiness: Using the New Positive Psychology to Realize Your Potential for Lasting Fulfillment.** Atria Books [buy on Amazon]
- [JH]** Haidt, Jonathan (2006). **The Happiness Hypothesis: Finding Modern Truth in Ancient Wisdom.** Basic Books [buy on Amazon]
- [MC]** Csikszentmihalyi, Mihaly (2008). **Flow: The Psychology of Optimal Experience.** Harper Perennial Modern Classics [buy on Amazon]
- [BU]** Buddha (1993). **Dhammapada.** Thomas Byrom (trans.) Shambhala [buy on Amazon]
- [AM]** Maslow, Abraham (1994). **Religions, Values, and Peak Experiences.** Penguin Books [buy on Amazon]



Schedule / tentative

Date	#	Topic / Readings
R: Aug 29	1	Introduction & course overview, [RL] Ch. 1,2,3
T: Sep 3	2	Review of standard economic theory
R: Sep 5	3	Measuring socio-economic progress (& well-being), [R]
T: Sep 10	4	Anomalies in decision making, [DA] Introduction, Ch. 1-2 + [R]
R: Sep 12	6	What is happiness and can we measure it reliably?, [BF] Ch. 1, 2 + [R]
T: Sep 17	7	--
R: Sep 19	8	The progress paradox, [RL] Ch. 4-7 + [R]
T: Sep 24	9	--
R: Sep 26	10	The macroeconomics of happiness, [BF] Ch. 4-5
T: Oct 1	11	The microeconomics of happiness, [BF] Ch. 7-8
R: Oct 3	12	TV, advertisement, and consumerism, [BF] Ch. 9 + [RF]
T: Oct 8	13	The paradox of choice, [BS]
R: Oct 10	14	Introduction to positive psychology, [AH] Preface, Ch.1-2+ [R]
T: Oct 15	15	Fall Break (no class)
R: Oct 17	16	The happiness advantage, [AH], ch. 3-4 + [R]
T: Oct 22	17	Meditation, drugs, and Freud, [JH] Ch.2 + [R]
R: Oct 24	18	Reciprocity, gratitude, and the common good, [JH] Ch. 3 + [R]
T: Oct 29	19	Love and attachment, [JH] Ch. 6
R: Oct 31	20	Flow & peak performance, [MC] + [AH] Ch. 7
T: Nov 5	21	Growth by adversity, [JH] Ch.7
R: Nov 7	22	Growth by awe and beauty, [R]
T: Nov 12	23	Character strengths and virtue, [AH] Ch. 8-10, 13 + [R]
R: Nov 14	24	Should we maximize happiness?, [BF] Ch. 13-15 + [R]
T: Nov 19	25	Where do we go from here?
R: Nov 21	26	Presentations
T: Nov 26	27	Presentations
R: Nov 28	28	Thanksgiving Break (no class)
T: Dec 3	29	Presentations
R: Dec 5	30	Presentations
T: Dec 10	31	Presentations

* [R] = Additional readings available on the course website: happy.borisnikolaev.com