1. Course Description

We live in an age and in a country where human consumption seems to be increasing without bounds. But what are the effects of this on the supposed consequence of this increase, that is, the happiness of human beings? Many believe that this question has an obvious answer: since people are freely choosing to consume more, it must be making them happier. But others are not so sure, finding that increases in consumption beyond a certain level do not increase the subjective happiness of those who consume. The course will examine why this is so, looking especially at the idea that happiness from consumption depends on not the amount we consume but rather on the amount we consume relative to others. It will also examine how increases in consumption affects other things many people think are important - including time with family and friends, the environment, economic growth, and income distribution.

This is an important and interesting subject for a number of reasons.

1. It raises questions about a whole range of economic topics and issues, including the economics of consumption, production, labor, employment, growth, environment and general equilibrium and welfare economics.
2. It makes use of a number of interesting and useful techniques of economic analysis, including macroeconomic models, general equilibrium models, the analysis of market failures due to externalities, and game theory.
3. It explores the links between economics and other related disciplines, including sociology, psychology, political science, political science and theology, providing students of economics with a broader understanding of their subject and its relation with other subjects, and students of other subjects an appreciation of the relevance of economic analysis.
4. It makes the student reflect on their own experiences, since all students are consumers and since they observe the consumer society around them. This makes the course relevant for the everyday life of the students. Finally, and perhaps most importantly, it is concerned with important moral questions not only relating to economics, but to everyday life in general.

2. Prerequisites

Students are required to have already taken a principles or introductory courses in economics and statistics; intermediate courses in micro and macroeconomics, and econometrics, also provide useful background. Some of the material covered will be
more sophisticated in nature, but the course will cover the material required to prepare students for that material.

3. Course plan

For the first couple of days the instructor will provide a brief overview of the material covered in the syllabus and reading list. After that the students will be asked to select two topics of their choice on which they will write papers and make in-class presentations. Students can formally select topics after discussing it with the instructor. Other students will be required to participate in discussions on each topic following the presentations. The final version of one paper is due on or before **October 12** (the class before the midsemester break) and the other on or before **December 5** (the last day of class). The recommended length of each paper is 14 to 18 pages (including notes and references). Students are required to turn in an outline and at least one draft of each paper before submitting the final versions. **Students are required to attend as much of the conference on Happiness (October 22-24) as their schedule allows.**

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4. Grading

The grading will be based on the following:

45 % on the first paper.
45 % on the second paper.
10 % on presentations and class participation.

5. SYLLABUS AND READING LIST

Don’t be too concerned about the length of the reading list. You don’t have to read all or even most of it unless you really want to. I will mention the key readings for each class meeting ahead of time. Several of the key readings are available on electronic reserve (and marked with **); many others (books) are available on regular reserve (marked with *).

General Reading


PART ONE: BACKGROUND

1. The standard view


2. What is consumption?


3. What is happiness?

* Layard, Richard (2005), Happiness, London: Penguin, chaps. 1, 2, 8


4. Empirical issues


PART TWO: CAUSES OF INCREASING CONSUMPTION AND ITS EFFECTS ON THE CONSUMER

5. Overview


* Layard, Richard (2005), Happiness, London: Penguin, chap. 4


6. The corporation, advertising and marketing


7. Consumption, needs and the standard of living


8. Psychological factors


9. Consumption, work and time


10. Relative consumption and status

* Veblen, Thorstein (1899). The Theory of the Leisure Class. An Economic Study of Institutions, chapters 2-5, especially chapter 2.**


* Layard, Richard (2005), Happiness, London: Penguin,


11. Consumption, personal finances and bankruptcy


12. Other economic determinants of happiness


13. Non-economic determinants of happiness


PART THREE: EFFECT OF CONSUMPTION ON SOCIETY

14. Effects on output and growth


15. Effects on government finances and public goods


16. Effects on the environment


17. Non-economic effects: community and morals


18. Effects on income distribution within and between countries


20. Other moral and non-economic issues


PART FIVE: SOLUTIONS

21. What is to be done?


