Consumption & Happiness
ECON 40280
Spring 2009
Class time: Mondays and Wednesdays, 11:45-1:00, 345 O’Shaughnessy
Office Hours: Mondays and Wednesdays, 1.45 -2.45 PM, Tuesdays, 10-11 AM, and by appointment
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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, if necessary, the course will cover the material required
to prepare students for that material.

3. Course plan

For the first couple of days I will provide a brief overview of the material covered in the
syllabus and reading list. After that you have to select two topics of their choice on
which you will write papers and make in-class presentations and lead discussions. You
can formally select topics after discussing it with the instructor and sending an email
to confirm. All students are required to participate in discussions on each topic. The final
version of one paper is due on or before March 4 (the last days of class before the mid-
semester break) and the other on or before April 29 (the last day of class). The
recommended length of each paper is 14 to 16 pages (including notes and references).
You are required to turn in an outline and at least one draft of each paper before
submitting the final versions, the outline at least three weeks before the due date of
the paper and the draft at least ten days before.

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Aldridge
Layard, Frey-Stutzer, Nettles
Kahneman and Kruger, Sen
Layard, Frey-Stutzer, Easterlin 2001
Frank, Layard, Binswanger
Galbraith, de Graaf et al, Dutt 2008
Sen 1999, Segal 1998
Scitovsky 1976, chaps 1-3, *outline of paper 1 due*
Frank, Kasser skim, Karelis
Frank, Schor skim, de Graaf et al
Solnick and Hemenway 1998, Lichtenberg, Layard,
draft of paper 1 due
Frank, Schor, Dutt 2001
Veblen esp chap 2, Layard, Frank, Dutt 2001,
*paper 1 due*
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. The key readings for each class meeting are mentioned in the schedule above, and all students are required to read them to be able to participate in class discussions. But you should try to read more, especially for topics that interest you and for those on which you are writing reports. Several of the key readings are available on electronic reserve (and marked with **); many others (books) are available on regular reserve (marked with *). Some readings are also available in the “readings” folder on courseware (marked with #). Students are also required to read the notes available on courseware, in the “notes” folder.

GENERAL READING


PART ONE: BACKGROUND

1. The standard view


2. What is consumption?


3. What is happiness?


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.**


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 poverty and income distribution within and between countries**


**PART FOUR: NON-ECONOMIC AND MORAL ISSUES**

19. Consumption and Religion


20. Other moral and non-economic issues and defenses of consumerism


**PART FIVE: SOLUTIONS**
21. What is to be done?


