Consumption & Happiness
ECON 43280
Spring 2010
Class time: Mondays and Wednesdays, 11:45-1:00, 108 DeBartolo
Office Hours: Mondays and Wednesdays, 1.45 -2.45 PM, Tuesdays, 2.00-3.00 PM, and by appointment
Professor Amitava Dutt, Decio 420, 6317594, adutt@nd.edu, http://www.nd.edu/~adutt

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 your choice on which you will write papers and make in-class presentations and lead discussions. You can formally select topics after discussing it with me 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 3 (the last days of class before the mid-semester break) and the other on or before April 30 (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 by dates mentioned below.

Jan
13 Introduction
18 Standard view/Consumption  Aldridge
20 Consumption
25 Happiness 1  Layard, Frey-Stutzer, Nettles
27 Happiness 2  Kahneman and Kruger, Sen

Feb
1 Empirical issues  Layard, Frey-Stutzer, Easterlin 2001
3 Overview: Causes and effects  Frank, Layard, Binswanger
Corporation, advertising and marketing
8 Corporation / Needs and standard of living  Galbraith, de Graaf et al, Dutt 2008
10 Psychological factors 1  Scitovsky 1976, chaps 1-3
15 Psychological factors 2  Frank, Kasser skim, Karelis
17 Consumption, work and time  Frank, Schor skim, de Graaf et al
Solnick and Hemenway 1998, Lichtenberg, Layard, 1st paper draft due
22 Relative consumption 1
24 Relative consumption 2/Status  Frank, Schor, Dutt 2001
Mar
3 Status  Veblen esp chap 2, Layard, Frank, Dutt 2001, 1st paper due
8 Midsemester break
10 Midsemester break
15 Film
17 Personal finance  Frank, Browning et al
22 Other economic determinants  Frey-Stutzer, Clark and Oswald, DeTella et al
24 Non-economic determinants  Frey-Stutzer, Layard, Lane 2000b
29 Output, growth  Frank, Schor, Dutt 2008, Bartolini
31 Growth / Government finance  Galbraith, Frank
Apr
5 Easter holiday
7 Government finance/environment  Arrow et. al., 2nd paper outline due
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<tr>
<td>12</td>
<td>Environment Hammond, Schor</td>
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<td>14</td>
<td>Income distribution: within countries de Graaf, Veblen, Karelis</td>
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<td>Income distribution: between</td>
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<td>19</td>
<td>countries Dutt, Brown, Hammond</td>
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| 21 | Religion Dutt 2001, Wilber, *2nd paper draft due*
|    | Community and morals, other |
| 26 | noneconomic issues Putnam 2000, Campbell, Twitchell 1999 |
| 28 | What is to be done? 1 Layard, Dutt 2001, Nettles |
| 30 | What is to be done? 2 Frank, de Graaf et al skim, *2nd paper 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
6. The corporation, advertising and marketing


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


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?


