Consumption & Happiness
ECON 40280
Spring 2007
Tuesdays and Thursdays, 12:30-1:45, O’Shaughnessy 114
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Office Hours: Tuesdays and Thursdays, 11.00 AM-12.00 noon, Tuesdays 2.00-3.00 PM and by appointment

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 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
topics of their choice on which they will read the relevant literature and make in-class
presentations (with other members of their groups, to be announced). Students can
formally select topics after discussing it with the instructor. Other students will be
required to participate in discussions on each topic.

| January  | 16  | Introduction / Standard view |
| January  | 18  | Consumption                  |
| January  | 23  | Happiness                   |
| January  | 25  | Happiness, cont.            |
| January  | 30  | Empirical issues            |
| February | 1   | Empirical issues / Overview: Causes and Effects |
| February | 6   | Overview: Causes and effects, cont. |
| February | 8   | Corporation, advertising and marketing |
| February | 13  | Corporation / Needs and standard of living |
| February | 15  | Psychological factors       |
| February | 20  | Psychological factors, cont. |
| February | 22  | Consumption, work and time  |
| February | 27  | Relative consumption       |
| March    | 1   | Relative consumption cont.  |
| March    | 6   | Status                      |
| March    | 8   | Personal finance, other econ determinants |
| March    | 13  | Spring Break                |
| March    | 15  | Spring Break                |
| March    | 20  | Other economic determinants |
| March    | 22  | Non-economic determinants  |
| March    | 27  | Output, growth              |
| March    | 29  | Growth / Government finance |
| April    | 3   | Affluenza film and discussion |
| April    | 5   | Environment                 |
| April    | 10  | Community and Morals        |
| April    | 12  | Income distribution: within countries |
| April    | 17  | Income distribution: between countries |
| April    | 19  | Religion                    |
| April    | 24  | Other moral and non-economic issues |
| April    | 26  | What is to be done?        |
| May      | 1   | What is to be done? cont.   |
4. Grading

Students have two options: (1) to take the ‘standard’ track; and (2) to take the ‘writing intensive’ track. All students are to take the standard track unless specifically approved by the instructor. Students may request to be in the writing intensive track and will have to provide reasons why they want to do so. Approval for the writing intensive track will be at the discretion of the instructor. The writing intensive track will satisfy the department’s writing intensive requirement, will require more intensive writing of papers, and less writing of reports and exams. It is the more challenging option, but may be more suitable for good students with a strong interest in the topic.

For the standard track, the grading will be based on the following:
  a. 30% on a take home midterm, due on March 8 (the last day of classes before Spring Break).
  b. 50% on a take-home comprehensive final exam due on May 8, 1 week after the last day of class.
  c. 10% on a short project report on their classroom discussion topic (4-5 double-spaced pages in length) due May 1, last day of classes, or earlier.
  d. 10% on presentation and class participation.

For the writing-intensive track, the grading will be based on the following.
  a. 30% on a take-home midterm, due on March 8 (the last day of classes before Spring Break).
  b. 50% on a paper on one of two topics chosen by the student. The recommended length of each paper is 25 to 28 pages (including notes and references). An outline of the paper (one page in length) is due by March 8 (the last day of classes before Spring Break). Students are required to turn in an outline and at least one draft of each paper before submitting the final versions. The paper is due by May 5, a few days after the day of classes, and a draft is due at least two weeks prior to that. Students are required to submit at least one draft of the paper prior to submission of the final paper and to meet with the instructor to discuss the draft.
  c. 10% on a short project report on the second of their two topics on their classroom discussion topic. (4-5 double-spaced pages in length) due April 10 or earlier.
  d. 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?


4. Empirical issues


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

5. Overview


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

Blanchard, Olivier, Macroeconomics, Prentice Hall.


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


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?


