

*Revised/Updated: Economics of Well-being (HST409)*

**Course Type: UG Open Elective**

**Course Code: HST409**

**Revised Course Title: Economics of Happiness**

**Prerequisite: Nil**

**Course Description**

This course introduces students to the emerging field of happiness economics, which examines subjective well-being as an indicator of human welfare. Drawing on insights from empirical research, the course explores how happiness is measured, the relationship between income and well-being, the roles of aspirations and social comparisons, and the implications of happiness research for economic policy.

**Course Outcomes**

**CO1:** Understand the conceptual and empirical foundations of happiness economics1

**CO2:** Analyse the determinants of happiness at individual and societal levels

**CO3:** Examine the roles of income, aspirations, and social comparisons in shaping well-being

**CO4:** Evaluate the implications of happiness research for economic policy and development.

**Course Contents**

**Unit 1: Foundations of Happiness Economics**

- Traditional economic views of welfare and utility
- Emergence of happiness economics and subjective well-being research
- concepts of happiness, life satisfaction, and subjective well-being
- Methods for measuring happiness, including surveys and subjective well-being indicators
- Reliability and validity of happiness data in economic analysis

**Unit 2: Income, Economic Growth, and the Easterlin Paradox**

- Relationship between income and happiness at the individual level
- Economic growth and happiness over time
- The Easterlin paradox with evidence and debates
- Short-term versus long-term effects of income on happiness
- Cross-country and time-series evidence

**Unit 3: Aspirations, Adaptation, and Relative Income**

- Role of aspirations in shaping well-being
- Hedonic adaptation and dynamics of happiness
- Relative income and social comparisons
- Status competition and positional goods
- Changing aspirations and long-term life satisfaction

#### **Unit 4: Determinants of Happiness: Work, Institutions, and Social Factors**

- Employment, unemployment, and job satisfaction
- Role of institutions and governance
- Freedom, democracy, and participation
- Social relationships, trust, and social capital
- Cultural and societal determinants of well-being

#### **Unit 5: Happiness, Public Policy, and Economic Development**

- Implications of happiness research for economic policy
- Welfare measurement beyond GDP using happiness indicators
- Happiness and development policy
- Debates on whether governments should maximise happiness
- Applications in policy design

#### ***Text and References***

##### **Essential readings**

1. An Economist's Lessons on Happiness, Richard Easterlin, Springer, 2021.
2. Economics of Happiness, Bruno S. Frey, Springer, 2018.

##### **Additional References**

1. Happiness: A Revolution in Economics, Bruno S. Frey, MIT Press, 2008.
2. The Happiness Hypothesis, Jonathan Haidt, Basic Books, 2006.
3. Nudge: Improving Decisions about Health, Wealth, and Happiness, Richard Thaler and Cass Sunstein, Yale University Press, 2008.
4. World Happiness Report, United Nations Sustainable Development Solutions Network (Annual Publication).