

Happiness and Utility

What makes people happy? According to the standard economic model happiness is a positive function of a person's absolute level of income—in other words, the greater one's absolute level of income, the more happy one should be. In this seminar, we will examine the factors that affect happiness from the vantage point of behavioural economics. A primary focus will be on evidence suggesting that happiness is a function not of a person's absolute income, but instead, their relative-rank of income within a comparison group—the so-called *relative income rank hypothesis*. We will also see how this relative income rank hypothesis can be extended to explain people's proneness to depressive symptoms, amongst other things.

Background Reading

Cartwright, E. (2011, Chapter 10). *Behavioural Economics*. Routledge, UK.

Speaker Readings

Speaker 1

Brown, G. D. A., Gardner, J., Oswald, A., Qian, J. (2005). Does wage rank affect employees' wellbeing? *Industrial Relations*, 47(3), 355-389.

Speaker 2

Boyce, C. J., Brown, G. D. A., & Moore, S. C. (2010). Money and happiness: Rank of income, not income, affects life satisfaction. *Psychological Science*, 21(4), 471-475.

Speaker 3

Melrose, K. L., Brown, G. D. A., & Wood, A. (2013). Am I abnormal? Relative rank and social norm effects in judgements of anxiety and depression symptom severity. *Journal of Behavioural Decision Making*, 26, 174-184.

Speaker 4

Hounkpatin, H. O., Wood, A. M., Brown, G. D. A., & Dunn, G. (2015). Why does income relate to depressive symptoms? Testing the income rank hypothesis longitudinally. *Social Indicators Research*, 124, 637-655.

Speaker 5

Walasek, L., & Brown, G. D. A. (2015). Income inequality and status seeking: Searching for positional goods in unequal U.S. states. *Psychological Science*, 26(4), 527-533.

Speaker 6

Boyce, C. J., Wood, A. M., Banks, J., Clark, A. E., & Brown, G. D. A. (2013). Money, well-being, and loss aversion: Does an income loss have a greater effect on well-being than an equivalent income gain? *Psychological Science*, 24(12), 2557-2562.