

# IB3K8-15 The Economics of Well-Being

21/22

**Department**

Warwick Business School

**Level**

Undergraduate Level 3

**Module leader**

Nattavudh Powdthavee

**Credit value**

15

**Module duration**

10 weeks

**Assessment**

100% coursework

**Study location**

University of Warwick main campus, Coventry

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## Description

### Introductory description

This is an elective module available for WBS and non-WBS students.

This module aims to provide an overview of the main theories and empirical studies of well-being (or happiness) economics, including its practical implications in the workplace, in cost-benefit analysis, and in policy design. Students will learn about the importance of well-being as an economic outcome and as a policy target, as well as ways of measuring well-being and its determinants. Topics include: choice versus subjective experience; different measurements of well-being; well-being and economic growth; the micro- and macro-economic determinants of well-being; job satisfaction and its determinants; how to use well-being in cost-benefit analysis; hedonic adaptation; social comparisons across different domains of life; well-being over the life-course; affective forecasting; well-being as predictors of future behaviours; well-being and public policy. The goal is to broaden students' understanding of what factors determine individual's subjective experiences, and to learn how this knowledge can be applied in business and policy settings.

[Module web page](#)

### Module aims

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economic outcome and as a policy target, as well as ways of measuring well-being and its determinants. Topics include: choice versus subjective experience; different measurements of well-being; well-being and economic growth; the micro- and macro-economic determinants of well-being; job satisfaction and its determinants; how to use well-being in cost-benefit analysis; hedonic adaptation; social comparisons across different domains of life; well-being over the life-course; affective forecasting; well-being as predictors of future behaviours; well-being and public policy. The goal is to broaden students' understanding of what factors determine individual's subjective experiences, and to learn how this knowledge can be applied in business and policy settings.

## **Outline syllabus**

This is an indicative module outline only to give an indication of the sort of topics that may be covered. Actual sessions held may differ.

The module aims to provide an overview of the main theories and empirical studies in well-being (or happiness economics). There will be nine key topics, which will align with the nine lectures:

- What is the economics of well-being?
- Measuring well-being.
- Happiness, income, and economic growth.
- The micro- and macro-economics determinants of well-being.
- Job satisfaction and its determinants.
- Social comparison and hedonic adaptation.
- Well-being over the life-course.
- Affective forecasting.
- Well-being and public policy.

## **Learning outcomes**

By the end of the module, students should be able to:

- Articulate and apply the key concepts in the economics of well-being.
- Understand the importance of well-being as one of the key policy targets, and gain insights into how well-being is measured in the field.
- Understand how well-being is typically measured, how happiness is relative and adaptable, how people are typically very bad at predicting their emotional reactions in the future, and how to apply these empirical findings in practically relevant business and government contexts.
- Critically evaluate existing business and government practices which either support or ignore people's well-being as their principal outcomes.
- Apply critical thinking, creativity, and imagination in coming up with innovative public policies or business strategies that have individual's well-being in mind.

## **Indicative reading list**

The primary readings for the module include:

1. Clark, A, Frijters, P. Shields, M. (2007) Relative income, happiness and utility: an

- explanation for the Easterlin paradox and other puzzles. *Journal of Economic Literature*, 4695-144.
2. Di Tella, R. and MacCulloch, R., 2006. Some uses of happiness data in economics. *The Journal of Economic Perspectives*, 20(1), pp.25-46.
  3. Frey, B.S., and Stutzer, A. (2002). What can economists learn from happiness research? *Journal of Economic Literature*, 40, 402-435.
  4. Kahneman, D. Krueger, A. Schkade, D. Schwarz, N. Stone, A. (2004) Toward national well-being accounts. *American Economic Review*, 94(2), 429-434.
  5. Layard, R., Clark, A.E., Cornaglia, F., Powdthavee, N. and Vernoit, J., 2014. What predicts a successful life? A life-course model of well-being. *The Economic Journal*, 124(580), pp.F720-F738.
  6. Oswald, A.J. and Powdthavee, N., 2008. Does happiness adapt? A longitudinal study of disability with implications for economists and judges. *Journal of public economics*, 92(5), pp.1061-1077.
  7. Powdthavee, N., 2008. Putting a price tag on friends, relatives, and neighbours: Using surveys of life satisfaction to value social relationships. *The Journal of Socio-Economics*, 37(4), pp.1459-1480.
  8. Powdthavee, N., 2010. *The happiness equation: The surprising economics of our most valuable asset*. Icon Books Ltd.
  9. Powdthavee, N. and Van den Berg, B., 2011. Putting different price tags on the same health condition: Re-evaluating the wellbeing valuation approach. *Journal of health economics*, 30(5), pp.1032-1043.
  10. Wilson, T. Gilbert, D. (2003) Affective forecasting. *Advances in Experimental Social Psychology*, 35, p345-411.
  11. Thaler, R. and Sunstein, C. (2003) Libertarian paternalism, *American Economic Review*, 93, 2, 175-179.

### **Subject specific skills**

Evaluate and interpret empirical estimates typically reported in the economics of well-being literature.

Understand how to apply theories in the economics of well-being to their own experiences.

### **Transferable skills**

Participate in critical discussions about why people in business and policy makers should care about well-being as an outcome, and offer new and cost-effective solutions to the current practices.

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## **Study**

### **Study time**

| <b>Type</b>   | <b>Required</b>              |
|---------------|------------------------------|
| Lectures      | 10 sessions of 2 hours (13%) |
| Seminars      | 9 sessions of 1 hour (6%)    |
| Private study | 48 hours (32%)               |
| Assessment    | 73 hours (49%)               |
| Total         | 150 hours                    |

### **Private study description**

Private Study.

### **Costs**

No further costs have been identified for this module.

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### **Assessment**

You do not need to pass all assessment components to pass the module.

#### **Assessment group A2**

|   | <b>Weighting</b> | <b>Study time</b> |
|---|------------------|-------------------|
| Individual Assignment (15 CATS)                                 | 80%              | 58 hours          |
| Group Video Presentation (15 CATS)<br>10 mins presentation max. | 20%              | 15 hours          |

#### **Feedback on assessment**

Feedback will be provided via my.wbs.

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### **Availability**

#### **Courses**

This module is Unusual option for:

- UPHA-V7ML Undergraduate Philosophy, Politics and Economics
  - Year 3 of V7ML Philosophy, Politics and Economics (Tripartite)
  - Year 3 of V7ML Philosophy, Politics and Economics (Tripartite)
  - Year 3 of V7ML Philosophy, Politics and Economics (Tripartite)

This module is Option list G for:

- UPHA-V7ML Undergraduate Philosophy, Politics and Economics
  - Year 2 of V7ML Philosophy, Politics and Economics (Tripartite)
  - Year 2 of V7ML Philosophy, Politics and Economics (Tripartite)
  - Year 2 of V7ML Philosophy, Politics and Economics (Tripartite)