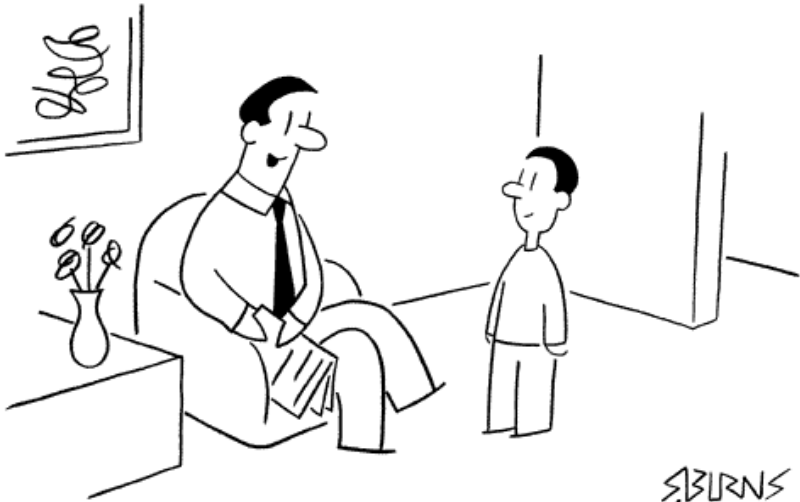


Happiness

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"Remember, son...money can't buy happiness,
but it pays for a lot of anti-depressants."

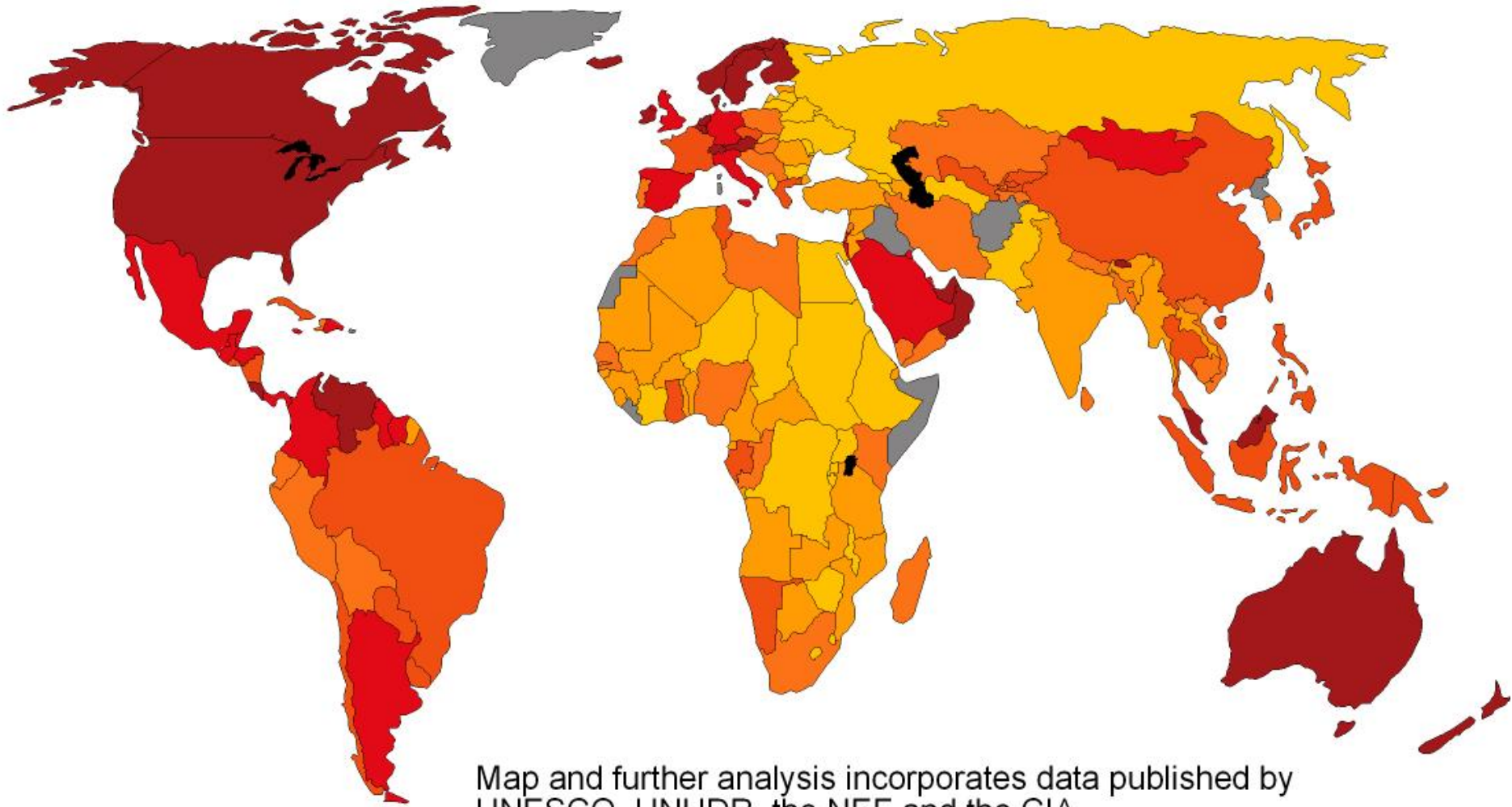
“The amusements, which are
the most durable, have all a
mixture of application and
attention in them; such as
gaming and hunting.”

David Hume (1711-76)

Happiness and Economics

- Objective Approach:
 - Revealed preferences – we get what we want
 - It assumes we always know what we want (rational preferences)
 - It assumes we always know how to get it (rational decision making and full information)
 - It assumes that we are always happy (optimal outcomes)
- Subjective Approach:
 - Measurement
 - Self-reporting
 - Physiological measurement

A Global Projection of Subjective Well-being



Map and further analysis incorporates data published by UNESCO, UNHDR, the NEF and the CIA.

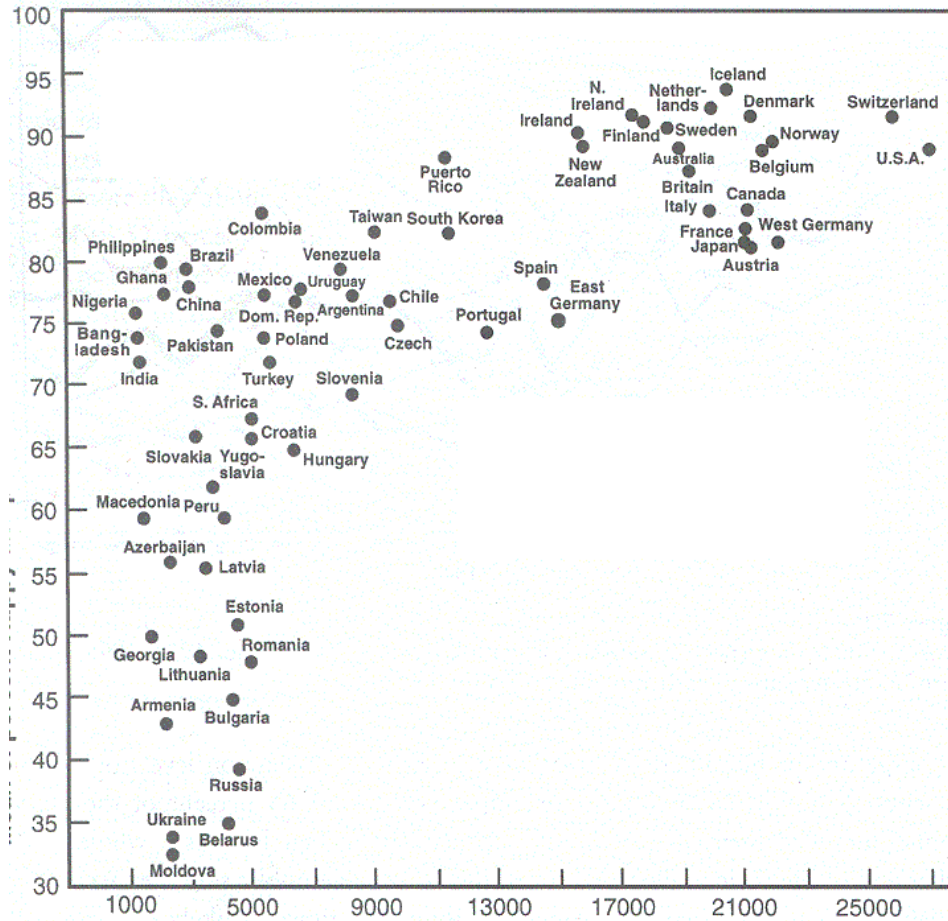


High SWB - - - - - Low SWB

- **Happy Countries**
- DENMARK 273
- SWITZERLAND 273
- AUSTRIA 260
- ICELAND 260
- BAHAMAS 257
- FINLAND 257
- SWEDEN 257
- BHUTAN 253
- BRUNEI DARUSSALAM 253
- CANADA 253
- IRELAND 253
- LUXEMBOURG 253
- COSTA RICA 250
- MALTA 250
- NETHERLANDS 250
- ANTIGUA AND BARBUDA 247
- MALAYSIA 247
- NEW ZEALAND 247
- NORWAY 247
- SEYCHELLES 247
- ST KITTS AND NEVIS 247
- UAE 247
- **USA 247**
- VANUATU 247
- VENEZUELA 247
- AUSTRALIA 243
- BARBADOS 243
- BELGIUM 243
- DOMINICA 243
- OMAN 243
- SAUDI ARABIA 243
- SURINAME 243
- BAHRAIN 240
- COLUMBIA 240
- GERMANY 240
- GUYANA 240
- HONDURAS 240
- KUWAIT 240
- PANAMA 240
- ST VINCENT AND THE 240
- UNITED KINGDOM 237

- **Unhappy Countries**
- HUNGARY 190
-
- PALESTINE 180
- SLOVAKIA 180
-
- TURKEY 177
-
- IVORY COAST 150
- NIGER 150
- ERITREA 147
- RWANDA 147
- BULGARIA 143
- LESOTHO 143
- PAKISTAN 143
- RUSSIA 143
- SWAZILAND 140
- GEORGIA 137
- BELARUS 133
- TURKMENISTAN 133
- ARMENIA 123
- SUDAN 120
- UKRAINE 120
- MOLDOVA 117
- CONGO DEMOCRATIC 110
- ZIMBABWE 110
- BURUNDI 100

Source: Marks, N., Abdallah, S., Simms, A, Thompson, S. (2006).



Happiness and Class in the U.S.

Source: General Social Survey

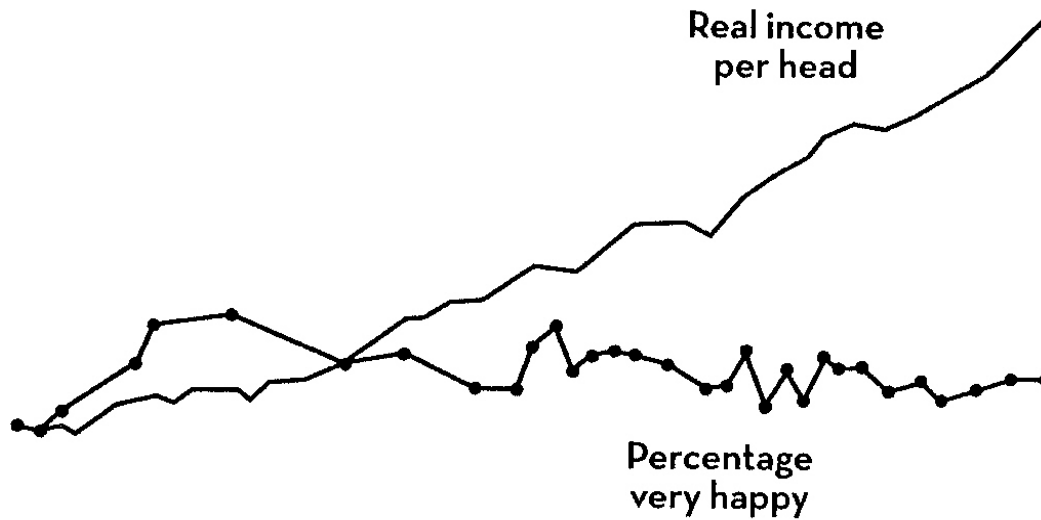
GENERAL HAPPINESS * SUBJECTIVE CLASS IDENTIFICATION Crosstabulation

% within SUBJECTIVE CLASS IDENTIFICATION

		SUBJECTIVE CLASS IDENTIFICATION				Total
		LOWER CLASS	WORKING CLASS	MIDDLE CLASS	UPPER CLASS	
GENERAL HAPPINESS	VERY HAPPY	18.8%	27.3%	36.7%	41.5%	31.7%
	PRETTY HAPPY	46.4%	61.8%	55.5%	50.9%	57.8%
	NOT TOO HAPPY	34.8%	10.9%	7.8%	7.5%	10.5%
Total		100.0%	100.0%	100.0%	100.0%	100.0%

Happiness Over Time

- Income and Happiness in the US from 1945-2000 (Layard 2005).



Happiness and Money

- Richer people are happier
- After a certain point income does not increase happiness
- People evaluate their financial situation relative to others they know
- Material goods have only a short positive effect on happiness
- People adjust their aspirations upwards
- People in richer countries are somewhat happier
- But a country does not get happier as it gets richer

Sample of 909 Working Women in Texas

• Activity	Average happiness	Average hours a day
• Intimate relations	4.7	0.2
• Socializing	4.0	2.3
• Relaxing	3.9	2.2
• Praying/Worship/Meditating	3.8	0.4
• Eating	3.8	2.2
• Exercising	3.8	0.2
• Watching TV	3.6	2.2
• Shopping	3.2	0.4
• Preparing food	3.2	1.1
• Talking on the phone	3.1	2.5
• Taking care of my children	3.0	1.1
• Computer/Email/Internet	3.0	1.9
• Housework	3.0	1.1
• Working	2.7	6.9
• Commuting	2.6	1.6

• Source: Layard 2005 from Kahneman et al 2004.

Happiness and Income

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E. Diener et al.

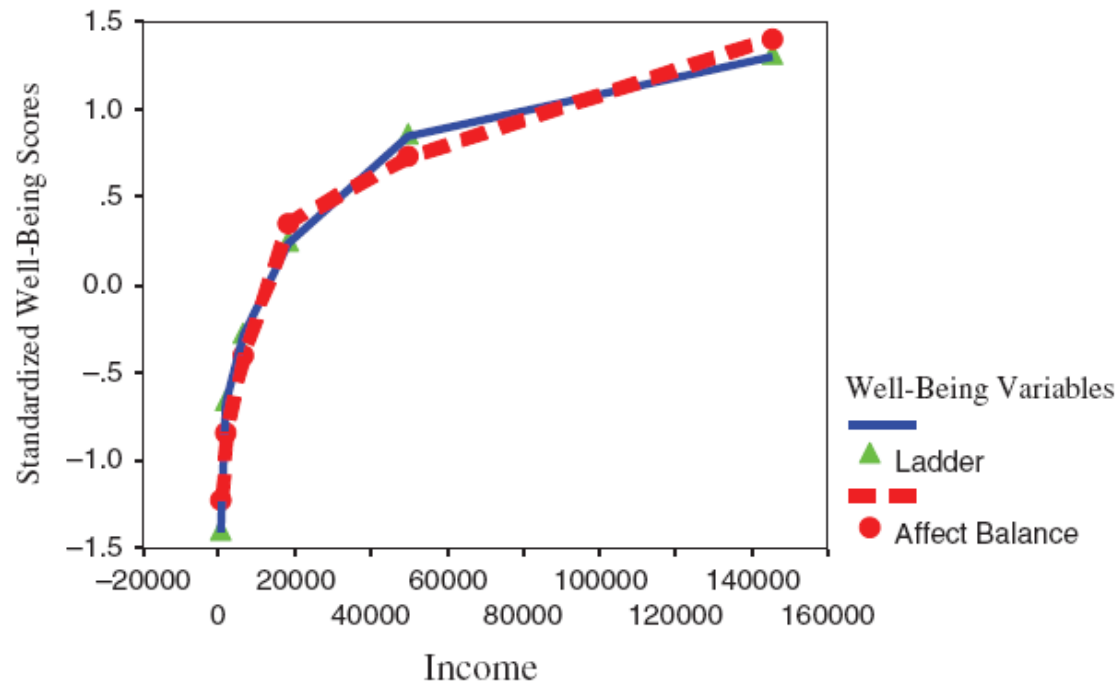
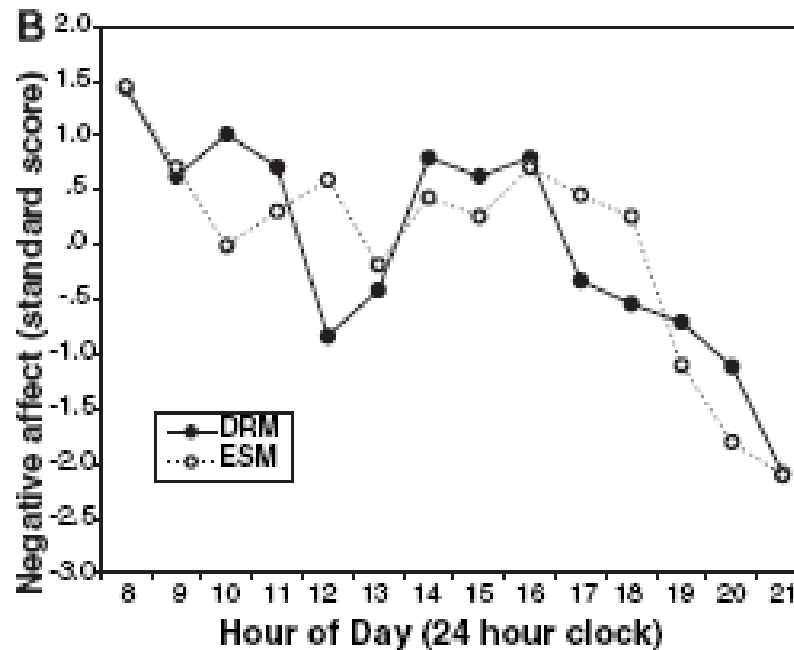


Fig. 2 Declining marginal utility

Bad Mood During the Day

DRM=Day Reconstruction Method, ESM=Experience Sampling Method
Kahneman et al 2004



Happiness and Flow

- Flow

- (Mihaly Csikszentmihalyi interviewed rock climbers, chess masters, dancers, artists, yogis etc.)

- Losing yourself in a pleasurable activity
- Active pursuits that
 - challenge us to the limits of our abilities
 - with clear goals,
 - high focus and
 - continuous feedback

	Pleasant	Unpleasant
Challenging	Flow	Taking a required advanced class in a subject you dislike
Not challenging	Shopping, television	Commuting

Cognitive Dissonance Reduction or Synthetic Happiness

- Why do people seek advertisement for products AFTER they bought them?
- Why are people happier at concerts where they paid more for the tickets?

- Leon Festinger's experiment and Cognitive Dissonance Reduction Theory
 - World -Cognitive dissonance-- Our thought: it is bad – we change the world
 - World - Cognitive dissonance - Our thought: it is bad – we change our *thought*

- Daniel Gilbert's synthetic happiness

Is happiness completely “synthetic”?

Source: Brickman, Coates and Janoff-Bulman 1978

IS HAPPINESS RELATIVE?

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Table 1
Mean General Happiness and Mundane Pleasure Ratings

Condition	General happiness			Mundane pleasure
	Past	Present	Future ^a	
Study 1				
Winners	3.77	4.00	4.20	3.33
Controls	3.32	3.82	4.14	3.82
Victims	4.41	2.96	4.32	3.48
Study 2				
Buyers	3.76	3.81	4.40	3.65
Nonbuyers	3.89	4.00	4.58	3.73
Lottery context	3.52	3.73	4.62	3.69
Everyday context	4.10	4.02	4.29	3.68

^a In Study 1, 10 paraplegics, 3 winners, and 1 control did not answer the future happiness question. In Study 2, 3 lottery context and 2 everyday context respondents did not answer this question.

Happiness and choice

- Is choice always better?
 - Increasing choice can increase unhappiness
 - Gilbert and Ebert 2002

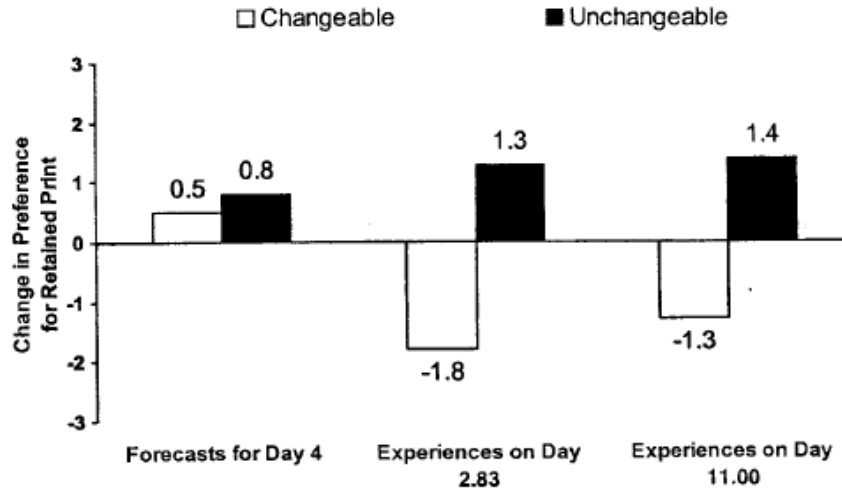


Figure 2. Forecasted and experienced change in preferences for retained prints in Study 1.

Regret and anticipated regret

- The more options you have, you decrease happiness and increase paralysis (Barry Schwartz):
 - Overload (Iyengar et al.) – procrastination
 - More pension plans offered fewer people participate
 - Every 10 options added, about 3 percent drop
 - People jeopardize their future and forgo money from employer



"I can't decide. I'm having a brand identity crisis."

More confusion

- The more likely you will be confused and anxious
 - Choosing on unimportant attribute
 - Because you cannot decide on the important
 - ones you look where you can decide
 - It can be misleading because other choices can interfere with finding the best one (Dan Ariely)
 - Magazine subscription
 - *Economist.com* web \$59.00
 - 16%
 - **68%**
 - *Print* subscription \$125.00
 - 0%
 - *Print and web* \$125.00
 - 84%
 - **32%**

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"My first choice college should have lots of closet space."

Opportunity cost

- It is easier to imagine the attractive alternatives you missed



- Brown but my first choice was Yale

Escalation of expectations

- no pleasant surprise, the best you can do is that things are as good as you expected it to be

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"It all looks so great. I can't wait to be disappointed."

Self-blame

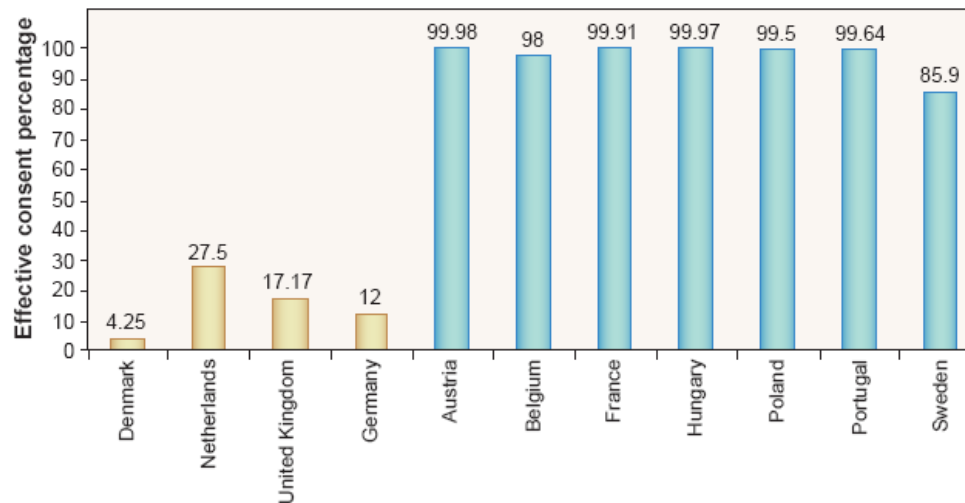
- who is responsible – no excuse for failure you had a choice
 - “False” choices – to give you a choice to make you responsible in a situation when you don’t really have much of a choice



"My life has been totally screwed up for years, but thus far no one has stepped forward to claim responsibility."

The Architecture of Choice

- Too many choices can be a recipe to unhappiness but what really matters is not just quantity but the way choices are presented or structured– the architecture of choice (Sunstein and Thaler)
- Trick: to lay out choices in a way that people will be happy with their choices in the end
 - The right comparison – what information do you give?
 - How can you make the right comparisons between two credit card or cell phone offers or cars?
 - Cafeteria – what do you put in easy reach salads or fries?
 - Notice: there is no neutral layout, something will always be closer than other things
 - Default – what happens if you don't do anything?
 - Organ donation (Johnson and Goldstein)



Effective consent rates, by country. Explicit consent (opt-in, gold) and presumed consent (opt-out, blue).