

## COURSE OUTLINE

<b>Course Coordinator</b>	Prof Nattavudh Powdthavee (Nick)
<b>Course Code</b>	HE3125
<b>Course Title</b>	Economics of Mental Health and Well-Being
<b>Pre-requisites</b>	HE1001 Microeconomics I or HE2003 Econometrics I or HE2005 Principles of Econometrics or HE2004 Introductory Econometrics with at least a B+
<b>No of AUs</b>	3
<b>Contact Hours</b>	39 hours (2 hours lecture + 1 hour seminar)

### **Course Aims**

Surveys in many countries conducted over decades show that, on average, people's happiness and life satisfaction have not changed much over the last fifty years, despite large increase in real income per capita for many countries. In other words, people are not getting any happier or feeling more satisfied with life even when the whole country is becoming richer than it has been in the past. What explains this missing link between economic growth and happiness? If economic growth does not lead to an increase in people's general sense of wellbeing, then what does?

This module aims to provide an overview of the new science of well-being and its link with economic decisions. It will explore the idea of well-being as an alternative measure of success at the individual level, at the organisational level, and at the country level. It will investigate how well-being is typically measured, and what their main determinants usually are across different countries and time periods. It will also explore the practical implications of wellbeing in the workplace, and how we can use it in cost-benefit analysis and in policy design.

Other topics to be discussed include whether money buys happiness; and if so, how much does it buy? What are the key ingredients to a happy workplace? What are the links between wellbeing and productivity? How does wellbeing linked to choices, and do people always make the right choice for themselves? What future behaviours can happiness today predict? What predicts wellbeing from birth to old age? Why should policy makers care more about enhancing people's wellbeing than simply boosting profits and economic growth? 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.

Students who have special interests in behavioural economics, public policy, and innovative businesses with human well-being at the core of the firm's strategies should take this module. People with a background in the economics of mental health and well-being have found jobs working for the government and NGOs, creating a start-up company that caters directly to improving their clients' well-being, and working in academia.

### **Intended Learning Outcomes (ILO)**

By the end of this course, you should be able to:

1. Show a comprehensive understanding of current research in the economics and science of well-being and how developments in behavioural economics have called for new measurements of success at all levels (e.g., individual, corporate, and society) to be developed.

2. Learn about the external validity of subjective measures, as well as their strengths and weaknesses.
3. Identify and critically analyse the main determinants of people's life satisfaction, emotional well-being, and feelings of meaningfulness through exploring a range of empirical studies
4. Learn the core theories in well-being research, including relative incomes, attention and focusing effect, affective forecasting, social norm theory, emotional decision-making, and hedonic adaptation to different life events over time.
5. Learn to navigate empirical findings on subjects such as whether income matters to people's well-being.
6. Explore how well-being data can be used in public policy and debate whether it is practical and ethical for government and business to consider well-being as one of the main target outcomes.

### Course Content

- Introduction to the economics of mental health and well-being
- Income and well-being
- The micro- and macroeconomic determinants of well-being
- Social comparison and hedonic adaptation
- Job satisfaction and well-being in the workplace
- Well-being valuation method
- Mental health and resilience
- Affective forecasting, i.e., why humans are not very good at predicting future emotional well-being?
- Influences of emotions and motivations on decision-making
- Well-being and public policy

### Assessment (includes both continuous and summative assessment)

Component	Weighting
Continuous Assessment:	100%
Total:	100%

### Reading and References

The reading-materials listed here are the limitations readings only and should only be used for guidelines. I will include many more materials from other sources in the lecture notes.

- 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) MacKerron, G., 2012. Happiness economics from 35 000 feet. *Journal of Economic Surveys*, 26(4), pp.705-735.
- 3) Clark, A.E., 2018. Four decades of the economics of happiness: Where next? *Review of Income and Wealth*, 64(2), pp.245-269
- 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) Clark, A., Flèche, S., Layard, R., Powdthavee, N. and Ward, G., 2018. *The Origins of Happiness*. Princeton University Press.

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. *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 well-being valuation approach. *Journal of health economics*, 30(5), pp.1032-1043.

10) Wilson, T.D. and Gilbert, D.T., 2005. Affective forecasting: Knowing what to want. *Current directions in psychological science*, 14(3), pp.131-134.

11) Benartzi, S., Beshears, J., Milkman, K.L., Sunstein, C.R., Thaler, R.H., Shankar, M., Tucker-Ray, W., Congdon, W.J. and Galing, S., 2017. Should governments invest more in nudging? *Psychological science*, 28(8), pp.1041-1055.

### Course Instructors

Instructor	Office Location	Email
Nattavudh Powdthavee (Nick)	SHHK-04-72	nick.powdthavee@ntu.edu.sg

### Planned Weekly Schedule

Week	Topic	ILO	Readings/ Activities
1	Why the Economics of Mental Health and Well-Being?	1	Lecture notes  Kahneman, D., Wakker, P. P., & Sarin, R. (1997). Back to Bentham? Explorations of experienced utility. <i>Quarterly Journal of Economics</i> , 112(2), 375-406.  Kahneman, D., & Thaler, R. H. (2006). Anomalies: Utility maximization and experienced utility. <i>Journal of Economic Perspectives</i> , 20(1), 221-234.
2	Well-being measures and their validity	1, 2	Lecture notes  Kahneman, D., & Krueger, A. B. (2006). Developments in the measurement of subjective well-being. <i>Journal of</i>

			<p><i>Economic perspectives</i>, 20(1), 3-24.</p> <p>Oswald, A. J., &amp; Wu, S. (2010). Objective confirmation of subjective measures of human well-being: Evidence from the USA. <i>Science</i>, 327(5965), 576-579.</p>
3	Income and well-being	3, 4, 5	<p>Lecture notes</p> <p>Easterlin, R. A. (1974). Does economic growth improve the human lot? Some empirical evidence. In <i>Nations and households in economic growth</i> (pp. 89-125). Academic Press.</p> <p>Clark, A. E., Frijters, P., &amp; Shields, M. A. (2008). Relative income, happiness, and utility: An explanation for the Easterlin paradox and other puzzles. <i>Journal of Economic literature</i>, 46(1), 95-144.</p>
4	Spending money for happiness: theories and evidence	3, 4, 5	<p>Lecture notes</p> <p>Kahneman, D., Krueger, A. B., Schkade, D., Schwarz, N., &amp; Stone, A. A. (2006). Would you be happier if you were richer? A focusing illusion. <i>Science</i>, 312(5782), 1908-1910.</p> <p>Dunn, E. W., Gilbert, D. T., &amp; Wilson, T. D. (2011). If money doesn't make you happy, then you probably aren't spending it right. <i>Journal of Consumer Psychology</i>, 21(2), 115-125.</p>
5	The micro- and macroeconomics of happiness	3, 4, 5	<p>Lecture notes</p> <p>Tella, R. D., MacCulloch, R. J., &amp; Oswald, A. J. (2003). The macroeconomics of happiness. <i>Review of Economics and Statistics</i>, 85(4), 809-827.</p> <p>Dolan, P., Peasgood, T., &amp; White, M. (2008). Do we really know what makes us happy? A review of the economic literature on the factors associated with subjective well-being. <i>Journal of Economic Psychology</i>, 29(1), 94-122.</p> <p>Clark, A. E. (2018). Four decades of the economics of happiness: Where</p>

			next? <i>Review of Income and Wealth</i> , 64(2), 245-269.
6	Social comparison and hedonic adaptation	3, 4, 5	<p>Lecture notes</p> <p>Festinger, L. (1954). A theory of social comparison processes. <i>Human relations</i>, 7(2), 117-140.</p> <p>Ferrer-i-Carbonell, A. (2005). Income and well-being: an empirical analysis of the comparison income effect. <i>Journal of Public Economics</i>, 89(5-6), 997-1019.</p> <p>Oswald, A. J., &amp; Powdthavee, N. (2008). Does happiness adapt? A longitudinal study of disability with implications for economists and judges. <i>Journal of Public Economics</i>, 92(5-6), 1061-1077.</p>
7	Job satisfaction and well-being in the workplace	3, 4, 5, 6	<p>Lecture notes</p> <p>Clark, A. E. (2001). What really matters in a job? Hedonic measurement using quit data. <i>Labour economics</i>, 8(2), 223-242.</p> <p>Sousa-Poza, A., &amp; Sousa-Poza, A. A. (2000). Well-being at work: a cross-national analysis of the levels and determinants of job satisfaction. <i>The Journal of Socio-Economics</i>, 29(6), 517-538.</p>
<b>Recess Week</b>			
8	Well-being valuation method	3, 4, 5, 6	<p>Lecture notes</p> <p>Powdthavee, N. and Van den Berg, B., 2011. Putting different price tags on the same health condition: Re-evaluating the well-being valuation approach. <i>Journal of Health Economics</i>, 30(5), 1032-1043.</p> <p>Dolan, P., Kavetsos, G., Krekel, C., Mavridis, D., Metcalfe, R., Senik, C., ... &amp; Ziebarth, N. R. (2019). Quantifying the intangible impact of the Olympics using subjective well-being data. <i>Journal of Public Economics</i>, 177, 104043.</p>

9	Mental health, psychological resilience, and	3, 4, 5, 6	<p>Lecture notes</p> <p>Layard, R., Clark, A. E., Cornaglia, F., Powdthavee, N., &amp; Vernoit, J. (2014). What predicts a successful life? A life-course model of well-being. <i>Economic Journal</i>, 124(580), F720-F738.</p> <p>Buddelmeyer, H., &amp; Powdthavee, N. (2016). Can having internal locus of control insure against negative shocks? Psychological evidence from panel data. <i>Journal of Economic Behavior &amp; Organization</i>, 122, 88-109.</p>
10	Affective forecasting	3, 4, 5	<p>Lecture note</p> <p>Wilson, T. D., &amp; Gilbert, D. T. (2005). Affective forecasting: Knowing what to want. <i>Current Directions in Psychological Science</i>, 14(3), 131-134.</p> <p>Gilbert, D. (2009). <i>Stumbling on Happiness</i>. Vintage Canada.</p>
11	Influences of emotions on decision-making	3, 4, 5, 6	<p>Lecture notes</p> <p>Schwarz, N. (2000). Emotion, cognition, and decision making. <i>Cognition &amp; Emotion</i>, 14(4), 433-440.</p> <p>Loewenstein, G. (2000). Emotions in economic theory and economic behavior. <i>American Economic Review</i>, 90(2), 426-432.</p>
12	Well-being and public policy	3, 4, 5, 6	<p>Lecture notes</p> <p>Layard, R. (2006). Happiness and public policy: A challenge to the profession. <i>Economic Journal</i>, 116(510), C24-C33.</p> <p>Dolan, P., &amp; White, M. P. (2007). How can measures of subjective well-being be used to inform public policy? <i>Perspectives on psychological science</i>, 2(1), 71-85.</p>
13	Revision	1, 2, 3, 4, 5, 6	