

The Economics of Desire, Happiness, and Consumption¹ **FALL 2019**

Monday and Wednesdays at 10:00 am – 11:50 am; Room 1108 6 east 16th street
 Professor: Teresa Ghilarducci, office hours Tuesday 12:30 – 3:00 6 16th street, room 1128. Or by appointment (before and after class is good times to talk).

This class explores the paradox of people wanting and buying things that don't make them happy. The distribution of consumption, income, and wealth distribution effects the distribution of happiness in many ways. We examine the benefits to employers and the economy from widespread and persistent dissatisfaction. The student will critically examine literature on economic psychology, consumption theory, Marxist interpretations of commodity fetishism, new frontiers on brain science, and learn basics of everyday personal finance: budget managing, planning for the future including the real cost and rate of return of student debt

We will explore concepts learned in the class of display, status need, desires, intrinsic and positional goods. I will also meet with you one and one throughout the semester. Note you have 6 workshops with your peer workshop leader on various aspects of student life. Students will read books and classic articles and essays and bring in news and materials relevant to spending, debt, and economic stability. There is also a library visit.

Absentee and tardiness policies. In keeping with Lang policies four absences will lower your grade by one letter grade. More than four means a failing grade. Persistent tardiness will be considered an absence. Most professors, me included, are convinced by the research that electronics in a classroom distracts from learning. I do not allow electronic devices. We will have an e-bio break (biology and electronics) break at 9:10 – 9:15.

Required Books and materials:

1. **Data to bring to class each time: Deciles of income: [Annual expenditure, Consumer Expenditure Survey, 2018 latest available Summer 2020](#)**
2. ***The Over Spent American*, Juliet Shor,**
3. ***Happiness*, Daniel Nettle**
4. **OPTIONAL: Generation Debt: Take Control of Your Money**
5. **[Graph](#) on the growth of inequality in the US and a technical [A Guide to the Growth in Inequality](#) (wonky)**

Students will learn these concepts and skills and more:

- Concepts to be covered and learned in the class and evaluated at the end of the class.
- Compound interest in wealth and debt accumulation
- Conspicuous Consumption, Positional Goods, and Social Hierarchy
- Brain Chemistry:
- Dopamine- Striving, Seeking, Desire

¹ Standard policies about absences and grades are indicated on the syllabus in Canvas.

- Opiates- Pleasure, Narcotic
- Serotonin- Satisfaction
- Endowment effect, public and private good
- How to debate in a policy debate: The subject is the pros and cons of a progressive income and wealth tax.
- Changing income and wealth distribution
- Experimental design on the relationship between price and quality
- **With hope you as a student:**
 - will write better.
 - will be a critical reader of accessible science and social science based non-fiction, as well as marketing techniques.
 - will be able to analyze behavior in a capitalistic society.
 - will know how compounding interest and debt affect wealth.
 - will have the tools to budget and plan your personal finance and research job possibilities. You will be able to calculate the cost of student debt.
 - You may find ways to enjoy your life with regard to money and work

Grades: 100 points: 35 points for assignments, 25 points for participation (which includes periodic worksheets on the readings – be prepared), 20 points for debate, 20 points for the final

26- August (lecture 1)	Income, Wealth, Consumption Differences and Similarities Who Spends What on What: https://www.bls.gov/cex/2017/combined/decile.pdf Primer on Taxes
28 Aug (lecture 2)	Who spends what on what in America? For example, “Do the rich see more movies?” <ul style="list-style-type: none"> • When investigating the core reading of this class – 6 pages of US government data Answer these questions: 1.How many consumer units are there is the US. 2. How many are in the poorest tenth, richest? • Do the poor spend a larger share of their income on food than the richest tenth? • What is the pretax income of the poorest tenth? How much do they spend • What is the income of the riches tenth? How much do they spend • Is the only difference in expenditures in various expenditure categories by income just merely the amount of money spent or is it also the proportion of their income they spent on certain things? • By comparing the differences in the share of income spent on certain things can you define what a luxury is – those goods that people spend more on when their income goes up –compared to a necessity? Everyone will have a chance to answer these questions – be prepared. • Read <i>Overspent American</i>, Juliet Schor
Sept. 2	Labor Day – extra credit – 600 words or more on the origin and meaning of the holiday
Sept.	<ul style="list-style-type: none"> • What role does choice and personal responsibility pay in in human

4(lecture 3)	<p>subjective well-being? How do economics and psychology intersect? Please read this short article. Most popular class at Yale. https://www.nytimes.com/2018/01/26/nyregion/at-yale-class-on-happiness-draws-huge-crowd-laurie-santos.html</p> <ul style="list-style-type: none"> • Advertising as a major source of human dissatisfaction: Cross-national evidence on one million Europeans https://voxeu.org/article/advertising-major-source-human-dissatisfaction • Start reading the <i>Overspent American</i> by Juliet Schor *Optional: Working paper series: Inequality in 3D: Income, consumption, and wealth. Jonathan Fisher David Johnson, Timothy Smeeding, Jeffrey Thompson, December 2017 http://equitablegrowth.org/working-papers/inequality-in-3d-income-consumption-and-wealth
Sept. 9	Workshop #1
Sept. 11 (lecture 4)	<p>What are the elements and tools of personal financial responsibility in your 5 roles as a person in a market society?</p> <ul style="list-style-type: none"> • Milestones for your 20s https://www.washingtonpost.com/news/get-there/wp/2015/07/29/5-financial-milestones-to-accomplish-in-your-20s/?utm_term=.fe5d6fa697e3 https://files.stlouisfed.org/files/htdocs/publications/review/2014/q4/friedline.pdf • Skill check: how do interest rates work? Stewart, N. (2009). The cost of anchoring on credit-card minimum repayments. <i>Psychological Science</i>, 20(1), 39-41. • Optional resources: <ul style="list-style-type: none"> ○ Toward Healthy Balance Sheets: Are Savings Accounts a Gateway to Young Adults' Asset Diversification and Accumulation? Terri Friedline, Paul Johnson, and Robert Hughes https://files.stlouisfed.org/files/htdocs/publications/review/2014/q4/friedline.pdf ○ Richards. C. 2012. "Chapter 4 Life Planning," in the <i>Behavior Gap: Stop doing Dumb things with your money</i> pp 61-76 NY: Penguin. <p>Assignment 1 Due Sept. 5 Create and record a personal budget and journal: Record Income and expenses and later categorize consumption "Toward Healthy Balance Sheets: Are Savings Accounts a Gateway to Young Adults' Asset Diversification and Accumulation" Terri Friedline, Paul Johnson, and Robert Hughes</p>
16 Sept (Lecture 5) 	<p>Why does shopping create a prisoner's dilemma?</p> <ul style="list-style-type: none"> • <i>Overconsumed American</i>, Juliet Schor • Prisoner's dilemma <p>Assignment #2 Bring in an ad and write a one page on the ad's strategy referring to CEX and Schor and Veblen. It is due Sept. 26 navigate advertising <i>Here are some helpful tips. Use the writing rubric guidelines (attached) and that you avoid adverbs, indefinite articles, passive voice, and strings of prepositional phrases.</i> https://hellowildan.wordpress.com/2013/03/07/feminist-and-marxist-perspective-on-advertisements/</p>

	<p>http://www.nytimes.com/2010/04/27/business/media/27adco.html?mcubz=3</p> <ul style="list-style-type: none"> • https://newint.org/features/2006/09/01/decode
18-Sept. (lecture 6)	<p>What are the different kinds of consumption and how does “conspicuous consumption” change the meaning of need and want? Most economists don’t see a difference.</p> <ul style="list-style-type: none"> • Thorsten Veblen, 1899. <i>The Theory of The Leisure Class</i>, “Chapter VII Dress as an Expression of the Pecuniary Culture” page 78 Book is reproduced in the PDF http://moglen.law.columbia.edu/LCS/theoryleisureclass.pdf • Technical Review of the Existence of Veblen Goods: “Veblen Effects in a Theory of Conspicuous Consumption,” Laurie Simon Bagwell and B. Douglas Bernheim, The American Economic Review, Vol. 86, No. 3 (Jun., 1996), pp. 349-373 • Endowment effect: Podcast: The Hidden Brain - Are We Genetically Inclined to Be Materialistic? (http://www.npr.org/2013/12/26/257394308/are-we-genetically-inclined-to-be-materialistic)
23-Sept. lecture 7	<ul style="list-style-type: none"> • What is the role of debt in the market and in psychology? • Debt is capitalism’s dirty little secret, Financial Times (see word document I will send to the class.) • Debt is Good, Paul Krugman, New York Times August 8, 2015 • DEBT AND STUDENTS: http://www.pewresearch.org/fact-tank/2017/08/24/5-facts-about-student-loans/ http://www.pewsocialtrends.org/2014/05/14/young-adults-student-debt-and-economicwell-being/
25 Sept (lecture 8)	<p>What levels of happiness do people seek and how does money get you there? Happiness and Brain Chemistry Dan Nettle</p> <ul style="list-style-type: none"> • Kahneman, D., & Deaton, A. (2010). High income improves evaluation of life but not emotional well-being. <i>Proceedings of the national academy of sciences</i>, 107(38), 16489-16493 • Kahneman, D., Krueger, A. B., Schkade, D., Schwarz, N., & Stone, A. A. (2006). Would you be happier if you were richer? A focusing illusion. <i>Science</i>, 312 (5782), 1908-1910. Must log in with TNS <ul style="list-style-type: none"> • Damasio, Antonio R. and Damasio, Hanna, Exploring the Concept of Homeostasis and Considering its Implications for Economics (October 2015). Institute for New Economic Thinking Working Paper Series No. 38. Available at SSRN: https://ssrn.com/abstract=2735611 or http://dx.doi.org/10.2139/ssrn.2735611
Sept. 30	Rosh Hashanah
Oct. 2	Workshop #2
7-Oct.9 (lecture 9)	Assignment 3 Which job do you want? Internet assignment - due October 10
9-Oct.	Yom Kippur

14-Oct. (lecture 10)	<p>What levels of happiness do people seek and how does money get you there?</p> <ul style="list-style-type: none"> • Happiness and Brain Chemistry / Dan Nettle • Lerner, J. S., Li, Y., & Weber, E. U. (2013). The financial costs of sadness. <i>Psychological Science</i>, 24(1), 72-79.
16 –Oct. (lecture 11)	<p>What levels of happiness do people seek and how does money get you there?</p> <ul style="list-style-type: none"> • Happiness and Brain Chemistry / Dan Nettle
21 Oct.	Workshop #3
23-Oct. (lecture 12)	<p>Are rich people mean? And if they were nicer would the poor have more?</p> <ul style="list-style-type: none"> • <u>Empathy Gap: Daniel Goleman and implications for social policy: 'Rich People Just Care Less' Rich People Just Care Less, by Daniel Goleman, Commentary, NY Times</u> • TED Talk: Does Money Make You Mean? – Paul Piff (http://tinyurl.com/y82wsa8n) • Aknin, L. B., & Human, L. J. (2015). Give a piece of you: Gifts that reflect givers promote closeness. <i>Journal of Experimental Social Psychology</i>, 60, 8-16. <p>Assignment 4 2 page paper due October 31</p>
28-Oct. (lecture 13)	<p>Is wealth allocated mainly because of differences in hard work, intelligence, luck, rates or return, and inheritance?</p> <ul style="list-style-type: none"> • <u>Tale of Two Countries: Piketty, Saez, CEG 2016</u> <ul style="list-style-type: none"> • The ‘Deserving’ Rich? <u>The ‘Deserving’ Rich? Inequality, Morality and Social Policy Journal of Social Policy 40(03):437 - 452 · July 2011 DOI: 10.1017/S0047279410000668</u> • Capital’s Share of Income Is Way Higher than You Think http://economics.com/capitals-share-of-income-is-way-higher-than-you-think/ Almost half of households’ market income is received for just being wealthy: owning stuff. By Steve Roth The shares of income going to “capital” and “labor” are vexed issues. How much is received for doing work, and how much is unearned “property income”— interest, dividends, etc. For a long time, economists thought these relative shares stayed roughly unchanged over time. But since the 70s, and especially since 2000, the share going to owners of capital has been increasing, while lab r’s share has gone down. People get income for doing stuff, and they get income for owning stuff -- increasingly the latter. And the ownership share of income goes to a small slice of households that own almost all the stuff. • Working paper series: Inequality in 3D: Income, consumption, and wealth. Jonathan Fisher David Johnson, Timothy Smeeding, Jeffrey Thompson, December2017 http://equitablegrowth.org/working-papers/inequality-in-3d-income-consumption-and-wealth
30 Oct. (lecture 14)	<p>Does work pay and to whom?</p> <p><u>Top Charts to Explain the Economy, Economic Policy Institute.</u></p>
6 Nov. Class (lecture 15)	<ul style="list-style-type: none"> • Distribution of Earnings and the Progressive Tax System
11- Nov.(lectur	<p>How does work feedback on wanting to buy? Does that feedback loop create a vicious circle and help capitalism?</p>

e 16)	<ul style="list-style-type: none"> Wages and commodity fetishism, The Fetishism of Commodities, Karl Marx. Capital Volume One Part I: Commodities and Money Chapter One: Commodities Section 4 https://web.stanford.edu/~davies/Symbsys100-Spring0708/Marx-Commodity-Fetishism.pdf
13-Nov.(lecture 17)	<p>Why does the government buy bombs, freeways and insures against old age, disability, unemployment? Does the private sector underproduce health, education, and space exploration?</p> <p>Assignment 5 Students research the federal budget and have presentation on Nov. 20</p> <p>Luxuries And Necessities -- Short But Technical https://www.clevelandfed.org/newsroom-and-events/publications/economic-commentary/2014-economic-commentaries/ec-201418-income-inequality-and-income-class-consumption-patterns.aspx</p> <p>2.Tax System From Conservative Point Of View https://www.pgpf.org/budget-basics/who-pays-taxes</p> <p>3.Tax System From Progressive Point Of View https://itep.org/who-pays-taxes-in-america-in-2018/</p> <p>4. The book that supports Elizabeth Warren's tax plan https://itep.org/emmanuel-saez-and-gabriel-zucmans-new-book-reminds-us-that-tax-injustice-is-a-choice/</p>
18-Nov.	<ul style="list-style-type: none"> Workshop 5
Nov. 20 (lecture 18)	<p>Why does the government buy bombs, freeways and insures against old age, disability, unemployment? Does the private sector underproduce health, education, and space exploration?</p> <ul style="list-style-type: none"> Student presentations
25-Nov. (lecture 19)	<p>Why is consumption a negative externality?</p> <ul style="list-style-type: none"> Luxury Fever, Robert Frank excerpts
Nov. 27	Thanksgiving
Dec. 2 (lecture 20)	<p>Why is private consumption a form of mutual assured destruction (MAD)?</p> <p>Luxury Fever, Robert Frank</p>
4- Dec.	<ul style="list-style-type: none"> Debate pros cons of wealth tax
9 Dec. (lecture 21)	Workshop #6
11-Dec. (lecture 22)	<ul style="list-style-type: none"> Debate pros cons of wealth tax
16 –Dec (lecture 23)	<ul style="list-style-type: none"> Final

WORKSHOPS:

Workshop #1, Life Skills and Fundamentals: Health and Safety

Workshop #2, New School History and Seminar Pedagogy Workshop

Workshop #3, The Financial Realities of College Life
Workshop #4, Registration and Planning for the Future at Lang
Workshop #5, Identity, Activism, and Academia Workshop #6,
Work 6 Co-designed with Fellow and First-Years/Open-ended

University Learning Center

For assistance with coursework assigned during the semester, you are encouraged to schedule tutoring sessions at the University Learning Center (ULC). Individual appointments are offered in Writing (all levels), Math, Adobe, Computer Programming, Oral Presentations and Time Management. Sessions are interactive, with both tutor and student participating. Appointments can be scheduled on WCONLINE or you can stop by for a walk-in session. **The ULC is located on the 6th floor of 66 West 12th Street.** Academic and skill-building workshops are also offered. For a complete list of services, workshops, and general information, visit www.newschool.edu/learning-center.

Many thanks and best wishes for the fall semester!

LEARNING OUTCOMES

1. Introduce first-year students to liberal arts seminar pedagogy and critical thinking about the role and values of a liberal education.
2. Enable students to develop their skills in close reading, discussion, research, and writing by engaging with a range of critical and creative works.
3. Establish a continuing advising relationship with students through faculty advising and peer mentoring in close collaboration with the Center for Student Success.
4. Participate in the learning communities of the first-year seminar/workshop, the college, the university, and the city to foster a sense of belonging and engagement.

EXPECTATIONS

Reading. The readings, podcasts, and TED talks for this course are **not** a suggestion. Students are required to complete all readings well ahead of time, and should come prepared to class to engage in discussion. The readings can be accessed through Canvas. Podcasts and TED talks can be found online.

Participation. Seminars are only as good as their levels of participation. Therefore, a significant part of each student's grades will be based on their participation in class discussions.

Attendance. The class depends on cooperation, learning that is additive, engagement, and some loyalty to the group. By joining the class you agree to be engaged. Each class is expensive and requires organization and effort to attend. The cost of college is almost all the cost of in person contact. You can only engage by being present in class and therefore being ready to work at 8:00 am and 100% attendance is expected and mandatory (excluding emergencies, observance of religious holidays, and specially-approved absences are excused are quite limited.) Tardiness accretes to an absence.

Electronic equipment policy. You also cannot participate if you're staring at a screen, and therefore there will be **no** laptop or phone use in class. If you wish to use a tablet to refer to the readings or your notes, you are free to do so. Exceptions will be made on a case-by-case basis, and only for justified and specific reasons. In the words of The Rolling Stones, you can't always get what you want, but sometimes you get what you need.

Grading

Grades: 100 points: 35 points for assignments, 25 points for participation (which includes periodic worksheets on the readings – be prepared), 20 points for debate, 20 points for the final

Writing assignments. An important goal of this class is to introduce you to the process of intellectual, scholarly writing and to increase your ability to think and express yourself in a critical and productively about research. In short hand, to have thinking and documented talk, not feeling talk. Accordingly, you will write and have structured intelligent conversations.

All writing assignments. The written assignment in this course should be formatted in the following manner:

- Font type: Times New Roman
- Font Size: 12
- Line Spacing: 2.0
- Page Layout: 1” all four margins

Plagiarism. Plagiarism is the unacknowledged use of someone else's work as one's own in all forms of academic endeavor (such as essays, theses, examinations, research data, creative projects, etc.), intentional or unintentional. Plagiarized material may be derived from a variety of sources, such as books, journals, internet postings, student or faculty papers, etc. This includes the purchase or “outsourcing” of written assignments for a course. A detailed definition of plagiarism in research and writing can be found in the fourth edition of the MLA Handbook for Writers of Research Papers, pages 26-29. Procedures concerning allegations of plagiarism and penalties are set forth in the Lang catalog.

Disabilities. In keeping with the University's policy of providing equal access for students with disabilities, any student requesting accommodations must first meet with Student Disability Services. Jason Luchs or a designee from that office will meet with students requesting accommodations and related services, and if appropriate, provide an Academic Adjustment Notice for the student to provide to his or her instructors. The instructor is required to review the letter with the student and discuss the accommodations, provided the student brings the letter to the attention of the instructor. This letter is necessary in order for classroom accommodations to be provided. Student Disability Services is located at 79 Fifth Avenue - 5th Floor. The phone number is (212) 229-5626. Students and faculty are expected to review the Student Disability Services webpage. The webpage can be found at <http://www.newschool.edu/studentaffairs/disability/> and the office is available to answer any questions or concerns.

1. Guidelines for in class presentations:

As you are preparing your presentations for the next class (Oct 30) please pay attention to the guidelines below:

Format:

Depending on the content of your research and presentation you can choose to use power point slides or give an oral presentation of your findings. If your presentation relies heavily on graphs and empirical data using slides might be more appropriate.

Duration: Please limit your presentation to 7-10 minutes.

Assessment: Below are the criteria used for grading

Data and Evidence: How much data and evidence is presented to support each fact or statement. Your statements should be based on fact checked evidence and reliable sources.

Cohesion and Flow: How well prepared and rehearsed the presentation is in general.

Team Effort: Equal participation of each student in the group.

Your presentation should give a brief but detailed overview of your topic and should balance a historical approach combined with an analysis of the current state of affairs.

Citation: Please cite all your resources using a citation method of your choice. (i.e. MLA, Chicago, etc.)

For plagiarism guidelines please refer to university policies:

<https://www.newschool.edu/about/university-resources/policies>

Final Exam: Economics of Consumption and Desire

Professor Ghilarducci **Final Exam**

Please take this exam for two hours only. You are on your honor. Do not use more time than 2 hours. Please email the exam with “FINAL” in the subject line.

Write this past as if you are writing to your parents or someone who cares about your future.

Choose a job and:

- a. Report its probable salary range and the Department of Labor’s forecast whether it is an occupation that is diminishing or growing.
 - b. Can you get the qualifications for the job in a cheaper; but, just as effective way as you are now? How do loan costs affect your final costs?
 - c. What are the qualifications for the job
 - d. Using concepts from Marx, Schor, and Nettle discuss whether the job would make you happy.
2. Compare your budget to the consumption patterns of Americans. After you finish your education what will your budget be and what decile of consumers do you resemble most?
 3. Paraphrase quotes from the three major books we read in class by US government statistics, Daniel Nettle, and Juliet Schor that link them together.