

“Happiness is a warm gun,” so said the Beatles

[Edward Morey](#)

March 2, 2010 – this is a rough working draft

(consider rearranging: create a section on choice and mistakes incorporating stuff on whether we have preferences and max our utility, then add a new section on what we should do policy wise if people make mistakes (paternalism?). Need a section more specifically on rationality, bounded rationality, etc.)

Life Is Too Precious To Be Enjoyed

By Sarah Freeburg

The Onion: February 20, 2006 | [Issue 42•08](#)



When I look back on my 61 years, I sometimes think, "If only I had taken the time to really experience everything out there, I would probably be dead by now."

This world has a lot to offer—too much, really—and every time I'm met with the blinding variety of life-endangering options available to me, I find the safest bet is to bolt the windows shut, put in earplugs, and not try anything once. After all, you've only got one life to live, so why take any chances?

A good start to living a long, healthy life is to make a list of all the things you've always wanted to do but could never work up the courage to try, and continue avoiding these things. Just think about the hundreds of terrible things that can go wrong while taking part in a breathtaking, potentially fatal activity such as skydiving. Life is too short as it is, so it's better not to put it at risk by leaving the apartment.

When you think about it, there are thousands of simple little ways to add some spice to your life while simultaneously putting it in great jeopardy. You could go hiking and risk getting lost and dying alone in the wilderness. Or go white-water rafting and meet your watery demise. Host a dinner party and get shot by an angry guest. It would be a shame to miss out on a future full of silent afternoons indoors and evenings alone in front of the television just to get the cheap thrills that make life worth living.

Now, there's nothing more enjoyable than traveling the world and sharing whole new experiences with different groups of people, and there's also no faster route to a life-threatening disease, crippling injury, or untimely death, depending on where your

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perilous travels take you. Instead of risking your life, have your relatives or friends buy you a spoon from each place they go. I do this, and while I find it to be wholly unsatisfying, it has the distinct advantage of not requiring me to climb aboard a death ship that travels at speeds of 800 miles per hour while 30,000 feet in the air.

Getting a bright and early start to your day is one of the most common ways to imperil the precious, fragile gift that is life. Walking around in the blistering morning sun and breathing in the toxic, polluted air might sound refreshing to the devil-may-care thrill-seeker, but it will only result in melanoma and lung cancer in the end.

A safe, boring alternative that won't get you killed is to just stay in your room all day. Instead of learning to wind-sail, learn how to use your imagination. Don't get too carried away, though. The human mind is capable of conjuring up some gruesome images that could give you nightmares, and people who have nightmares are 50 percent more likely to die in their sleep.

When I am sitting in a windowless room and my imagination gets out of hand, I immediately temper it by turning on a vapid, thought-preventing talk show or '70s sitcom. Since straining your eyes too much can make you go blind, I recommend just listening to the TV while staring at a wall.

Some other uninteresting, dull, life-preserving activities you can do in the safety of your own home include: carefully rocking in a chair, sleeping, shutting your eyes and lying still though not technically asleep, counting ceiling cracks, pacing back and forth, and thinking about different numbers. Any or all of these are wonderfully effective, monotonous ways to prolong your life.

So, before you go mountain climbing, hang gliding, or even consider taking your life into your hands with a Caribbean resort vacation, take a moment to think about the wear and tear such activities can cause. Your body is not a toy—it is an extremely fragile shell that should always be handled with great care and never be exposed to temperatures above or below 80 degrees.

And remember that just because you stay physically healthy and out of harm's way, that doesn't mean your life can't be wrecked emotionally, spiritually, or mentally. It's best to think, feel, and believe in things as little as possible.

My advice: Take it one excruciatingly slow, mind-numbing day at a time. If you can go to sleep each night comfortable in the knowledge that you will probably wake up in the morning, you will have truly discovered the key to leading a long, drawn-out, stable, and completely unfulfilling life: staying alive. 🍷

(Need to add a section on how economists can avoid the whole question of happiness – achieving a more preferred bundle does not formally mean one is happier)

Happiness is the meaning and the purpose of life, the whole aim and end of human existence - Aristotle.

Happiness is when what you think, what you say, and what you do are in harmony – Mahatma Gandhi

What we call happiness in the strictest sense of the word comes from the (preferably sudden) satisfaction of needs which have been dammed up to a high degree - Sigmund Freud. It sounds like Sigmund is talking about an orgasm.

Happiness is the sublime moment when you get out of your corset at night - Joyce Grenfell – actress, long dead.

Nothing is more depressing than the general fate of men. And yet they feel in themselves a consuming desire to become happy, and it makes me feel at every moment that they were born to be happy. So why are they not? - J.J. Rousseau

Referring to not having sex with a beloved, *Happier in the pleasures he refused than the voluptuary is in the ones he tastes, he loves longer, remained free, and enjoyed life more than those do who wear it out.* –J.J. Rousseau

Happiness is often used to describe an [emotional](#) or affective state in which we feel good or pleasure. Overlapping states or experiences associated with this idea of "happiness" include joy, exultation, delight, bliss, and [love](#). Antonyms include [suffering](#), [sadness](#), [grief](#), and [pain](#). The original meaning of the idea of happiness referred to a success in life, or flourishing, rather than simply the pleasurable emotion associated with the term in popular usage – from Wikipedia

Little is needed to make a wise man happy, but nothing can content a fool. That is why nearly all men are miserable – [La Rochefoucauld \(1630-1680\)](#) – dead French guy who said clever things.

To think that I've wasted years of my life, that I've longed to die, that I've experienced my greatest love, for a women who didn't appeal to me, who wasn't even my type! – Marcel Proust

Happiness is an agreeable sensation arising from contemplating the misery of others – Ambrose Bierce

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I particularly like:

*Happiness is of two sortsPerhaps the simplest way to describe the difference between the two sorts of happiness is to say that one sort is open to any human being, and the other only to those who can read and write. When I was a boy I knew a man bursting with happiness whose business was digging wells. He was of enormous height and of incredible muscles, he could neither read nor write, and when in 1885 he got a vote for Parliament, he learnt for the first time that such an institution existed. His happiness did not depend on intellectual sources; it was not based upon belief in natural law, or the perfectibility of the species, or the public ownership of public utilities, or the ultimate triumph of the Seventh Day Adventists, or It was based on physical vigor, a sufficiency for work, and the overcoming of not insuperable obstacles in the shape of rock. The happiness of my gardener is of the same species; he wages a perennial war against rabbits, of which he speaks exactly as Scotland Yard speaks of Bolsheviks; he considers them dark, designing and ferocious, and is of opinion that they can only be met by means of a cunning equal to their own. Like the heroes of Valhalla who spend every day hunting a certain wild boar, which they killed every evening but which miraculously came to life again in the morning, my gardener can slay the enemy one day without any fear that the enemy will have disappeared the next day. Although well over seventy, he works all day and bicycles sixteen hilly miles to and from his work, but the fount of joy is inexhaustible, and it is "they rabbits" that supply it. Bertrand Russell, *The Conquest of Happiness*.*

This quote from Russell reminds of the work of [Mihaly Csikszentmihalyi](#), one of the world's most-cited psychologists. He has written many books on positive psychology, one called *Flow: The Psychology of Optimal Experience*. Summarizing, one is happiest when one is in *flow*, and flow is achieved when one is doing a task that is challenging but not too challenging.

A review of either *The Psychology of Optimal Experience* or *The Conquest of Happiness*, from the perspective of an economist would make for a good essay.

Note that none of these definitions of happiness say anything about getting more stuff.

Note that there is the [Journal of happiness studies](#) – check it out.

People have needs, wants, feelings, emotions, desires, lust, and sometimes happiness; economists have only preferences. Why is that?

As an undergraduate in college, I switched my major from psychology to economics: my course grades in psychology were abysmal – all having been earned during a two-year stint when I rarely made it to class. My moral justification for a change of major – what I told my parents - was that as a psychologist I would help individuals, one at a time, but as an economist I would simultaneously help thousands, if not millions.

Somehow I ended up as an environmental economist, but the point remains; therapists affect individuals and economic policies affect many. The social objectives of the two professions are the same, to improve the lot of their patients. (Of course not all psychologists and economists care about their patients; many simply study models of personal and economic behavior.)

I assume, the point of economic policy is to make people better off. At a basic level, this means making sure they have enough to eat, clean water to drink, a comfortable and warm place to sleep, safety, and their health.

Once these needs are fulfilled, the guy on the street would probably say he wants happiness, contentment, and strong social relationships (love, friends, etc.). Teen-age boys would mention sex. So, it would seem that making people better off in rich societies such as ours means making them happier.

Are economists happy doctors? Most people don't think of economists in this way, including economists. Many economists go to therapists, but few therapists visit economists – that said, few non-economists visit economists.

Three related questions arise: how does one tell if an action or thing makes an individual happier, how to make people happier, and if a policy makes some happy at the expense of other, has overall happiness increased or decreased?

Happiness, Unemployment and GDP (Gross Domestic Product)

Why do we care about national income? Does your happiness surge when you hear on the radio that national income has increased? Did it plunge last time the stock market plunged? Probably not, but if yes, probably not for long.

Many/someone must believe that GDP is positively related to our well-being; that is, when it increases we are better off/happier.

GDP is a dollar index of the value of everything produced.¹ Is it also an index of happiness? Might there be better indices of happiness.

What about employment and unemployment? Does working make us happier? For some of us yes, we would do what we do for fun, but that cannot be said for a lot of workers. My view is that, for most, “Jobs are great but modern work sucks.”

Many would prefer, but not everyone, a world where manna drops from heaven and we would not need to work.²

Looking ahead, studies do find that a positive correlation between unemployment and unhappiness. But why? Because people miss the tasks at work? Because they will lose their house and the kids will starve? Because the future is uncertain? Because losing one's job reduces one's well esteem? Because the spouse yells at you when you lose your job?

Does unhappiness increase during recession, and, if so, why?

¹ Note that GDP includes not only gourmet meals and plasma TVs, but also many things produced to diminish the negative effects of bads: noise reduction, air conditioning to offset global warming, crime prevention, and protecting us against our enemies, possibly by expending resources to kill them.

² Note that in a manna-from-heaven world income would not come from working. Contrast that with our U.S. system where the only way for most of us to get stuff is to buy it with our wages.

Why should an environmental economist worry about happiness?

Put simply, the economic goal of environmental policy is to make people happier (better off) not to improve the environment. This is true of every type of policy, or at least that is how an economist would look at it. We should pursue policies that make us better off.

Why do we care about the environment? An environmental economist would answer that an individual's preferences include their preferences over environmental states: some of us would give up some produced goods for more environmental quality, some of us wouldn't

Do those who want more environmental quality (and less of the other stuff) believe more environmental quality will make them happier?

If so, why? Why would an improved environment make one happier? Improved health, more recreational opportunities, things look better, one feels more in tune with nature and there is more nature there is to be in tune with? Do animals and plants going extinct make you unhappy?

Why we hold preferences for the environment would make for an interesting essay.

Is it a preference for environmental quality or a preference for things as they are, or were in the past?³ Put Ashley Woods essay on the course web page. Consider the role of Romanticism.

Another question is whether the happiness one gets from a public good or a cleaner environment the same or fundamentally different from the happiness one gets from consuming a private market good like a candy bar?

This question is related to the question of whether individuals have preferences for public policies that are different than their "personal" preferences. This could be the topic for an essay. There are papers that suggest that individuals have two types of preference: preferences over the bundles of the private goods they consume and preferences over social policies.

³ Many mountainous areas in Europe have been deforested to create pasture – think Swiss cows grazing near Heidi's house. As agriculture declines in some of these areas, the forests are growing back, making the areas more "natural." Studies show that people often have a willingness-to-pay to stop this forest encroachment: they want to maintain the historical look of the place, rather than the primitive look.

Economists have preferences

Modern economists, as compared to old dead economists, and maybe post-modern economists, have a pretty simple view of how one is made happier: one has preferences over bundles of stuff (can rank bundles of stuff – first, second, twelfth, hundredth) and the higher ranked the bundle one consumes the “happier” one is – economists typically do not get into what “happier” means.

For example, if I choose to work long hours, have a long commute, a big house, a big-screen TV and little time for friends, that must make me happier than working less and having less stuff. I could have chosen the latter, but did not. Maybe this interpretation is correct; maybe it is not, but it is what economists typically assume.

Economists are a bit schizophrenic when it comes to the tastes of humans: on the one hand, our goal is to predict and explain what people choose. If that is all there is to it, we don't have to address the question of whether a more preferred state is a happier state– if our goal is simply to predict choices there is no need for us to get into the happiness business

On the other hand, it would be a shame to conclude that economists have nothing to say about making people better off.

Modern economics have little to say about happiness other than implicit in many of their recommendations is *providing individuals with more options makes them better off*.

We think/assume as follows: individuals can rank *states of the world*, as in “I would rather live in a world like this than a world like that.”

But, if one's preferences are only a ranking, I cannot say how much I like one set of circumstances over another; e.g., I know whether I would prefer to marry George or Shirley, but have no sense of how much happier either would make me. Weird. Our name for such rankings is *ordinal preferences*.

Most economists assume individuals only have ordinal preferences because that is all one needs to assume about preferences to explain which bundle of stuff an individual will choose: of all the bundles he or she can afford, she will choose the one that is ranked the highest. Pareto figured this out, so did Irving Fisher.⁴

⁴ From Wiki: Like Irving Fisher (1892), Pareto stumbled on the idea that cardinal utility could be dispensed with. Preferences were the primitive datum, and utility a mere representation of preference-ordering. With this, Pareto not only inaugurated modern microeconomics, but he also demolished the “[unholy alliance of economics and utilitarianism](#)”. In its stead, he introduced the notion of Pareto-optimality, the idea that a society is enjoying maximum ophelimity when no one can be made better off without making someone else worse off. (for more details, see our discussion of the Paretian general equilibrium system).”

From The concise encyclopedia of economics, <http://www.econlib.org/library/Enc/bios/Pareto.html#further>

If my choice set is to marry George or Shirley, and I prefer Shirley, I will marry her no matter whether I like her a lot or a little more than I like George. This notion of assuming the simplest thing one can to get a result is called Okam's razor (the razor cuts away all the unnecessary crap).

Thought about from a Darwinian perspective, preferences are something that have evolved, like eyes and toes, and since a simple ranking is all one needs to make choices, it would seem there is no evolutionary advantage to having more sophisticated tastes. Note that one needs preferences to survive more than one needs toes or eyes: without preferences there would be no reason to eat or reproduce. (Everything else constant, states of the world with orgasms feel better (are ranked higher) than states without them.⁵

But most people seem to inherently feel that their likes and dislikes have intensity: that they have a sense of how much more or how much less that would like one set of circumstances to another.

These kinds of preferences are called *cardinal preferences*. I, for example, feel that my preferences have intensity: all else constant I would much rather burp than barf, and would much prefer being married to Sally, my current wife, than to be married to someone named George. I would like to believe my preferences have intensity, but am not sure they do.

If they do have intensity, one must ask if their intensity is just a useless evolutionary flux, or whether cardinal preferences might have some evolutionary advantage over preferences that are solely ordinal. Maybe if I strongly prefer sex with Shirley to sex with George, I will work much harder to make sure I end up with Shirley – work to increase my options

“.....Pareto is also known for showing that the assumption that the utility of goods can actually be measured was not necessary for deriving any of the standard results in consumer theory. He showed that by simply being able to rank bundles of goods, consumers would act as economists had said they would.”

⁵ This statement makes one wonder, me at least, about animals. Animals live and survive in the wild, some more successfully than others. The statement that one needs preferences to survive, raises the question of whether animals have preferences? Some would argue that most animals do not preferences but rather have instincts. I am not sure of the difference between instincts and preferences but my guess is that preferences are something one can change but instincts are built in. Do people have preferences or instincts or both? Some would argue that we are mostly instinct driven.

Is unhappiness an evolutionary birthright?

Happiness does not necessarily provide an evolutionary advantage. Darwin, if he were here, might tell us that we were not designed for happiness, and that achieving it might even be contrary to the goal of passing along our genes. Maybe, discontent and sexual angst have their advantage: Buddhist monks typically do not have lots of kids (there was a notorious Boulder exception)

Even though happiness might not be part of human nature, many of us claim to want it, and a few of us even seem to achieve it. Its pursuit is enshrined in our Constitution.

The relationship between happiness and fulfilling ones desires (passions)

Desires, like thumbs, evolved because those that had them had an evolutionary advantage: they were more likely to pass along their genes. Sex is a desire; is it also a preference?

Orgasm provides a relief but does having one make one happier? Remember, Ms. Natural Selection does not care whether you are happy.

Economists talk about maximizing utility or choosing the most preferred bundle from those one can afford. How does this relate, if at all, to fulfilling desires? If a male chooses a state with more sex over a state with less sex, an economist would say he prefers the state with more sex. But does that mean the said male is happier in the state with more sex.

Where do our desires come from? And, why?

Are desires and urges the same? When you are old, you will likely have fungus-laced toenails – the fungus grows through your toenails from below, like mushrooms through the ground, turning the whole thing brittle, yellow, and too thick to cut with a clipper.

Thinking about my toenails often gives me a great urge/desire to scarp under my toenails with the nearest sharp instrument. From where does this desire come and what purpose does it serve? Does scrapping toenails make me happy?

My daughter, when she was young, had great desires/urges to pick at dry skin on the heads' of others. All of the great apes groom each others' skin and hair, so maybe Darwin would justify this desire.

There are primary and secondary desires: fulfilling one's hunger is a primary desire, desiring to skip class so one can buy some food, maybe a burrito, is a secondary desire. Skipping class is a secondary desire because it was only done to achieve a primary desire (the burrito)

Some argue that we developed the ability to think and reason solely to improve our ability to achieve our primary desires.

I, as a human, can reason that the best way to fulfill my desire to meet Shirley for a sexual encounter is to make friends with Gertrude, who will then invite me to go with her to Fred's party, where I know Shirley will be.

My dog Sofie will never meet Shirley because of her inability to reason in this manner.

The philosopher [David Hume \(1711-1776\)](#) was an early expounder proponent of the view that we developed the ability to think and reason solely to improve our ability to achieve our primary desires:

Reason is, and ought only to be, the slave of the passions, and can never pretend to any other office than to serve and obey them.

Put simply, the ability to reason can help us to achieve a goal, but reason will not help us determine whether the goal is worth achieving.

Some famous thinkers say the way to happiness is to not live for one's desires – the Buddha comes to mind.

For more, see [On Desire, William Irvine, 2006](#)

And

Russell W. Belk, Guliz Ger and Soren Askegarrd, "The fire of desire: a multi-sited inquiry into consumer passion," *Journal of Consumer Research*, Volume 30, Issue 3, Page 326–351, Dec 2003

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Desires, feeling good, feeling bad, and happiness: what exactly is happiness?

Happiness is a state of mind, literally, a chemical state of mind.

Quoting from Wikipedia on the biological basis of happiness

While a person's overall happiness is not objectively measurable, this does not mean it does not have a real physiological component. The [neurotransmitter dopamine](#), perhaps especially in the [mesolimbic pathway](#) projecting from the midbrain to structures such as the [nucleus accumbens](#), is involved in desire and seems often related to pleasure. Pleasure can be induced artificially with drugs, perhaps most directly with [opiates](#) such as [morphine](#), with activity on mu-opioid receptors. There are neural opioid systems that make and release the brain's own opioids, active at these receptors. Mu-opioid neural systems are complexly interrelated with the mesolimbic dopamine system. New science, using genetically altered mice, including ones deficient in dopamine or in mu-opioid receptors, is beginning to tease apart the functions of dopamine and mu-opioid systems, which some scientists (e.g., Kent Berridge) think are more directly related to happiness.

Quoting from [The Frame of Reference as a Public Good, Robert H. Frank, Economic Journal, 1997](#)

“Some things make our brains feel good; some things make us feel bad. For example, being cold or having a cold is unpleasant, and eating toast feels good.”

Quoting from an essay by Kelly Graham, a former student,

Scientifically, happiness has been linked to the chemical dopamine, a neurotransmitter. Dopamine's release is associated with stimuli humans generally enjoy, like food or sex. Dopamine is not the only chemical associated with happiness, but it does appear consistently when humans feel “happy”. However increasing dopamine production in the brain is not yet possible. Humans cannot yet directly put dopamine into the brain due to the blood/brain barrier. However scientists can seduce the neurons to release or not to release their dopamine. ... (ISCID, 2007).

....

The neurons that release dopamine do so in response to learning situations. Dopamine release is a reward given by the brain when the decisions are made that had lead to positive stimuli in the past. For example; if entering McDonalds usually leads to the perfect meal, a dopamine release would happen as an individual pulls into the McDonald's parking lot. This type of evidence brought some scientists to the conclusion that dopamine is a biological mechanism used to reward people for current and future decisions (Brain, 2006).

....

Researchers have found that dopamine release is often strongly related to expectations; the neurons that release dopamine will react more severely to positive stimuli if it is not expected. In other words, if a greater positive stimulus was expected than received, dopamine neurons release far less dopamine (ISCID, 2007). Also, studies in dopamine have also found that its levels influence preferences and choices. Meaning economic preferences are directly related to and controlled by the chemical, which causes happiness. This would suggest that economics should be able to increase happiness by providing the preferred bundles that would cause the highest dopamine release (O'Reilly, 2004).

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Quoting from WebMd

Brain Wired to Reward Learning: Feel-good Chemical Dopamine Released in Response to Correct Choices, WebMD Medical News, available at <http://www.webmd.com/parenting/news/20060823/brain-wired-to-reward-learning>

Aug. 23, 2006 -- Making the right choice may come with its own built-in reward from your brain.

A new study suggests that the brain releases the feel-good chemical dopamine in response to learning. When we make the right choice, the surge of dopamine helps us appreciate what we've done so we eventually "learn" to do it again.

Researchers also found that raising the level of dopamine in the brain may help us learn better.

Several theories of learning are based on the idea that the brain uses success and failure to improve future decision-making. These theories highlight the role that anticipating a reward plays in learning.

Researchers say this study helps explain the biological mechanism behind the way the brain uses reward anticipation to improve future decisions.

Learning Is Rewarding

In the study, published in the journal *Nature*, researchers treated adult volunteers with drugs to either increase or decrease levels of dopamine circulating in the brain. Dopamine is a naturally occurring chemical in the brain involved in its reward system.

Participants were then asked to perform a reward-based learning task. They were presented with pairs of symbols on a computer screen. Each symbol was linked to different probabilities of monetary gain or loss, and researchers assessed how well participants were able to maximize their monetary gain.

The results showed that participants with higher levels of dopamine performed better on the learning task and became more adept at choosing the symbol with the best chances of reward.

Researcher Mathias Pessiglione and colleagues at the Wellcome Department of Imaging Neuroscience, say the finding suggests the brain's dopamine system helps us learn by rewarding educated decisions.

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Pessiglione, M. *Nature*, Aug. 23, 2006

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Quoting from the ISCID Encyclopedia of Science and Philosophy. International Society for Complexity, Information and Design. 7 Apr. 2007

<http://www.iscid.org/encyclopedia/Dopamine>

Dopamine

Dopamine (chemical formula $C_6H_3(OH)_2-CH_2-CH_2-NH_2$) is one of the best-known neural chemicals, and though it's often thought of primarily as a manufactured substance it's actually produced naturally in the body. Dopamine is a [neurotransmitter](#) activating dopamine receptors...

Increased dopamine can improve the symptoms of people with Parkinson's disease and other related disorders; however, dopamine itself cannot cross the blood-brain barrier, so injecting or ingesting it does not get it to the brain. Instead, a synthetic L-DOPA (Edward adds: lots of bad side-effects), which is a precursor to dopamine that does cross the blood-brain barrier, can be used.

Dopamine in the Brain

Dopamine has a wide variety of applications in the brain. It affects the way the brain controls our movement; a shortage of dopamine results in Parkinson's disease. Dopamine controls the flow of [information](#) to the frontal lobe from other [parts of the brain](#). Disorders in dopamine levels cause declines in neurocognitive functions like memory, attention, and problem-solving.

Dopamine's role in pleasure and motivation is critical. It is heavily associated with the pleasure system in the brain, and its continued release provides feelings of enjoyment and reinforces the activities that provide those feelings. Food, sex, and other naturally-rewarding experiences release dopamine; in addition, neutral stimuli associated with pleasure (for instance, sexual fetishes) and certain drugs also release dopamine. Cocaine and amphetamines in particular seem directly related to dopamine release, and in theories of addiction have been given the reputation of pathologically altering dopamine pathways in addicted people.

Dopamine is not, however simply the "reward chemical" in the brain; this is far too simplistic an explanation. Dopamine is also released when negative stimuli are encountered, leading one to wonder just how close pleasure and pain truly are. It also works in previously-unpredicted ways toward pleasure; for instance, when a reward is greater than anticipated, the dopaminergic [neurons](#) associated fire more often, with a commensurately lower than anticipated reward, they fire less. For this reason, some researchers think it may be related to desire rather than pleasure. Drugs like antipsychotics that inhibit dopamine activity reduce people's desire for pleasure, but don't make that pleasure less intense.

Because of these new insights and studies, new theories suggest that dopamine is actually involved in predicting pleasurable activity, and thus can be critical in decision-making processes. When a dopamine path has been damaged by addiction, it would make this decision-making dysfunctional by overemphasizing the priority of the drug in relation to other variables.

Unfortunately, experimental evidence doesn't seem to agree with any of the observed behaviors in people mucking about with their own dopamine pathways. For instance, blocking dopamine receptors chemically increases, instead of decreases, drug-taking behavior. There is still, apparently, missing data.

Dopamine and Disorders

Dopamine deficits may be a cause of attention deficit disorder (ADD), which is why dopamine stimulants sometimes work in correcting this problem. And disruptions to dopamine systems are closely linked to psychosis and [schizophrenia](#), particularly dopamine neurons in the mesolimbic pathway. Modern antipsychotics are [designed](#) to block dopamine function. Unfortunately, this blocking can also cause relapses in depression, and as noted above can increase addictive behaviors.

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Web Resources On Dopamine

[Dopamine and antipsychotic drug action revisited](#)

[Team Dopamine](#)

Book Resources On Dopamine

[The Creation of Psychopharmacology](#) by D. Healy

[Mesolimbic Dopamine System: From Motivation to Action](#) by Willner & Scheel-Kruger

Other relevant articles on brain chemistry are

Frank, Michael J., Lauren C. Seeberger, and Randall C. O'Reilly, By carrot or by stick: cognitive reinforcement learning in parkinsonism, Science Vol. 306, Dec. 10, 2004.

Available at http://ski.psychdept.arizona.edu/papers/FrankEtAl_CogPD_04.pdf

(I have a copy)

Adelson, Rachel, Dopamine and Desire: Knockout mice showcase the neurotransmitter's role in motivation, Monitor on Psychology, Vol. 36 (3), March 2005. available at

<http://www.apa.org/monitor/mar05/dopamine.html>

(I have a copy)

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So, now that we understand brain chemistry.

Do hens sit on their eggs because it feels good to do so, or do they sit on their eggs because it feels bad not to, or do they simply sit there not feeling anything either way?

Simply put, we are happy when we feel good and unhappy when we feel bad. Is that all there is to it?

Can one have desires without the ability to have feeling of good and bad? Probably not, what would one desire?

Can one have feeling of good and bad without having desires? If you can feel good and bad but have no desire to feel good or to feel bad, what would be the point of being able to feel good and bad? It seems that without a desire to feel good there would be no need for the state of feeling good.

Studies on sex suggest that that sex when one has it remains just as enjoyable even if you are old or it is with the same old person, what does seem to diminish is the desire to have sex.

Again, students of evolution would probably say that the ability to experience things in terms of making us feel good or bad helps us to pass along our genes. Standing in a fire at age 7 will not increase the number of one's offspring, so evolution has made getting burned hurt, and has given us the desire to not feel hurt.

Being hungry feels bad, and we have a desire not to feel this bad feeling, so we seek out food. This increases our chances of survival.

Like us, other animals have good and bad feelings. They must also have desires: otherwise, they would not flee pain and seek food, or for the animals is it simply an instinct – what is the difference between a desire and an instinct?

Maybe one's happiness level has a fixed point from which one can only temporally deviate

Adam Smith thought so (The Theory of Moral Sentiments (1759/1853, p.149))

The mind of every man, in a longer or shorter time, returns to its natural and usual state of tranquility. In prosperity, after a certain time, it falls back to that state; in adversity, after a certain time, it rises up to it.

If we each have our own happiness fixed-point, what role is there for policies to make us better off?

The research on this issue seems to be changing. Someone could write, someone already has, their second essay on the current state of knowledge as to whether we have a fixed-point of happiness and what this means for consumer theory and economic policy prescriptions.

Some articles to check out are

[Matthew Herper](http://www.forbes.com/sciencesandmedicine/2004/09/23/cx_mh_0923happiness.html), Happiness is Mostly Genetic, Forbes, 09.23.04
http://www.forbes.com/sciencesandmedicine/2004/09/23/cx_mh_0923happiness.html

(I have a copy)

Lykken, David, and Auke Tellegen. "Happiness is a Stochastic Phenomenon." Psychological Science (1996). (Appendix A)

Lykken, David. Happiness: the Nature and Nurture of Joy and Contentment. New York: St. Martin's P, 2000.

Fujita, Frank, and Ed Diener. "Life Satisfaction Set Point: Stability and Change." Journal of Personality and Social Psychology (2004). 10 Apr. 2007

http://users.ugent.be/~fdefruyt/difperpsy/Trp/Per/MS_Fujita_stability.pdf

(I have a copy)

[LiveScience Staff](http://www.livescience.com/health/051115_feel_genes.html), How do you feel? Probably a lot like your parents, LifeScience, Nov 15, 2005, http://www.livescience.com/health/051115_feel_genes.html

Look for the most recent research on this topic in the Journal of Happiness Studies.

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Quoting again from an essay by Kelly Graham, a former student,

Research has also found that happiness is strongly affected by genetics. Dr. Lykken and Dr. Tellegen of the University of Minnesota explored this theory by giving multidimensional personality questionnaires to identical twins. These twins were reared apart and were middle aged. Theoretically, this test will give some evidence as to the relative impacts of environment versus genetics on emotional well-being. The twins rated themselves almost identically in happiness, well-being and life satisfaction levels. Dr. Lykken and Dr. Tellegen were so convinced by the findings that they stated, “trying to be happier is as futile as trying to be taller”⁶ (Lykken, 1996). This conclusion supports a baseline level of happiness, which is genetically controlled and cannot be permanently affected by environment, given that basic needs are met.

.....

Years after his initial study, Dr. Lykken changed his opinion on the strength of the “baseline level.” In the year 2000, after over 40 years of researching the subject, he stated that happiness may be partially determined by genes, but he felt the individual and the environment also affect it. He believed changing your attitude through a conscious effort and having strong social relationships could permanently increase happiness. (Lykken, 2000)

Interestingly, another study found that life satisfaction levels change over time. Dr. Fujita, a psychology professor at Indiana University South Bend and Dr. Diener of University of Illinois at Urbana, conducted a study to determine if there is a predetermined level of life satisfaction. This study followed 2,336 men and 2,873 women over 17 years. The conclusion reached in this study was that there is a “soft baseline” for life satisfaction. However, it found that “some individuals do change significantly” overtime and commonly they saw small fluctuations, which could last for years. These Dr.’s addressed the Lykken study, stating that the variations in the two studies may be due to the wording of the questionnaires. The Lykken study primarily concentrated on stronger emotional states, such as happiness, where the Fujita study’s questionnaires asked about satisfaction⁷(Fujita, 2004)

⁶ A similar [study](#) was conducted on 2,928 twins by Dr. Romeis who stated that attitudes are “not only their psychology but their biology”.

⁷ “Personally I believe satisfaction and happiness to be very different things. However, most of my research shows that the terms happiness, well-being, life satisfaction, etc. are used repeatedly in most questionnaires’ that study happiness.”

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Maybe one's happiness is determined by one's relative position in society rather than one's absolute level of consumption.

We all have strength enough to endure the misfortunes of others. - Francois de La Rochefoucauld

What every one most aims at in ordinary contact with his fellows is to prove them inferior to himself – [Schopenhauer](#)

Rousseau thinks that modern man is, unfortunately, driven to misery by his desire to compare with others.

Put simply, this school of thought thinks that one is happier the more stuff one has relative to one's neighbors and peers.

For example, which would I prefer? That the average salary for full professors in my department is \$120K and I make \$140K, or that the average salary in my department is \$180K and I make \$160K.

If all we are concerned with is relative income, this does not bode well for making society better off by increasing your income. There is no way everyone can be above average, except in Lake Woebegone, where “all the kids are above average”)

What would your utility function be like if when George's consumption increases yours decreases and vice versa? Write them out.

If relative position is what matters, then there is negative external effect if I make myself better off by increasing my income and consumption: my making myself better off makes the rest of you worse off, so, if unconstrained in my pursuit of a higher income, I will strive too much to get ahead – inefficiently work too much, so will you.

This is an example of an externality-type market failure.

See [The Frame of Reference as a Public Good, Robert H. Frank, Economic Journal, 1997](#)

What policy should we pursue in this case, a tax discouraging each of us from working too much from society's perspective, six weeks mandatory vacation a year for everyone, A 35 hour work week?

The Pertinent Evidence

Are people with more stuff happier?

Before we set our hearts too much upon anything, let us examine how happy those are who already possess it. - Francois de La Rochefoucauld

Money is better than poverty, if only for financial reasons - Woody Allen.

If I read the literature correctly about whether more stuff means more happiness, the answer is yes and no, and, if yes, not a big yes.

Fulfilling one's basic needs makes one happier: having enough to eat, a warm place to sleep, safety, and good health makes people happier. Since many people do not have these things, giving them these things will make them happier.⁸

That said, once your basic needs are met, it is not clear that getting more stuff makes one happier. What would economists conclude about policies to increase GDP if this were true?

⁸ A question: will fulfilling some of these basics, but not all of them, make one happier?

Let's review some of the evidence on whether people with more stuff are happier.

Someone could write their second essay updating my take on the research relating happiness and income. (One might start by doing finding recent papers that cite the papers I discuss next.)

Quoting Oswald (1997)

Richard Easterlin (1974, 1995) was one of the first economists to study statistics over time on the reported level of happiness. His data came from the United States. Easterlin's 1974 paper's results were, first, to suggest that individual happiness appears to be the same across poor countries and rich countries, and, second, to argue that economic growth does not raise well being.

Easterlin's conclusions are now thought too strong.

Data is a problem: there are a lot of issues with respect to tracking happiness. Most of the conclusions are based on surveys that ask the individual to self report their level of happiness. One collects cross-sectional data (different places/countries at the same time), or time series data (the same place at different points in time), or both.

One problem with cross-sectional data is comparing responses across countries with different languages, customs, cultures and institutions.

For example, how happy you are might be a function to how happy you think you have a right to, and this can vary across countries.

Italians respond that they are less happy than Germans, but are they really less happy? Or, is the difference caused by how attitudes are expressed in the two countries? My experience is that Italians are hesitant to say yes or no to anything – they like to be vague, or so it seems to me.

Time-series data has problems in determining the influence of consumption on happiness. Lots of things change over time besides consumption levels, so it is difficult to separate out the influence of consumption. For example, age-composition is changing over time – average age is increasing – this might completely explain any change in happiness levels. (Looking ahead there is evidence that happiness levels are U-shaped as a function of age – you kids are descending the happiness slope.)

Another issue is whether self-reported happiness levels truly reflect one's level of happiness - whatever that means. Are people a good judge of their own happiness level? Maybe your friends and family are a better judge than you of your happiness.

And, might respondents have an incentive to give biased answers to happiness questions? Who wants to say they are miserable.

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That said, self-reported happiness levels correlate pretty well with how happy your friends and relatives think you are. For measurement of happiness issues see Diener (2000), Subjective Well-being: The science of happiness and a proposal for a national index. *American Psychologist*, 55: 34-43.

Let's look at some of the data, courtesy of Oswald (1997)

Table 1
Happiness in the United States: 1972-90

	1972	1980	1990
Very happy %	30.3	33.9	33.4
Pretty happy %	53.2	52.7	57.6
Not too happy %	16.5	13.3	9.0
Number in sample	1,606	1,462	1,361

Source: Blanchflower *et al.* (1993) from US General Social Surveys. That paper gives data for each year. Weighted to control for oversampling of blacks in certain years.

The raw data are consistent with the view that the category 'pretty happy' is expanding while 'not too happy' is shrinking. Nevertheless, the effect is not dramatic, and these are only raw data that may be being moulded predominantly by a population that is changing its composition. Blanchflower *et al.* (1993) explore the matter more systematically. They examine whether there is an upward trend in well-being after controlling for demographic and other compositional changes in the American economy. Their conclusion is that there is a positive time trend, but that it is very slight. Intriguingly, there seems to be evidence of a cycle in happiness (especially for men). Blanchflower *et al.* show that the rise in happiness has not been spread evenly. It seems that American men have got happier while American women have experienced little growth in subjective well-being. Blanchflower and Oswald (1996) find some evidence that the young are growing relatively happier.

Finding 1: Happiness with life appears to be increasing in the United States. The rise is so small, however that it seems extra income is not contributing dramatically to the quality of people's lives.

There is similar information for European countries. Although few economists seem to have used the data, the Eurobarometer Survey Series asks: On the whole, are you very satisfied, fairly satisfied, not very satisfied, or not at all satisfied with the life you lead?

Table 2
Life Satisfaction in Nine European Countries from One Decade to the Next

Country	Average % 1973–81	Average % 1982–90	Well-being increased?
Proportion of the sample who reported themselves as 'very satisfied' with their lives			
Belgium	39.5	24.7	No
Denmark	51.7	62.8	Yes
France	12.4	13.7	Yes
West Germany	18.8	23.4	Yes
Ireland	38.8	31.1	No
Italy	9.0	13.2	Yes
Luxembourg	34.6	39.1	Yes
Netherlands	41.3	41.8	Yes
UK	31.7	30.9	No

Source: Own calculations using Eurobarometer Survey numbers provided by Ronald Inglehart of the University of Michigan. Sample size is approximately 1,000 people per year per country.

So, should we conclude from this table that Italians do not lead the dolce vita? Based on this table and other statistics, Oswald reaches the conclusion that

Finding 2: Since the early 1970s, reported levels of satisfaction with life in the European Countries have, on average, risen very slightly.

One thing to note about these statistics is that they are the percentages in different groups (“very happy”, “pretty happy”, “not too happy”). The measures would not change if the “very happy” or “very satisfied” became even more so, or the “not too happy” became even less happy.

Another way of measuring happiness is by measuring distress levels. Quoting from Oswald

There is another way to measure well-being, and that is to study psychiatric measures of mental distress. The new British Household Panel Study gives mental well-being scores from a form of psychiatric evaluation known as the General Health Questionnaire. One way to assess these people's feelings of subjective well-being is to use their scores from the General Health Questionnaire (GHQ) section of the survey. In its simplest form, this assessment weights the answers to the following set of questions.

Have you recently:

- *1. Been able to concentrate on whatever you are doing?
- 2. Lost much sleep over worry?
- *3. Felt that you are playing a useful part in things?
- *4. Felt capable of making decisions about things?
- 5. Felt constantly under strain?
- 6. Felt you couldn't overcome your difficulties?
- *7. Been able to enjoy your normal day-to-day activities?
- *8. Been able to face up to your problems?
- 9. Been feeling unhappy and depressed?
- 10. Been losing confidence in yourself?
- 11. Been thinking of yourself as a worthless person?
- *12. Been feeling reasonably happy all things considered?

People's answers to these questions are coded on a four-point scale running from 'disagree strongly' to 'agree strongly'. Starred items are coded in reverse.

There are lots of ways to give one a score. One way is to give you a 1 on a question if you answered "agree strongly" and a zero otherwise. Using this method, the higher your score, the more you are distressed.

The unemployed have much higher distress levels (are less happy than the employed). See the NYT article of Feb. 25, 2010. Education does not have a big effect, unless one is low education; then, low education seems to muffle the blow of unemployment – they get less stressed when unemployed? It could be an issue of expectations.

Why are the unemployed distressed? Isn't having more free time a good thing?

One might be tempted to argue that the unemployed of Britain are distressed because they have no money to take care of their families, but not all of the evidence points in that direction. Oswald says the largest distress is not caused by the loss of income but rather non-pecuniary losses. He does not elaborate.

He might be thinking along the following lines. Britain has a substantial social welfare net, so one's family will likely have food to eat and a home. Non-pecuniary losses would include stuff like loss of self-esteem, a sense of failure, embarrassment, etc.

Continuing with Oswald

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Table 5
The Microeconomics of Happiness in Europe: 1975–86

	All	Unemployed
Very happy (%)	23.4	15.9
Pretty happy (%)	57.9	51.1
Not too happy (%)	18.6	33.0
	Lowest-income quartile people	Highest-income quartile people
Very happy (%)	18.8	28.4
Pretty happy (%)	54.5	58.5
Not too happy (%)	26.7	13.1

Source: Di Tella *et al.* (1996) using Eurobarometer data. Total sample 108,802 observations.

Note that the second half of this table does not imply that raising average income will increase happiness. The people who the highest quartile might be getting their higher happiness simply because they can look down on those with less.

.....More generally, it is now well known that there are systematic patterns in micro data on people's subjective well-being. In other words, if one takes a random sample of people, and estimates a well-being regression equation of form "reported well-being= f(personal characteristics)", the results tend to be the same across different periods, different countries, and even different measures of well-being. Summarizing:

Finding 4: Reported happiness is high among those who are married, on high income, women, whites, the well-educated, the self-employed, the retired, and those working in the home. Happiness is apparently U-shaped in age (hitting bottom in the 30s)

Oswald's other conclusions are

Finding 5: Consistent with the patterns in happiness data, suicidal behaviour is more prevalent among men, the unemployed, and those with marital problems. Over the long run, as Britain has got richer, the suicide rate has declined (though this is not true for men since the 1970s). Rich countries apparently have more suicides.

Finding 6: High unemployment may swell the number of people taking their own lives. Suicide data suggest that joblessness is a major source of distress.

Finding 7: In Britain and America the level of job satisfaction is not rising over time.

The evidence on the relative-income hypothesis

Still to do.

Look back at Table 5 and note that the statistics shown do not imply that happiness would increase if everyone's income increased.

For their second essay, someone could summarize the research on this issue

Economists assume people know their preference – do they? The evidence

Knowing your preferences seems to be required if one is to maximize his or her happiness.

miswanting

That said, my reading of some recent research in psychology suggests that individuals systematically mis-predict their long-term preferences.

Put simply, things that people think will make them happy (new car, new wife, etc.) don't make them happy for as long as they thought it would – sex with the new wife in the new car is little or no better, in the long-run, than sex with the old wife in the old car. That said, you, the new car, and the new husband will all be old in the long-run.

And, symmetrically, things one believes will make them unhappy for a long time (Broncos losing, not getting tenure, cancer) do not make them unhappy for as long as they thought it would.

The name for this is *miswanting* – as in, our wants have mistakes.

If these findings are correct, some people will choose the wrong bundle: not maximize their happiness.

It is important to distinguish between miswanting and being misinformed. We often buy or do the wrong thing because we were misinformed.

The ab-machine we buy after an all-nighter in front of the TV does not give us six-pack abs. Thinking it will is being misinformed, not mis-wanting.

**TRY IT FOR
30 DAYS
RISK-FREE!**
JUST PAY \$14.95

YOU GET ALL THIS:

- AB ROCKET MACHINE
- LOW CALORIE MEAL PLAN
- 4 FAT BLASTING DVD WORKOUTS

**LOST 9 INCHES!
30 DAY RESULTS**

BEFORE **AFTER**

If you get the six-pack abs only to find out that they did not bring everlasting happiness, as you expected, this is mis-wanting.

Thinking back to before I had tenure (all universities make mistakes), I thought that being denied tenure would ruin my life. I will never know, but surveys of people a year after their tenure decision was made shows no significant difference in the average happiness levels between those that did and did not get tenure.

I spent the better part of my youth working night and day to get tenure because I thought I would be devastated if I was denied tenure – maybe it was all a big mistake. For more details, Gilbert et al. (1998) in the *Journal of Personality and Social Psychology* – I have the article.

Simplistically summarizing, one correctly predicts how one will feel immediately after they learn they did not get tenure, but incorrectly predict how long this feeling will last.

A similar thing happens with the loss of a friend or loved one. People systematically over-predict how much the loss will affect them in the long-run. The loss makes them

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worse off, but not as much as they thought it would. The problem is that people cannot predict this, **even if** they have recovered from a similar loss in the past.

Think about how you would feel if your puppy died.

There was a recent study by Riis et al. in the Journal of Experimental Psychology (2005) – I have the article. They interviewed two groups of individuals on their happiness levels: one group consisted of individuals on dialysis; the other group consisted of healthy individuals who were matched in age, gender, income, etc. to those in the dialysis group.

What do you think they found? The healthy group's average level of happiness was not significantly different from the average for the dialysis group.

Quoting from a University of Michigan press release about the study

University of Michigan Health System **10.02.2005**

Study finds happiness persists, despite illness

Study of dialysis patients yields surprising findings Despite what able-bodied healthy people might think, people with severe illnesses and disabilities don't wallow in misery and self-pity all the time. In fact, a new study finds, such patients on the whole may be just as happy as those without major medical conditions. The finding adds to the growing body of evidence that ill and disabled people adapt to their condition and show a resilience of spirit that many healthy people can't imagine. It's published in the new issue of the Journal of Experimental Psychology

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That said, the ill still wanted to be well.

To study mis-wanting, study individuals who have won the lottery. They are typically not as happy as they anticipated. See, for example, Richburg's October 10th 1993 article in the Washington Post, "Reaching the end of a pot o' gold." It is about Paul McNabb who, when he won got his first check on television, mumbled, over and over, "Oh my God, Oh my God". Twenty years later he wished it had never happened.

So, why do we mis-want (systematically over-predict the impact of good and bad stuff?)

And, is there some advantage to miswanting? Timothy Wilson (2000) and others have proposed a number of reasons for mis-wanting.

(1) *Focalism*: When something great happens, or the shit hit the fan, it captures all of our attention (both conscious and unconscious) – it is all we can think about – we *focus* – the happening has salience.

When we think about how the happening will make us feel in the future we don't realize that this happening will no longer be the *be all and end all* (our center of attention), so overestimate the happening's long-term effects. This is good: we would get in big trouble if our attention was completely occupied by something that happened in the past.

That we don't focus on things for long provides an evolutionary advantage: survival requires paying attention to the present.

If the wolf is at the door and one is still happy and content because of something that happened last year, one might not pay sufficient attention to the wolf.

Or if Shirley is at the door and all you can think about is your time last year with Esther, you and Shirley will probably not have lots of kids.

(2) We fail to adequately foresee how we will adjust. This argument should have great appeal to economists, particularly if the happening was a bad. Economists teach that when a bad happens, people will make adjustments to minimize the impact of the injury. These adjustments can be actions (going to the doctor when sick) or changes in mental outlook ("the death brought the rest of the family closer together"). People don't take account that they will adjust.

(3) There is the above-mentioned reference level of happiness that we forget we have.

(4) *Miscontrual* (the process of misconstruing): (a) We don't know how we will react or adjust to new things because we can't accurately predict how the new thing will play itself out – we have no experience with such things, so how it will play out might be very different from what one imagines.

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(b) But even if it is not a new thing, we still have trouble predicting how it will affect us. Our memories of past emotions, distress, and pain are often flawed. We forget how much childbirth really hurt or how we felt at the eighteen mile point of the marathon.

(5) Overestimating how long the happiness will last increases the current level of happiness and contentment. Overestimating the duration of unhappiness, makes one feel they are better prepared for the bad's persistence. Gilbert calls this causal factor *motivated distortion*: thinking the pain in your stomach is stomach cancer because preparing yourself for bad news makes you think, now, that you will better to handle the diagnosis when it comes.

I am not sure whether Wilson would call the following motivated distortion: thinking I might have stomach cancer, so I will feel great when I find out I don't, or thinking I will be doomed to a life of misery if I fail Econ 4999 as a way to motivate me to write Essay 2.

(6) *Spin*: Failure to realize how adept our minds are at spinning things to our emotional advantage. We spin/distort things to uncover the silver lining: when bad stuff happens we figure out a way to spin it so it does not seem as bad. Miswanting occurs, in part, because we **fail to predict** that this is what we will do. Gilbert calls this ability to spin the *psychological immune system*. We have great ability to distort to our own advantage, but don't adequately account for this when we imagine the future. We spin bad things so they seem less bad.

Do we ever spin good things to make them seem less good? Do we spin good things to make them seem "gooder"? If so, why?

empathy gap

Related to miswanting is what [George Loewenstein](#) calls the *empathy gap*. Imagine that people have emotional-state-dependent preferences. That is, my ranking of bundles and how I ‘feel’ about bundles (how much utility they produce) depends on my emotional/chemical state. Examples of emotional/chemical states include, angry, sexually aroused, dead tired, depressed, scared shitless, hungry enough to eat a horse, addicted, and just plain normal. Loewenstein calls these, except for just normal, *visceral factors*.⁹

Our choices, and how we feel about those choices, depend on our emotional/chemical state: going home with George, who you met after drinking tequila for half the night, was a good idea at the time, but

The empathy gap is that we are very bad at predicting what we will do in another emotional state. For example, many individuals cannot imagine having unprotected sex with a stranger, but then get sexually aroused, and they do what was previously unimaginable.

The empathy gap is that when un-aroused they would predict that they would never do it, even if they have done it many times in the past, and will do it again in the future.

The empathy gap is thought to play a large role in the spreading of AIDS among gay males. Educating gay males about the implications of unprotected sex – the education occurring when they are not aroused - has had little effect on their behaviors when aroused. Unprotected sex is not limited to gay men.

American soldiers are trained to harm only enemy combatants, but this training mostly occurs when the soldiers are not in a visceral state. Speculating, one can imagine soldiers making different choices when they are scared shitless and angry – it happens. Might, does, the military train them when they are in a visceral state in how to deal with civilians?

Another Loewenstein example is a common finding that mountain climbers do not turn back at their predetermined “turn back” time. Before the final ascent of Everest, we rationally conclude that we need to be at Guber Ridge by 8am if we are to make it to the top and back without being in big dodo.

But, when we are still an hour below Guber Ridge at 10am, we keep climbing. We are doing something we said and knew we would never do. When we survive, if we do, we are certain we will never do such a stupid thing again, but often do.

This is the empathy gap. I think Loewenstein calls it the empathy gap because you cannot empathize with your other self.

⁹ Visceral literally means “from the guts.”

If parents of college students understood the empathy gap, they would be even more concerned when their offspring goes to the beach for “Spring Break”.

Additional random thoughts:

Random thought A: Economists are, in general, comfortable assuming you have preferences (one set) and know your preferences.

Random thought B: Some economists are uncomfortable with **statements** about one's preferences (stated-preference data), preferring instead revealed-preference (RP) data – observing what people do. One can objectively observe what one consumes and does, but measuring happiness often requires that one asks someone whether they are happy, and many economists are uncomfortable with such questions.

Most economists are more comfortable determining the minimum value you placed on your vacation by asking how much you spent, rather than by asking you its value directly. The argument being: if I spent a grand it must have been worth at least a grand, otherwise I am goofy (irrational).

[Bertrand Russell \(1872-1970\)](#), the philosopher, mathematician, and logician was exclusively a RP data kind of guy:

The discovery of our own motives can only be made by the same process by which we discover other people's, namely, the process of observing our actions and inferring the desire which could prompt them (Russell, *The Analysis of the Mind*)

My view is that what you say is not a perfect reflection of your preferences and what you do is not a perfect reflection of your preferences. Economists put too much faith in the gospel that actions reflect preferences.

Random thought C: What is the chicken and what is the egg? Do we take some action because we have logically decided that taking the action will make us better off, or does our subconscious tell us what to do, and then we come up with some “logical” argument, which we believe, for why did what we did?

Human being think themselves to be free in so far as they are conscious of their volitions and of their appetite, and do not even dream of the causes by which they are lead to appetite and to will, since they are ignorant of them – [Benedict de Spinoza](#) (1632-1677)

People like the psychologist Timothy Wilson argue that many of our decisions are made by our subconscious; we have two minds: our conscious mind and our subconscious mind. Many decisions are made without our conscious awareness and without any conscious choice on our part. Put simply, we don't know our own mind or at least do not know a large part of it.

This does not mean decisions made by the unconscious are bad decisions. Just as India has a comparative advantage over the U.S. in the production of certain goods (e.g., computer tech support), the subconscious has a comparative advantage over the conscious mind for some types of choices.

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Not knowing your own mind can be scary, so it would make sense that our conscious mind concludes that it logically makes all of the decisions.

My father will sit down and give you theories to explain why he does this or that,” the son of the billionaire investor George Soros has said. “But I remember seeing it as a kid and thinking, At least half of this is bull. I mean, you know the reason he changes his position on the market or whatever is because his back starts killing him. He literally goes into a spasm, and it’s this early warning sign.” (Blink, [Malcolm Gladwell](#) , page 51)

Quoting from Levine, On Desire, page 97

According to the neuroscientists, Michael Gazzaniga and [Joseph LeDoux](#) one of the main jobs of consciousness, they argue, is to confabulate – to generate a coherent story that ties together the operations of the various brain systems, and one way to generate this story is to hazard a guess about why a particular brain system is doing something. In short, we figure out our own desires the way we figure out the desires of other people – by observing our behavior and drawing inferences from it

Remember Spinoza said this first, four hundred years ago.

Research suggests we don’t know why we do what we do, so make something up. For example, and again quoting Levine (page 103),

Timothy Wilson, together with the psychologist Richard Nisbett, devised a number of experiments to reveal this phenomenon. In one of these experiments, college students memorized lists of word pairs, and were then asked to name a detergent. Students whose word-pair list included the pair *ocean-moon* were twice as likely to name the detergent Tide as those whose word-pair list did not. And when Nisbett and Wilson asked students why they named Tide, they almost never said it was because they had been exposed to the ocean-moon word pair. Instead they said that Tide was the best-known detergent, that Tide was the detergent their mother used, or they liked the Tide box. They had demonstrably been influenced by the exposure to the ocean-moon word pair but were oblivious to how the exposure had influenced them.

This conscious, unconscious mind stuff raises a serious problem for economists: one’s conscious mind does not know one’s unconscious “preferences” and motivations.

In The NYTimes, April 10, 2007, there were a number of articles on sexual desire. Most of us would likely conjecture that desire comes before arousal. The NYT article says the research shows it goes the other way: we get subconsciously aroused and this is what makes us consciously desire.

Random thought D: The psychologist [Sheena Iyengar](#) and the economist [Raymond Fisman](#) have studied preferences in the context of speed-dating: spending a few minutes talking to each of ten or twenty people. At the end of the night, you get each other’s email address if you each gave the other the thumbs up. Before a session would start, the participants were surveyed on what characteristics they would judge the potential dates.

Summarizing the results in terms of an example

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It is confusing: Mary says she wants a certain kind of person. But then she is given a roomful of choices and she meets someone whom she really likes, and in that instant she completely changes her mind about what kind of person she wants. But then a month passes and she goes back to what she originally said she wanted. So what does Mary really want in a man?

"I don't know," Iyengar said when I asked her that question. "Is the real me the one that I described beforehand?"

She paused and Fisman spoke up; "No, the real me is the me revealed by my actions. That's what an economist would say."

Iyengar looked puzzled. "I don't know that's what a psychologist would say." (Blink, Malcolm Gladwell, page 66)

Discuss here, or elsewhere, the implications of this for valuation, particularly non-market valuation of longrun environmental improvements.

When people consider their WTP for a project that would, in the longrun, clean up a polluted site, do they overestimate the benefits they will get in the longrun from the site being clean? Does this tendency apply to all longrun decisions, including the purchase of market goods? Does it depend on the nature of the good? It is said that people mis-predict the MRS between a bigger house and a shorter commute because you get used to the house but not to the commute??? (research this).

What if a valuation survey put you in a visceral state – e.g. show em dying birds? There is a literature on this.

What if you consider the pollution a personal affront, becoming angry and wanting revenge?

Additional Readings:

Diener, E. (2000), Subjective Well-being: The science of happiness and a proposal for a national index. *American Psychologist*, 55: 34-43.

Herper, Matthew. "Money Won't Buy You Happiness." *Forbes* 21 Sept. 2004. 20 Apr. 2007 http://www.forbes.com/work/2004/09/21/cx_mh_0921happiness.html

Wilson, T.D.. 2002. *Stranger to ourselves: discovering the adaptive unconscious*, Cambridge Massachusetts, The Belknap Press of Harvard University Press.

Blanchflower, David G., and Andrew J. Oswald. "Money, Sex and Happiness: an Empirical Study." *The Behavioral Economics Special Issue of the Scandinavian Journal of Economics* (2003). 20 Apr. 2007 <http://72.14.253.104/search?q=cache:zGEghfPc3HoJ:www.dartmouth.edu/~blnchflr/pape>

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[rs/sentScanJEsexmoneyhappinessjune2003.pdf+sex+causes+happiness&hl=en&ct=clnk&cd=5&gl=us&client=firefox-a](#)

Abstract: This paper studies the empirical patterns in money, sex and happiness. Using 1990s data from the General Social Surveys of the United States, the paper shows that sexual activity enters strongly positively in happiness equations. We calculate that the median American has sexual intercourse 2-3 times a month. In our data, close to half of American women over the age of 40 report that they did not have sex in the previous year; the figure for men is 20%. Among Americans under 40 years of age, approximately 80% of women and 70% of men had no more than one sexual partner in the previous year. Sex appears to have stronger effects on the happiness of highly educated people than those with low levels of education. The happiness maximizing number of sexual partners in the previous year is 1. Homosexuality has no statistically significant effect on happiness, but a strong positive effect on the reported amount of sexual activity. Married people have more sex than those who are single, divorced, widowed, or separated. Money buys more sexual partners but not more sex.

Britt, Robert R. "When Money Does Buy Happiness." Live Science 06 Apr. 2005. 20 Apr. 2007 http://www.livescience.com/othernews/050406_money_happy.html
They find that money buys happiness, or at least less dissatisfaction with life, if one is disabled.

NYT article mentioned above

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