

## Publication

### Recent developments in the economics of happiness: a selective overview

#### Discussion paper / Internet publication

**ID** 1479273

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**Year** 2012

**Month and day** 12

**Title** Recent developments in the economics of happiness: a selective overview

**Series title** IZA discussion paper series

**Number** 7078

**Publisher / Institution** Institut zur Zukunft der Arbeit

**URL** <http://ftp.iza.org/dp7078.pdf>

What makes people happy in life? This is a crucial question that has the potential to shake up economics. In recent years, the dissatisfaction with the understanding of welfare in economics together with the new opportunities to empirically study people's subjective wellbeing have spurred impressive and stimulating new research in the often called dismal science. The economics of happiness has emerged as one of the most thriving areas in current economic research. This introductory chapter refers to important contributions to the economics of happiness that characterize the recent developments in the area. First, we refer to reviews of the literature, the measurement and the relationship of happiness research to welfare economics. Second, we emphasize four factors from the large literature on the determinants of happiness in economics, i.e. income, employment, social capital and health. In fact, the main body of research in this new area is on the preconditions or covariates of high individual well-being. Third, important studies applying the so-called Life Satisfaction Approach as an alternative valuation approach are discussed. Fourth, we point to contributions that elaborate on the understanding of utility in terms of people's adaptation to circumstances and their difficulties in predicting future utility. Fifth, we provide references to the controversial question regarding the policy consequences of this new development.

**ISSN** 2365-9793

**edoc-URL** <http://edoc.unibas.ch/dok/A6070224>

**Full Text on edoc** Available;