



IZA Press Release, October 22, 2009

2009 IZA Prize in Labor Economics to US economist Richard Easterlin for pioneering role in economics of happiness

Award Ceremony Today in Washington, D.C.

Expert Forum on Labor Market Effects of Global Economic Crisis

The 2009 IZA Prize in Labor Economics is being awarded today in Washington to the U.S. economist Richard A. Easterlin. This is the first time for this prestigious science award, endowed with 50,000 euros, to be presented in the United States. With the IZA Prize, the renowned Institute for the Study of Labor (IZA Bonn, Germany) recognizes Easterlin's outstanding research on the analysis of subjective well-being and on the relationship between demographic developments and economic outcomes, which is of particular relevance in times of economic crisis. Prior to the official award ceremony, a high-level policy forum will discuss the prospects of the world economy and the labor market effects of the current crisis.

As far back as in the 1970s, Richard Easterlin already showed that rising material wealth does not necessarily improve individual well-being in life. Societies with higher material wealth are on average more satisfied than poorer ones, but once the participation in the workforce ensures a certain level of material wealth, guaranteeing basic needs, individual as well as societal well-being as a whole are no longer increasing with a growth of economic wealth. This finding became known as "Easterlin Paradox." These mechanisms are highly relevant for economic behavior in the labor market, for instance in order to understand female labor supply and labor market search by the unemployed. Easterlin's research also inspired many economists and other social scientists to systematically analyze the relationship between subjective well-being and socio-demographic characteristics such as marital status, health, employment status, or political institutions. Easterlin's work thereby has influenced the thinking of both economists and policy makers until today.

Richard Easterlin's research interests also include the relations between demographic development and economics variables. His central idea – the so-called "Easterlin Hypothesis" – posits that the economic and social fortunes of a cohort tend to vary inversely with its relative size. Easterlin attributes this relationship to several crowding mechanisms which operate in the family, the education system, and the labor market. According to Easterlin, the entry of a large cohort of young and inexperienced workers into the labor market tends to be accompanied with lower relative wages and higher unemployment rates.

Head of Public Relations: Holger Hinte
Leiter Öffentlichkeitsarbeit: Holger Hinte

IZA Director Klaus F. Zimmermann praises Easterlin's research of a lifetime

“Richard Easterlin's work of a lifetime is highly impressive. The economic analysis of well-being and happiness would not have been possible without his contributions. His work is politically important as well, since it shows that individuals are not only seeking to maximize their wealth in order to satisfy their well-being and be 'happier'. Quality of life can also be measured in societal fairness, in good infrastructure, in a welfare state that assists the strong and backs the weak, that consists of demanding and enabling incentives,” says IZA Director Klaus F. Zimmermann. “Against the background of the current economic crisis, Easterlin's findings are today more than ever a hint for social and economic policies worldwide.”

Easterlin's new book on “Happiness, Growth, and the Life Cycle” will be published soon within the IZA Prize in Labor Economics Book Series by Oxford University Press.

Richard Easterlin is currently professor of economics at the University of Southern California, Los Angeles. He is Member of the National Academy of Sciences, a Distinguished Fellow of the American Economic Association, a Fellow of the American Academy of Arts and Sciences and the Econometric Society, and a former Guggenheim Fellow. Easterlin has been an IZA Research Fellow since 1999.

High-ranking experts take part in IZA Prize Policy Forum and Award Ceremony

A number of prominent economists and policy makers will meet today in Washington in honor of Richard Easterlin. Among the participants are **Rebecca M. Blank** (Under Secretary for Economic Affairs of the U.S. Department of Commerce), **Richard Layard** (Labour life peer in the House of Lords, UK), **Alan B. Krueger** (Assistant Secretary for Economic Policy and Chief Economist of the U.S. Treasury Department), **Theresa K. Osborne** (Millenium Challenge Corporation), **Jan Svejnar** (University of Michigan), **Carol Graham** (Brookings Institution), **Sonia Plaza** (World Bank), **David G. Blanchflower** (Former Committee Member of the Bank of England, UK), **Andrew J. Oswald** (Member of the French President's Commission on the Measurement of Economic Performance and Social Progress), and **Tilman Brück** (German Institute for Economic Research). The policy debate among the experts will focus on the role of governments in times of economic crisis, and on its labor market effects in developing countries.

About IZA and the IZA Prize

The Institute for the Study of Labor (IZA) is a private, independent think tank in labor economics, engaging worldwide in labor market research and policy advice. Headed by its director, Professor Dr. Klaus F. Zimmermann, the institute is among the leading research institutions in the field. The IZA Prize in Labor Economics has been awarded since 2001. Among the past prize-winners are eminent economists like Jacob Mincer, Orley Ashenfelter, Edward Lazear, David Card, Alan Krueger, Dale Mortensen, Christopher Pissarides, Richard Freeman, Richard Layard and Stephen Nickell.

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