

### 03 59 2009 - The Economics of Happiness

Everything is worth something. Economics thrives on that notion and very proudly works to weigh the opportunity costs of this, that, and the other to determine the utility of an item, action, or desire. The idea, of course, is that you can calculate the value of one thing in relation to other things that could be sought after or attained for the same amount of effort. Or can you?

A \$90 shirt is a terrible economic decision any way that you look at it. With \$90, you could easily fill the back of your car with shirts from Target or Wal-Mart. What economists fail to weigh in to the equation, however, is the value of happiness. By nature, emotions cannot be evaluated in the same way that costs can. Humans are notoriously awful at evaluating the value of emotions and, more often than not, fail to grasp the power that they carry.

While a \$90 t-shirt opposes most theories of opportunity cost, it may indeed turn out to be the best possible decision for its buyer because it makes him or her happier than a more economical alternative from Target. In the same vein, a t-shirt from Target or Wal-Mart may even take away the happiness of an individual that was hoping for something more. In both cases, the opportunity cost forgone in purchasing the \$90 t-shirt is significantly altered by the power of emotion.

I'm not a fan of economics, though I do see its uses (sometimes). Still, like most theories, it has its flaws. In marketing, the problem with pure opportunity cost is that most people don't think that way. How many people do you know that pull out a calculator at the store and determine how many bottles of Coca-Cola they could buy for the price of a video game? Very few people make purchasing decisions based on how many pairs of underwear they could have bought instead of a movie. It just doesn't happen.

So in marketing a product, think about what will make people happy. Price is important, but it's not that important. If you know the people you're trying to reach and you give them something that will make them happy, they'll happily pay for it - whatever it is. This is why people buy Ferraris, stay at the Ritz, eat at Emeril's, and spend \$65,000 on a bed from Sweden; there's nothing wrong with that. If it makes you happy and you've got the wallet for it, give it a go.