the way we treat people's unhappiness and the way we think about public policy trying to make people happier?

DK: Certainly. The question is which kind of happiness are you most interested in promoting and developing: is it the happiness of the experiencing-self or of the remembering-self? The interventions of positive psychology are basically designed to make people more satisfied with their lives. That can be very good, but it is not the same thing as making them happier as they live.

Another significant issue for policy is that when we focus on experience, we are drawn to focus on misery, and rightly so. Some people in society suffer much more than others: mentally ill people and people with physical pain suffer dreadfully. Focusing on physical pain and depression as objectives for policy is a direct consequence of one way of thinking about well-being.

Positive psychology aims to make people more satisfied with their lives – this is not the same thing as making them happier as they live

RV: Do we have enough data at the moment to be able to distinguish between the determinants of experience happiness and of evaluated well-being?

DK: This line of research is developing very rapidly. We know, for example, that aspects of material well-being are extremely important to life evaluation. When you ask people to evaluate their lives, they don't primarily think of their spiritual well-being, they think of their material well-being.

On the other hand, we know that the emotions that people experience within a population depend a great deal on social relationships. For example, people are much happier if they spend a lot of time with people.

People in a nation are also happier if they can trust strangers. We know this from the lost wallet experiment, where you drop a wallet with an address and see whether it is returned. There are large differences between countries in the likelihood that a wallet will be returned, and these are correlated with the national level of corruption and with the national level of experience happiness. Countries where the level of trust is higher at any given level of GDP tend to be happier countries.

RV: What do you see as the big questions we need to address in happiness research?

DK: It is very clear at the moment that the interface of well-being research and health research is one absolutely critical area. Research is going to make major advances in the next decade in understanding the determinants and the complicated connections between the happiness of the remembering-self and the happiness of the experiencing-self, and the consequences of these for our health.

The emotions that people experience depend a great deal on social relationships

Daniel Kahneman is a senior scholar at the Woodrow Wilson School of Public and International Affairs at Princeton University. More on his research can be found here: http://www.princeton.edu/~kahneman/

The full audio interview is available here: http://www.voxeu.eu/index.php?q=node/2581

in brief...

Hot and cold seasons in the housing market

The difference in the price you pay for the same house in the summer and in the winter is huge, according to research by **Rachel Ngai** and **Silvana Tenreyro**.

Every year in Britain, a housing boom takes place from April to September followed by a bust from October to March

While we are all well aware that house prices and trading activity in Britain have fallen dramatically in recent months after a long upswing, our research finds that booms and busts don't just happen over decades. Indeed, they are as frequent and predictable as the seasons.

Every year in all regions of Britain, as well as in other European countries, a housing boom of considerable magnitude takes place from April to September – the 'hot season' – followed by a bust from October to March – the 'cold season'.

The fact that house prices in many countries tend to surge in the summer and stagnate in the winter is glossed over by house price indices, which are typically presented in seasonally adjusted form by statistical agencies. For anyone interested in trends in housing prices, this is a 'clean' way to look at the data.

But for actual buyers and sellers, seasonal fluctuations cannot be glossed over. If you spend £500,000 on a house in a typical February, you might expect to pay £515,000 if you waited until June (in addition to the rent paid for the property in which you live while waiting, if you are letting, or the rent forgone, if you could have let it). Those many thousands of pounds could have been saved for better purposes.

This finding raises a natural question: if house prices are typically higher in the summer, why do most people buy then? It may be more convenient to move in the summer: most people get married in this season and young families may find it easier to search before sending their children to new schools. But it is not clear that this will be worth so much money.

We offer an explanation to the puzzle. Start with the observation that buyers have different tastes for houses and that houses vary. To find the ideal house, a buyer has to spend, at the very least, costly time in searching.

In thick markets (where there are many houses for sale), it might be easier to find the ideal house, which may not be available in a very thin market. As a result, buyers prefer to purchase houses in the summer, so house prices are slightly higher in the summer, so sellers prefer to put their houses on the market in the summer – and with more houses on the market, the market is thicker.

That means that buyers are more likely to find the exact house they want and so are willing to pay more.
With prices higher, more sellers are attracted into the summer market and so on. This self-reinforcing dynamic can thus lead to higher prices in the summer and more market transactions.

A self-reinforcing dynamic leads to higher prices in the summer and more market transactions

Rachel Ngai is a lecturer in economics at LSE. **Silvana Tenreyro** is reader in economics at LSE. Both are research associates in CEP's macroeconomics programme.