

Office: Carney 128
Phone: 552-3677
Office Hours: Tuesdays, 7:30-8:30 p.m.; Thursdays, 4:30-5:30 p.m.

Economists have become increasingly interested in the connection between economics and psychology. Insights about human nature that come from psychology can be informative for economic models. This course is a survey of a variety of topics that are at the crossroads between economics and psychology, including: risk taking and harm avoidance, time preference, mental accounts, manipulative and violent behavior, altruism and reciprocity, the connections between emotions and economic behavior, concern for relative status, and habits and addictions. We will explore how psychology and economics together can help to explain behavior in many realms, such as marriage and fertility, work and investing. Much of the material comes from recent research. The psychological perspective comes mostly from the field of evolutionary psychology.

Books: There are four books that we will use in this course, all available at the bookstore:

1. The Moral Animal: Why We Are the Way We Are: The New Science of Evolutionary Psychology, paperback reprint edition, by Robert Wright (Vintage Books, 1995).
2. Passions Within Reason: The Strategic Role of Emotions, paperback edition, by Robert H. Frank (W. W. Norton, 1988).
3. Choosing the Right Pond: Human Behavior and the Quest for Status, paperback edition, by Robert H. Frank (Oxford University Press, 1985).
4. Irrational Exuberance, by Robert J. Shiller (Princeton University Press, 2000).

Prerequisites: Microeconomic Theory (Econ 201 or 401) and Macroeconomic Theory (Econ 202 or 402).

Grading: The course grade is based on the following:

Midterm (in class, Thursday, October 26)	25 percent
Research Paper (due December 7, 3:00 p.m.)	25 percent
Final Exam (Monday, December 18, 12:30 – 2:30 p.m.)	50 percent

No make-up or early exams will be given. Students should check their schedules to make sure that no conflicts occur on these exam dates.

Reading: This class is reading intensive. But unlike most economics texts the required books, they contain mostly verbal arguments rather than equations and graphs. One of the authors, Robert Wright, is a journalist, not an economist. But some of the articles contain advanced material, much of which can be skipped. The detailed reading schedule below explains when to do the reading and how to approach the material.

Class Meetings: The lecture will begin precisely at the beginning of the scheduled class time. All students are required to arrive at least 3 minutes early for all classes, so that we can start (and end) on time.

Topics and Readings

I. *An Introduction and Overview of Evolutionary Psychology*

Robert Wright, The Moral Animal. *This book is best read right at the beginning, pretty much all at once, during the first two weeks of the class. It provides the foundation for the evolutionary theory that we will refer to time and time again throughout the course. The book is written by a journalist for the educated non-specialist, so it is especially accessible and clear. The use of Darwin himself as a case study for some of the psychological concepts is sort of clever.*

II. *Genes and Evolution*

Richard Dawkins, The Selfish Gene, chapter 2, pp. 13-21. *This is a short chapter that contains the ideas that are outlined in Handout 1. You should read through it sometime in the first two weeks of class, to make sure you understand the “replicator” principle.*

III. *Dating, Mating and Marriage*

This section focuses on material from The Moral Animal, chapters 1-6, which you should have mostly read by now.

IV. *Geography*

John Luke Gallup and Jeffrey D. Sachs with Andrew D. Mellinger, "Geography and Economic Development." National Bureau of Economic Research Working paper no. 6849, (December 1998), 80 pages. *This paper gives some insights into why geography is such an important determinant of economic well being. You can skim the formal analysis, and concentrate mainly on the introduction, pp. 1-16, and the discussion of the empirical results, starting on page 49 and running to the end of the paper.*

V. *Family Life—Giving, Exchanging and Taking*

This section uses the material from The Moral Animal, chapter 7. In addition, there are four articles related to this section. The rule for any article marked with the () is to read the words and skip the equations.*

1. *Donald Cox, “Motives for Private Income Transfers.” Journal of Political Economy (June 1987). *Why altruism may not be the whole story behind parental money transfers to children.*
2. *Tauchen, Helen V., Witte, Ann Dryden, and Long, Sharon K. “Domestic Violence: A Nonrandom Affair.” International Economic Review 32 (May 1991): 491-511. *A theoretical and empirical investigation of men behaving badly toward their spouses and girlfriends.*
3. George A. Akerlof and Janet L. Yellen, “New Mothers, Not Married.” The Brookings Review, (no. 4 1996), pp. 18-21. *A short synopsis of a provocative new explanation for the rise of single-parent families .*

V. Family Life (continued)

4. *Lena Edlund, "Son Preference, Sex Ratios, and Marriage Patterns." Journal of Political Economy (December 1999), pp. 1275-1305. *An economic analysis of the 'Trivers-Willard' hypothesis.*

VI. Ways that Non-relatives Cooperate

1. Robert Frank, Passions within Reason. *The author is an economist, but he writes as well as a journalist. This book contains a lot of ideas that will be useful for understanding cooperative interaction among non-relatives, which is the focus of the next section. You should allow yourself about two weeks to complete this book.*
2. Robert H. Frank, Thomas Gilovich, and Dennis Regan, "Does Studying Economics Inhibit Cooperation?" Journal of Economic Perspectives (Spring 1993), pp. 159-171. *Experimental analysis of just what the question asks.*

VII. The Economic Psychology and Jobs and Networks

1. Edward P. Lazear, "Labor Economics and the Psychology of Organizations." Journal of Economic Perspectives (Spring 1991), pp. 89-110. *Various ways that psychology and economics intersect in analyses of workplace issues.*
2. George A. Akerlof, "Labor Contracts as Partial Gift Exchange." Quarterly Journal of Economics (Nov., 1982), pp. 543-569. *How jobs can sometimes be thought of in the same light as families and friends.*
3. Uri Gneezy and Aldo Rustichini. "Pay Enough or Don't Pay at All." Quarterly Journal of Economics (August 2000), pp. 791-810. *Psychological concepts of 'intrinsic' versus 'extrinsic' motivation.*
4. Donald Cox, "Informal Networks, Institutions and the 'Soap Opera' Constraint," Working Draft, Boston College, (March 1999), (30 pages). *Causes and consequences of a limited capacity for workers to 'bond' with one another.*

VIII. Coordination and Social Capital

1. *Edward P. Lazear, "Culture and Language." Journal of Political Economy (December supplement 1999). *When to assimilate and when not to.*
2. *Edward L. Glaeser, David I. Laibson, Jose A. Scheinkman, and Christine L. Soutter, "Measuring Trust." Quarterly Journal of Economics (August 2000), pp. 811-847. *An experiment to see why some people are trusting and others aren't.*

IX. Clubs, Cooperatives, Cults and Gangs

1. *Eli Berman, "Sect, Subsidy and Sacrifice: An Economist's View of Ultra-Orthodox Jews." Quarterly Journal of Economics (August 2000), pp. 905-954. *A case study of the Ultra-Orthodox Jews in Israel that has several implications for group behavior of all kinds.*

IX. Clubs, Cooperatives, Cults and Gangs (continued)

2. *Steven D. Levitt and Sudhir Alladi Venkatesh, "An Economic Analysis of a Drug-Selling Gang's Finances." Quarterly Journal of Economics (August 2000), pp. 755-790. *A case study based on financial records kept by a drug-dealing organization.*

X. Status

1. Robert Frank, Choosing the Right Pond. *An influential book that explores the implications of concerns about relative status.*
2. Theodore S. Geisel and Roy McKie, Ten Apples on Top! (Random House, Inc., 1961). *An illustrated illustration of status seeking.*

XI. Fads, Fashion, Conformity and Drug Use

1. Sushil Bikhchandani, David Hirshleifer, and Ivo Welch, "Learning from the Behavior of Others: Conformity, Fads, and Informational Cascades." The Journal of Economic Perspectives (Fall 1998), pp. 151-170. *An analysis of how ideas can spread by imitative behavior.*
2. George A. Akerlof, "Social Distance and Social Decisions." Econometrica (September 1997): 1005-1027. *The economic implications of wanting to be close to your neighborhood friends.*

XII. Traditions, Habits and Addictions

- Becker, Gary S. "Habits, Addictions and Traditions." Kyklos 45 (No. 3 1992): 327-46. *Why the past matters for today's consumption.*

XIII. Enemies

- Hirshleifer, Jack. "The Dark Side of the Force." Economic Inquiry 32 (January 1994), pp. 1-10. *A discussion of anti-social behavior using an economic framework.*

XIV. Impatience

1. *David I. Laibson, Andrea Repetto, and Jeremy Tobacman, "Self-Control and Saving for Retirement." Brookings Papers on Economic Activity (no. 1 1998). (82 pages, comment, 11 pp.) *You can concentrate on the verbal arguments here and ignore the technical material. Robert Hall's discussion at the end provides a nice easy illustration of the main idea.*
2. *Becker, Gary S. and Mulligan, Casey B. "The Endogenous Determination of Time Preference." Quarterly Journal of Economics 112 (August 1997): 729-58. *Why growing up in a rich family might make someone more future-oriented.*

XV. *Delusions*

1. *Donald Parsons, "The Economics of Ignorance: Poverty, Charity, and Information." Working paper, Economics Department, Ohio State University (July 1994). Just about all of the literature on the e information makes the assumption that information is good sometimes we'd rather not know.
2. Linda Babcock and George Loewenstein, "Explaining Bargaining Impasse: The Role of Self-Serving Biases." Journal of Economic Perspectives (Winter 1997), pp. 109-126. How two people can interpret information qu differently, and how this can inhibit coming to an agreem

XVI. *Revolutions*

Timur Kuran, "The Inevitability of Future Revolutionary Surprises." The American Journal of Sociology (no. 6 1995), pp. 1528-1551. No one expected the sudden fall of the Berlin Wall. The author g explanation why.

XVII. *Anomalies*

1. Colin Camerer, Linda Babcock, George Loewenstein, and Richard Thaler, "Labor Supply of New York City Cabdrivers: One Day at a Time." Quarterly Journal of Economics (May 1997), pp. 407-442. The standard economic model of labor supply predicts that when wages go work harder. Cabdrivers appear to do the opposite, and t speculate as to why.
2. Amos Tversky and Thomas Gilovich, "The Cold Facts about the 'Hot Hand' in Basketball." Chance 1989 2(1), pp. 16-21. If a basketball player is ha a good game so far, what are the chances the streak will l
3. Amos Tversky and Thomas Gilovich, "The Hot Hand: Statistical Reality or Cognitive Illusion." Chance 1989 2(4), pp. 31-34. Why might people think a 'hot hand' exist when it doesn't?
4. Daniel Kahneman, Jack L. Knetsch and Richard H. Thaler, "Anomalies: The Endowment Effect, Loss Aversion, and Status Quo Bias." Journal of Economic Perspectives (Winter 1991), pp. 193-206. Taking something away from someone is a lot harder than not giving it to t place. Some thoughts about the 'endowment effect.'

XVIII. *Money*

Robert Shiller, Irrational Exuberance. A recent analysis of investing and th market, integrating psychology and economics.

Tentative Reading Schedule

Note: This list is tentative and will likely be updated. Following this list exactly will keep you at or ahead of the material being covered in class. Reading averages about 70 pages per class meeting. Much of it is lighter fare than what is in economics textbooks, but some of the articles contain dense technical material, which can be skipped. The rule for the technical articles is to read the words and skip the equations.

Here's what the roman numerals and numbers mean in the list below: "I" means read the material from section I above. "XVII—3, 4" means read item 3 and 4 from section XVII. If something is repeated for more than one day, as in "X—1," it means spread the reading evenly across those days.

<u>Date</u>	<u>Readings</u>	<u>Exams and Due Dates</u>
September 5	---	
7	I	
12	I	
14	I, II	
19	IV	
21	V—1,2	
26	V—3,4 Start VI—1	
28	VI—1	
October 3	VI—1,2	
5	VII—1,2	
10	VII—3,4	
12	VIII	
17	IX—1	
19*	IX—2	TERMPAPER TOPICS DUE
24	X—1	REVIEW
26*	---	MIDTERM EXAM
31	X—1	
November 2	X—1, 2	

	<u>Date</u>	<u>Readings</u>	
November	7	XI—1	
	9	XI—2	
	14	XII	
	16	XIII	
	21	XIV	
	28	XV	
	30	XVI	
December	5	XVII	
	7*	Start XVIII	TERMPAPERS DUE
Reading period		Continue XVIII	
	18*	---	FINAL EXAM, 12:30 – 2:30 p.m.

NOTE: Starred (*) dates will not be changed.