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Office Hours: Tuesdays and Thursdays, 1:30-2:00 and 4:30-5:00

Economists have become increasingly interested in the connection between economics and psychology. Psychological insights about human nature can be informative for economic models. This course surveys a variety of topics at the crossroads of 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, participation in cults, and addictive behavior. We will explore how combining psychology with economics can help explain behavior in many realms, such as marriage and mating, work and investing. Much material comes from recent research. The psychological perspective comes mostly from 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. Guns, Germs and Steel: The Fates of Human Societies, paperback edition, by Jared Diamond (W. W. Norton, 1999).
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, Tuesday, March 19)	25 percent
Research Paper (due April 30, 12:00 noon)	25 percent
Final Exam (Tuesday, May 7, 9:00-11:00 a.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 contain mostly verbal arguments rather than equations and graphs. One of the authors, Robert Wright, is a journalist, not an economist. And Jared Diamond is a physiologist who writes well. 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. *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.*

### II. *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, though if you are pressed for time you can skim the chapters that deal with Darwin’s life (the book makes clear which chapters those are).*

### 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. *How Geography and History Interact with Biology*

Jared Diamond, Guns, Germs and Steel, parts 1-3. *One of the most insightful books ever written. The most definitive argument against “biological determinism.” One of the main points: genetic influences act in concert with environmental influences; one or the other cannot be analyzed in a vacuum.*

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

*This section uses the material from The Moral Animal, chapter 7. In addition, there are five 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.*
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.*

## V. *Family Life (continued)*

5. Donald Cox, "How Do People Decide to Allocate Transfers Among Family Members?" Working Draft, Boston College, (October 2001), (45 pages). *This paper adds considerations of reproductive biology to the economics of the family. Some of its ideas are a bit alien to economists, but by now they will look familiar to you.*

## VI. *Ways that Non-relatives Cooperate and Ways They Fight*

1. \*Robert Frank, "If Homo Economicus Could Choose His Own Utility Function, Would He Want One with a Conscience?" American Economic Review (September, 1987), pp. 593-604. *This article contains a lot of ideas that will be useful for understanding cooperative interaction among non-relatives.*
2. 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.*

## VII. *The Economic Psychology and Jobs and Networks*

1. 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.*
2. 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.*
3. 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.*
4. 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.*

## VIII. *Coordination and Social Capital*

- \*Edward P. Lazear, "Culture and Language." Journal of Political Economy (December supplement 1999). *When to assimilate and when not to.*

## IX. *Clubs, Cooperatives, Cults and Gangs*

1. \*Laurence R. Iannaccone, "Sacrifice and Stigma: Reducing Free-riding in Cults, Communes, and Other Collectives," Journal of Political Economy (April 1992), pp. 271-291. *Why are there cults? What keeps them together? This paper contains a new way to think about the behavior of academic economists, religious fundamentalists, motorcycle gang members, and terrorists, among others.*
2. \*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 Iannaccone's idea applied to the Ultra-Orthodox Jews in Israel.*

## 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 Revolutions

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. Timur Kuran, "The East European Revolution of 1989: Is it Surprising that We Were Surprised?" American Economic Review (May 1991), pp. 121-125.
3. 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. 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, which are given in the beginning, 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.*

## XIV. Anomalies

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 them in the first place. Some thoughts about the 'endowment effect.' This paper illustrates some of the more "traditional" approaches to economic psychology.*

## XV. Money

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

## Schedule

*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 the early material is lighter fare than what is in economics textbooks, but some of the later articles contain dense technical material, which can be skipped. The rule for the technical articles is to read the words, skip the equations, and concentrate on grasping the “big-picture” concepts rather than the technical details.*

*The roman numerals refer to the topics listed in the reading list above.*

<u>Date</u>	<u>Topics</u>	<u>Reading</u>	<u>Exams and Due Dates</u>
January 15	---	---	
January 17	I	<u>Selfish Gene</u> , chap. 2. Start <u>Moral Animal</u> .	
January 22	II	You should be well into <u>Moral Animal</u> , part I.	
January 24	III	You should have finished <u>Moral Animal</u> part I and be Well into part II.	
January 29	III	Finished part II, well into part III of <u>Moral Animal</u> .	
January 31	III	You should have finished <u>Moral Animal</u> by now.	
February 5	III	You should have read though part I of <u>Guns, Germs and Steel</u> .	
February 7*	III	You should be well into part II of <u>Guns, Germs and Steel</u> .	TERMPAPER TOPICS DUE
February 12	IV	Finish part II of <u>Guns, Germs and Steel</u> .	
February 14	IV	Finish part III of <u>Guns, Germs and Steel</u> .	
February 19	V	Cox (1987).	
February 21	V	Tauchen, Witte and Long (1991), Akerlof and Yellen (1996).	
February 26	V	Edlund (1999), Cox (2001).	
February 28	VI	Frank (1987).	

<u>Date</u>		<u>Topics</u>	<u>Reading</u>	<u>Exams and Due Dates</u>
March	12	VI	Hirshleifer (1994).	REVIEW
March	14*	---	---	MIDTERM EXAM
March	19	VI	Cox (1999).	
March	21	VII	Lazear (1991).	
March	26	VII	Akerlof (1982).	
April	2*	VIII	Gneezy and Rustichini (2000).	TERMPAPER PROGRESS REPORT DUE
April	4	VIII	Lazear (1999).	
April	9	IX	Iannaccone (1992), Berman (2000).	
April	11	X	Start <u>Choosing the Right Pond</u> .	
April	16	X	Finish <u>Choosing the Right Pond</u> .	
April	18	XI	Bikhchandani, et. al. (1998), Kuran (1991), Akerlof (1997).	
April	23	XII	Becker (1992).	
April	25	XIII, XIV	Laibson, et. al. (1998), Becker and Mulligan (1997), Kahneman, et. al. (1991).	
April	30	XV	You should be halfway through <u>Irrational Exuberance</u> .	
May	1-2	---	Finish <u>Irrational Exuberance</u> .	
May	7*	---	---	FINAL EXAM, 9:00—11:00 a.m.

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