

University of Wisconsin, Department of Economics
Economics 451: The Economic Approach to Human Behavior
Spring 2016

Prof. James Montgomery
jmontgom@ssc.wisc.edu
2436 Social Science
Office hours by appointment

Overview. Over the past several decades, economists have begun to study many “non-economic” topics such as the family, politics, preference formation, and religion. This course will introduce students to some of these topics, exploring the possibilities and limitations of the economic perspective on human behavior.

Prerequisites. Intermediate microeconomic theory (Econ 301). Note that calculus (Math 211 or 221) is a prerequisite for Econ 301, and hence a prerequisite for this course.

Evaluation. Grades will be determined by three non-cumulative exams and a term paper. Each exam is worth 25% of the grade; the term paper is worth the final 25%. The first exam will be held in class on **Tuesday, Feb 23**; the second exam will be held in class on **Thursday, March 31**; the third exam will be held in class on **Thursday, May 5**. The term paper must be submitted no later than **Monday, May 9**. Late term papers may be penalized. Papers may be submitted by e-mail or in person (either to my office or to my *Sociology* department mailbox in 8128 Social Science). Note that there is no exam scheduled for exam week; the term paper represents the “capstone” for the course.

Tests. Copies of past exams (with solutions) are posted on my website: www.ssc.wisc.edu/~jmontgom Note that the pdf file for each term (e.g., 2007) includes all 3 exams (and solutions) arranged sequentially. Obviously, test questions will vary from year to year, and some course material may have changed over time. Still, these past exams provide a good indication of the form and content of this term’s exams. In lieu of problem sets, students are strongly encouraged to work through old test questions as we go along. (Don’t wait until the night before the exam!)

Term paper. The term paper should be fairly short, approximately 1500 to 2000 words long (i.e., 6 to 8 pages double-spaced). The paper might either apply the economic approach to some “non-economic” topic or critique the economic approach to such topics. You should devote some of the paper to a brief review of the relevant literature in economics (and/or other social sciences). But beyond merely reviewing the literature, you should attempt to provide some theoretical and/or empirical and/or critical analysis of your own. You do not need to develop a formal model (like those discussed in lecture) but any attempts will be graded generously. Some potential topics for the term paper include the family, religion, crime, suicide, gambling, addiction, voting, cooperation, fairness, emotions, prejudice, status, or feminist perspectives on economics. Given that

the paper is to be short, narrower topics (e.g., divorce) are generally better than broader ones (e.g., the family). Paper topics (with a list of at least 3 sources) must be approved by **Friday, April 7** at the latest. Students may be penalized if they fail to obtain topic approval by this date. Topics can be approved by email, but I encourage you to schedule an appointment if you'd like to discuss your ideas for the paper. *Please ensure that the term paper is your own work. Plagiarism will be severely penalized. If you have any questions about the appropriate use of quotations and references, please see me. See the final page of this syllabus for details on the economics department policy on academic misconduct.*

Readings. Two books have been ordered for the course at the bookstore:

Gary S Becker, *Treatise on the Family*, Harvard, 1991.
Kenneth A Shepsle, *Analyzing Politics*, Norton, 2010.

All other readings have been posted as pdf files at the course site on Learn@UW (accessed through the UW homepage, or directly at <https://learnuw.wisc.edu>)

Changes in the schedule. The projected course outline is given by the reading list below. As already noted, the exam dates are fixed. I anticipate that the first exam will cover sections I and II, the second exam will cover sections III and IV, the third exam will cover section V. But the actual content of the exams will be announced in class before the exam. More generally, announcements of changes in course material and procedures may from time to time be made in class, and students will be responsible for the changes whether present or not.

Reading list.

I. Introduction

Gary S Becker (1976) "Introduction," *The Economic Approach to Human Behavior*.
University of Chicago Press, pp. 3-14.

II. Economics of the family

[*For additional background reading, students writing term papers on this topic might see Theodore Bergstrom (1996) "Economics in a Family Way," Journal of Economic Literature 34:1903-34, or Shelly Lundberg and Robert A Pollak (2007) "The American Family and Family Economics," Journal of Economic Perspectives 21(2):3-26.*]

Becker, *Treatise*, Ch 2, "Division of Labor in Households and Families"

Becker, *Treatise*, Ch 3, "Polygamy and Monogamy in Marriage Markets"

D Gale and L S Shapley (1962) "College Admissions and the Stability of Marriage,"
American Mathematical Monthly 69(1):9-15.

Dale Mortensen (1988) "Matching: Finding a Partner for Life or Otherwise," *American Journal of Sociology* 94:S215-S240.

Becker, *Treatise*, Ch 4, "Assortative Mating in Marriage Markets"

Becker, *Treatise*, Ch 5, "The Demand for Children"

Oded Galor (2012) "The Demographic Transition: Causes and Consequences," *Cliometrica* 6:1-128.

Becker, *Treatise*, Ch 8, "Altruism in the Family"

Shelly Lundberg and Robert Pollak (1996) "Bargaining and Distribution in Marriage," *Journal of Economic Perspectives* 10:139-58

III. Politics

[For additional background reading, students writing term papers on this topic might see Gary Miller (1997) "The Impact of Economics on Contemporary Political Science," *Journal of Economic Literature* 35: 1173-1204.]

Shepsle, *Analyzing Politics*, Ch 2, "Rationality: The Model of Choice"

Shepsle, *Analyzing Politics*, Ch 3, "Getting Started with Group Choice Analysis"

Gary Chartrand (1977) "Paired Comparisons and How to Fix Elections," Ch 7.3 in *Introductory Graph Theory*, Dover, pp 161-169.

Shepsle, *Analyzing Politics*, Ch 4, "Group Choice and Majority Rule"

Shepsle, *Analyzing Politics*, Ch 7, "Voting Methods and Electoral Systems" [pp 191-202]

Shepsle, *Analyzing Politics*, Ch 6, "Strategic Behavior"

Avinash K Dixit and Barry J Nalebuff (1991) "The Strategy of Voting," Ch 10 in *Thinking Strategically*, Norton, pp 259-285.

Shepsle, *Analyzing Politics*, Ch 5, "Spatial Models of Majority Rule" [pp 90-99 and 110-123]

IV. Preference formation and identity

George Stigler and Gary Becker (1977) "De Gustibus Non Est Disputandum," *American Economic Review* 67:76-90. [pp 76-81]

Laurence R Iannaccone (1990) "Religious Practice: A Human Capital Approach," *Journal for the Scientific Study of Religion* 29:297-314.

Alberto Bisin and Thierry Verdier (2000) "Beyond the Melting Pot: Cultural Transmission, Marriage, and the Evolution of Ethnic and Religious Traits," *Quarterly Journal of Economics* 115: 955-88.

George A Akerlof and Rachel E Kranton (2002) "Identity and Schooling: Some Lessons for the Economics of Education," *Journal of Economic Literature* 40:1167-1201.

V. Economics of religion

[For additional background reading, students writing term papers on this topic might see Iannaccone (1998) "Introduction to the Economics of Religion," *Journal of Economic Literature* 36:1465-1496.]

Alan Hájek, "Pascal's Wager", *The Stanford Encyclopedia of Philosophy* (Winter 2012 Edition), Edward N. Zalta (ed.),
<http://plato.stanford.edu/archives/win2012/entries/pascal-wager/>

Tigran Melkonyan and Mark Pringle (2009) "Religion and Faith: A Decision Theory Perspective," *Interdisciplinary Journal of Research on Religion* 5: article 3.

Tigran Melkonyan and Mark Pringle (2010) "Ambiguity, Pessimism, and Rational Religious Choice," *Theory and Decision* 6:417-438.

Corry Azzi and Ronald Ehrenberg (1975) "Household Allocation of Time and Church Attendance," *Journal of Political Economy* 83: 27-56.

Laurence R Iannaccone (1988) "A Formal Model of Church and Sect," *American Journal of Sociology* 94:S241-S268.

Laurence R Iannaccone (1994) "Why Strict Churches are Strong," *American Journal of Sociology* 99:1180-1211.

James Montgomery (1996) "Dynamics of the Religious Economy: Exit, Voice, and Denominational Secularization," *Rationality and Society* 8(1):81-110.

Laurence R Iannaccone, Roger Finke, and Rodney Stark (1997) "Deregulating Religion: The Economics of Church and State," *Economic Inquiry* 35(2):350-64.

Michael McBride (2010) "Religious Market Competition in a Richer World," *Economica* 77:148-171.

Grievance Procedure

The Department of Economics has developed a grievance procedure through which you may register comments or complaints about a course, an instructor, or a teaching assistant. Before utilizing the formal steps of this procedure, we ask that you utilize two other means of addressing your comments: our regular course evaluations, anonymous and confidential commentaries solicited at the end of each semester in every Economics class, and also by direct communication with the instructor or teaching assistant involved. The formal grievance procedure is designed for situations where neither of these channels is appropriate and where one or both of these have been tried.

If you wish to file a grievance, you should go to Room 7238 Social Science and request a Course Comment Sheet. When completing the comment sheet, you will need to provide a detailed statement that describes what aspects of the course you find unsatisfactory. You will need to sign the sheet and provide your student identification number, your addresses, and a phone where you can be reached. The Department will investigate comments fully and respond in writing to complaints.

Your name, address, phone number, and student ID number will not be revealed to the instructor or teaching assistant involved and will be treated as confidential. The Department needs this information because it may become necessary for a commenting student to have a meeting with the department chair or a nominee to gather additional information. Your street and e-mail addresses are necessary for providing a written response.

Misconduct Statement

Academic Integrity is critical to maintaining fair and knowledge based learning at UW Madison. Academic dishonesty is a serious violation: it undermines the bonds of trust and honesty between members of our academic community, degrades the value of your degree and defrauds those who may eventually depend upon your knowledge and integrity.

Examples of academic misconduct include, but are not limited to: cheating on an examination (copying from another student's paper, referring to materials on the exam other than those explicitly permitted, continuing to work on an exam after the time has expired, turning in an exam for regrading after making changes to the exam), copying the homework of someone else, submitting for credit work done by someone else, stealing examinations or course materials, tampering with the grade records or with another student's work, or knowingly and intentionally assisting another student in any of the above. Students are reminded that online sources, including anonymous or unattributed ones like Wikipedia, still need to be cited like any other source; and copying from any source without attribution is considered plagiarism.

The Dept. of Economics will deal with these offenses harshly following UWS14 procedures (<http://students.wisc.edu/saja/misconduct/UWS14.html>):

1. The penalty for misconduct in most cases will be removal from the course and a failing grade,
2. The department will inform the Dean of Students as required and additional sanctions may be applied.
3. The department will keep an internal record of misconduct incidents. This information will be made available to teaching faculty writing recommendation letters and to admission offices of the School of Business and Engineering.

If you think you see incidents of misconduct, you should tell your instructor about them, in which case they will take appropriate action and protect your identity. You could also choose to contact our administrator (Tammy Herbst-Koel: herbst@wisc.edu) and your identity will be kept confidential.