SOCIOLOGY 655: MICROFOUNDATIONS OF ECONOMIC SOCIOLOGY

Spring 2014, Wednesdays 9:30-12:00

Prof James Montgomery, Social Science 2436, jmontgom@ssc.wisc.edu

Office Hours: Fridays 9:30-11:30 AM in SS 2436.

Overview

Although its history may be traced back to the classical sociological theorists, economic sociology has experienced a rebirth over the past several decades as sociologists have expanded their study of economic behavior, organizations, and institutions. Given this encroachment onto terrain long held by economists, economic sociologists have been forced to consider how their subfield should relate to economics. While some economic sociologists define themselves as opponents of economics, others argue that greater understanding will emerge through closer engagement with economics. In any case, whether one wishes to engage and extend economics or to critique and replace it, all economic sociologists need to understand contemporary economic theory. Thus, the present course will review some of the central concepts of economics such as rationality, exchange, strategic interaction, and information. Along the way, we will also consider various critiques and alternatives offered by sociologists, economists, and other social scientists.

This course is intended primarily for graduate students, though undergraduates may enroll with permission of the instructor. The course is quite demanding, both in terms of the amount of weekly reading and the intellectual difficulty of some of the material. It is designed to provide students specializing in economic sociology with a stronger understanding and better appreciation of microeconomic perspectives. Students interested in sociological perspectives on economic actors and institutions should consider Soc 652 (The Sociology of Economic Institutions) as an alternative.

Readings

While some previous exposure to economic theory would be helpful (allowing us to reallocate time from review to critique), the course is intended to be self-contained for students who have no background in (but are willing to learn some) economics. It would be useful to purchase an intermediate microeconomics textbook for reference. If you don’t already own one, I would recommend Pindyck and Rubinfeld, Microeconomics (Prentice Hall), which is available from the University Bookstore. Key readings from this book are denoted by a plus (+) on the reading list below. (Chapter and page numbers correspond to the 7th edition, though you can use any edition of the book. Indeed, any intermediate micro textbook will contain essentially the same material, so feel free to substitute another text.) The other key readings for the course, denoted by a star (*), have been posted at the course site on Learn@UW.

While I realize that it is unrealistic for every student to read every key reading (denoted by + or *) in preparation for each class, please recognize that the material in the course is at times difficult. The lectures will make much more sense and you will be better prepared to participate in discussions if you have grappled with the ideas beforehand. Further note that the (very long) reading list is intended as a guide and resource for the nascent economic sociologist. While it would be impossible to read everything listed during a single semester, the list will hopefully provide some direction for those who wish to further explore some of these topics later. Note that many of the readings are drawn from the Journal of Economic Literature and the Journal of Economic Perspectives. Both of these journals are excellent resources for economic sociologists who wish to continue to follow new developments in economics.
Written Requirement: producing a personal handbook of economic sociology

The assignment for this course is to write a personal handbook of economic sociology. This project should quickly become part of your ongoing work during the semester. If you leave this until the end of the semester it will be impossible to complete the task on schedule.

Detailed instructions

1. Topics. Your handbook should include 14 entries. At least 10 topics must come from the following list:

   1. rationality, rational choice
   2. altruism
   3. identity
   4. status
   5. endogenous preferences, preference formation
   6. risk, uncertainty
   7. behavioral economics, psychological critiques of economics
   8. neuroeconomics
   9. sociological critiques of economics
  10. transaction cost economics
  11. bounded rationality, organization-theory critiques of economics
  12. Walrasian equilibrium, invisible hand, welfare theorems
  13. Coase Theorem
  14. Nash equilibrium, subgame perfection
  15. industrial organization applications of game theory
  16. repeated games
  17. embeddedness
  18. experimental economics
  19. behavioral economics applications of game theory
  20. sociological applications of game theory
  21. evolutionary game theory
  22. asymmetric information (adverse selection, moral hazard, etc)
  23. networks
  24. institutions
  25. norms

2. What to do in your entries.

   a. There is no set format for entries in the handbook, and no rigid specification for length. The general expectation is that each entry will be around 4-5 pages (double-spaced, not counting bibliographic citations), but these are only rough guidelines. Completed handbooks are generally around 60 pages. Entries can vary in complexity and length. Some of them can be short, crisp discussions of some narrow issue; others can be more extended mini-essays over theoretical issues. Section headings are recommended for longer essays.

   b. Generally, entries should take the form of critical literature reviews: you should attempt to summarize, compare, integrate, evaluate, and extend what you’ve read. While most entries will use the starred readings as a springboard, you are encouraged to do some additional reading, perhaps drawing on the unstared articles or references contained in the starred readings. The best handbooks consistently make use of diverse, multiple sources.

   c. Given that the entries are to be critical reviews, they should not merely summarize the articles or recapitulate the lecture notes. You can, of course, draw on the ideas in the lectures, but the handbook should reflect your own intellectual engagement with the ideas presented.
d. In the process of reviewing and evaluating the existing literature, you are encouraged to identify and discuss real-world applications that illustrate the problems and/or potential of the economic approach. Graduate students are encouraged to address their own research interests in their entries, explaining why the economic approach may or may not be helpful.

e. Your grade will not depend on your stance toward economics – whether you oppose or endorse the economic approach – but on the clarity, sophistication, and novelty of your arguments.

f. Each entry should conclude with a reference list. You can also include a supplementary bibliography of works dealing with the topic which you do not directly discuss, but this is less important.

g. As the course proceeds, you may need to revise earlier entries to reflect your growing understanding of the economic approach and to make connections to topics covered later in the course. Indeed, the reason for requiring a complete handbook at the end of the semester (rather than a single entry every week) is to allow time for reflection and integration across the course.

3. Suggested strategy. I suggest that you create a folder on your computer for this class and then create a separate file for each of the entries. As you do the reading for the semester, you can then easily add ideas, summaries, or commentaries to each of these. Typically, you will need to rewrite and edit these entries in order to turn them into coherent pieces. To repeat: This project should quickly become part of your ongoing work during the semester. If you leave this until the end of the semester it will be impossible to complete the task on schedule.

4. Due dates. In order to be sure that you are on track on this assignment, students are required to submit a minimum of three handbook entries by Friday, February 14. (It is okay if these entries are in preliminary form; they may be revised further before you submit the complete handbook.) The complete handbook is due by Monday, May 12. Students may be penalized for missing either deadline.

Grading in the Course

There will be no examinations in the course. Grades will be based on the handbook, though grades may also be influenced by classroom participation and attendance in borderline cases. I will read all handbook entries, but encourage you to identity the (three or four) entries that you feel are strongest.

Attendance at all class sessions is required and participation is appreciated. If you have to miss a session, please inform me of the reasons by e-mail.

Course Outline

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1. Economic Sociology: Supplement or Challenge to Economics?

Programmatic statements for economic sociology


Additional sources


2. The Economic Approach


Standard analysis of consumer choice


3. Some Applications of the Economic Approach

Altruism


Status


Endogenous preferences


Identity


Norms


Interdependent preferences


Additional sources


4. Risk and Time: Standard Approaches and Critiques from Behavioral Economics

Choice under uncertainty

+Pindyck and Rubinfeld (2009) Microeconomics, 7th ed., Ch 5 (“Choice Under Uncertainty”), esp Chs 5.1-5.2 (pp 159-170) and Ch 5.5 (pp 185-190).


Choice over time


More behavioral economics


5. Further Critiques of the Economic Approach

From philosophy


From sociology


6. Firms

*Standard microeconomics treatment*


*Economic perspectives on the theory of the firm*


*Sociological critiques*


7. Critiques of Economics from Organization Theory

*Bounded Rationality*

Herbert Simon (1957) Models of Man (Wiley).

*James G March (1994) A Primer on Decision Making (Free Press), Ch 1 (“Limited Rationality”), pp 1-55.


*Models of Organizations*

Herbert Simon (1976 [1945]) Administrative Behavior (Free Press).

James G March and Herbert A Simon (1958) Organizations (Wiley).


*Artificial Intelligence*

Alan Newell and Herbert A Simon (1972) Human Problem Solving (Prentice Hall).


8. Exchange

*Walrasian equilibrium and the Welfare Theorems*


*Sociological application of the Walrasian model*


*Externalities and the Coase Theorem*


9. Game Theory I: Basics and Applications to Industrial Organization


*Further sources*


*Applications to industrial organization*

Critique of IO applications


10. Game Theory II: Repeated Games and Embeddedness


11. Game Theory III: Experimental Evidence, Applications, Reflections

Experimental evidence


*Behavioral-economics applications of game theory*


*Multiple-self and intertemporal models*


*Sociological reflections*


**12. Game Theory IV: Evolutionary Perspectives**

*Evolutionary game theory*


**Actor Based Simulation Models**


**Broader evolutionary perspectives**


**13. Topics in Information Economics**


**Adverse selection, signaling, statistical discrimination**


**Moral hazard**


Search theory


Herd behavior


Cheap talk


14. Networks I: Coalitions, Network Exchange Theory

Reviews of substantive research on networks


Coalitions


Exchange networks


15. Networks II: Game-Theoretic Models of Network Formation


*Structural holes

*Ronald S Burt (1992) Structural Holes: The Social Structure of Competition (Cambridge), Ch 1


*Network externalities


Further sources
