

BEYOND SELF-INTEREST

Economics 2127
Fall 2014
Lanse Minkler

Course Purpose

The foundational behavioral assumptions in economics are that people are rational, self-interested maximizers (sometimes called *homo economicus*). Clearly, these assumptions are often warranted. The characterization is parsimonious and its use has allowed economists to construct rich economic models. Virtually every economics class uses this behavioral conception either implicitly or explicitly. In this class we will ask if that kind of behavior is as ubiquitous as economists assume. If it is not, what other kinds of behaviors might exist? In what contexts? And, what would be the implications of behaviors different from what economists assume? While most of the class will be conceptual, important policy issues will also be considered to motivate the ideas. In my view, whether you end up accepting some of the ideas offered in this class or instead come to fully embrace the conception of *homo economicus* is not as important as your being able to grasp the various ideas and offer coherent reasons for your choices.

Administrative Information

Office Hrs: Oak Hall 328, TTH 8:30-9:30 and by appt.; Ph. 486-4070; e-mail: Alanson.minkler@uconn.edu

Course

Materials: We will use three books in this course.

1. Nick Wilkinson, *An Introduction to Behavioral Economics*, 2012. (W)
2. William Schulz, *In Our Own Best Interest*, 2002.
3. Amartya Sen, *Development as Freedom*, 1999.

You are also required to read a few journal articles, marked by an (*) in the reading list. They will be posted on HuskyCT.

Grading: (a) Class participation (20 points). Discussion questions will be posted on HuskyCT prior to the relevant class meetings. The class will be run as a seminar, the idea is to nudge you to read the readings before class so you can actively participate in class discussions. The discussion questions will also signal what the next week's readings are. (b) Midterm exam (30 points). Both the midterm and final exams will be open book/ open notes. The Wilkinson book covers a tremendous amount of material, so to make things manageable for you, the topics we emphasize in class will be most

heavily weighted on the exams. The midterm will be given on October 23. There are no make-up midterms; those with a valid excuse for absence may place the midterm weight on the final examination. (c) Final examination (50 points). The final exam is comprehensive, and open book/ open notes. *Optional Project*: for those who choose this option, there will be an optional group project on an approved topic that involves both a writing (5 pages) and class presentation component. For this option, the project is worth 20 points, and the weight on the final exam drops to 30 points.

The course grade will be determined according to the following scale:

90 +	A
85 - 89	A-
80 - 84	B+
75 - 79	B
70 - 74	B-
65 - 69	C+
60 - 64	C
55 - 59	C-
50 - 54	D+
45 - 49	D
40 - 44	D-

Conduct and
Cell Phones:

The classroom is our academic community. In order to maintain mutual respect for each and every one of us, all cell phone use is prohibited. That means no text messaging. If you need to use your cell phone please leave the classroom quietly. Naturally, all University policies on Student Conduct, Integrity, and final examinations are in effect.

Course Outline and Reading List

1. INTRODUCTION

2. A SURPRISING FINDING

*Cameron, Lisa, 1999. "Raising the Stakes in the Ultimatum Game," *Economic Inquiry* 37(1), pp. 47-59.

3. BEHAVIORAL ECONOMICS

W chapter 1 "Nature of Behavioral Economics"

W chapter 2 "Methodology"

W chapter 3 “Values, Preferences and Choices”

W chapter 4 “Beliefs, Heuristics and Biases

W chapter 5 “Decision Making Under Risk and Uncertainty” [*Note: for this topic, the following reading by Frank will be emphasized*]

*Robert Frank, *Microeconomics and Behavior*, Ch. 8 “Cognitive Limitations and Consumer Behavior.”

W chapter 6 “Mental Accounting”

W chapter 10 “Social Preferences”

*Robert Frank, *Microeconomics and Behavior*, Ch. 7 “Explaining Tastes: The Importance of Altruism and Other Non-Egoistic Behavior,” pp. 220-227 only.

*Talhelm, T., X. Zhang, S. Oishi, C. Shimin, D. Duan, X. Lan, S. Kitayama, 2014.
“Large-Scale Psychological Differences Within China Explained by Rice Versus Wheat Agriculture,” *Science* 344, pp. 603-608.

4. REASON, INTEGRITY, AND HAPPINESS

*Sen, Amartya, 1977. "Rational Fools: A Critique of the Behavioral Foundations of Economic Theory," *Philosophy and Public Affairs* 6(4), pp. 317-344.

*Minkler, L. 2008, *Integrity and Agreement: Economics When Principles Also Matter*, Ann Arbor: University of Michigan Press. Chapter 1 “Why Integrity?” and chapter 2 “Preference-Integrity”

*Minkler, chapter 3 “Commitment-Integrity”

*Bloomfield, P., “Good to be Bad?” *Think*, forthcoming.

*Bloomfield, P., 2008. “The Harm of Immorality,” *Ratio* 21(3), 241-258.

5. RIGHTS, HUMAN RIGHTS, AND ECONOMIC RIGHTS

*Beetham, D. 1995. “What Future for Economic and Social Rights?,” *Political Studies* 18, pp. 41-60.

Schulz Intro, chapters 1-2.

Schulz chapters 3-5.

Schulz chapters 6-8.

6. AMARTYA SEN'S NOTION OF FREEDOM

Sen Intro, chapters 1-2.

Sen chapters 3-4.

Sen chapters 5-7.

Sen chapters 8-10.

Sen chapters 11-12.