

Economics 150: The Economics of Bad Behavior

Fall 2017

MW 2:00-3:20 p.m.

Tyler 121

Professor Jennifer Mellor

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Office hours: MW 3:30-4:30 and by appointment

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Course Description

Economics is a social science that examines how individuals make decisions and interact in society. This seminar uses economic models and principles to study so-called “bad behaviors” -- decisions people make with harmful consequences for themselves and/or others around them. We will study the economics of various topics, including smoking, obesity, drug use, underage drinking, risky sex, crime, discrimination, and gambling. Our goals are to illustrate how economic tools can be used to: 1) explain why individuals engage in these bad behaviors, 2) evaluate the consequences of these behaviors for society, and 3) evaluate proposed solutions to these problems. No prior coursework in economics is required.

Course Objectives

- To learn a set of economic models used to explain individual behaviors.
- To understand economic arguments for/against government interference with private behaviors.
- To learn how economic theories can be used to explain and predict the effects of government policies directed at bad behaviors.
- To learn both rational choice and behavioral economics approaches to decision making.
- To explore the research process in the discipline of economics.
- To develop your ability to summarize and analyze economic arguments in writing.

COLL 150 Requirement

This course is designated as a COLL 150 seminar. The goal of COLL 150 is to initiate students into the culture of critical thinking, persuasive writing, and independent inquiry that is at the core of the undergraduate program. COLL 150 seminars highlight student discussion. Students must receive a C- or better for the course to apply to their degree.

The Writing Resources Center, located on the first floor of Swem Library, is a free service provided to W&M students. Trained consultants will give individual assistance with writing, presentation, and other communication assignments at any stage, from generating ideas to polishing a final product, and across disciplines. To make an appointment, visit the WRC webpage (www.wm.edu/wrc).

Course Requirements and Assignments

20%	In-class participation/attendance
20%	Midterm
20%	Short papers (2 papers, ~3 pages each)
5%	Discussion facilitator assignment (work in groups of 3; more details after fall break)
30%	Final paper (~8 pages, plus topic proposal, skeleton, draft, peer reports)
5%	Presentation of final paper (including 1-page handout)

Paper Revision Procedures

You will have the opportunity to “revise and resubmit” one of your short papers for a potentially higher grade. If you decide to use this opportunity, you must schedule a meeting with me no later than October 23rd to discuss the paper you plan to revise. Within one week of that meeting, you must turn in both the revised paper and the original paper with my comments. The final grade for the assignment will be the average of the grades received for the original paper and the revised paper.

Course Policies

1. Attendance. Because having a good class discussion requires student participation, your presence in class is essential. Except for reasonable cause, students are expected to be present at all class meetings. Irregular attendance will result in a lower course grade and could result in failure of the course. It is your responsibility to follow-up with me about absences.
2. Participation. By design, COLL 150 seminars emphasize and expect student discussion. Before coming to class, read the assigned materials, and consider how you would respond to any pre-assigned questions if asked. By 11 am on each class day, email me two things: a brief description of something that surprised you in the readings, and one question that you have about the readings.
3. Due Dates. The attached schedule shows due dates for papers and the date of a midterm on economic concepts and principles used in this course. Except in cases of documented emergencies, late assignments will receive reductions in the grade and missed exams will not be rescheduled.
4. William & Mary accommodates students with disabilities in accordance with federal laws and university policy. Any student who feels they may need an accommodation based on the impact of a learning, psychiatric, physical, or chronic health diagnosis should contact Student Accessibility Services staff at 757-221-2512 or at sas@wm.edu to determine if accommodations are warranted and to obtain an official letter of accommodation. For more information, please visit www.wm.edu/sas.
5. The College of William & Mary has had an honor code since at least 1779. Academic integrity is at the heart of the university, and we all are responsible for upholding the ideals of honor and integrity. The student-led honor system is responsible for resolving any suspected violations of the Honor Code, and I will report all suspected instances of academic dishonesty to the honor system. The Student Handbook (www.wm.edu/studenthandbook) includes your responsibilities as a student and the full Code. Your full participation and observance of the Honor Code is expected.

Course Readings

Required textbooks include *A Pocket Style Manual* (6th or 7th edition), by Diana Hacker and Nancy Sommers and *Microeconomics Demystified* by Craig Depken. Both items are available for purchase at the William and Mary bookstore. The other required readings are journal articles or book chapters that are available on the Blackboard website for this course. If you are interested in buying *Nudge*, it is available on Amazon for around \$10.

Accepted Technology Use

You may use your laptop for class purposes during classroom meetings provided that you have your WiFi turned off. I reserve the right to ask you to close your screens for activities, discussions and presentations. If at any time your laptop use appears unrelated to the course, I reserve the right to view your screen to verify and to prohibit your laptop use in class. Cell phone use is never permitted during class.

Useful Dates: September 8: Add/drop period ends; October 27: Withdrawal period ends.

COURSE CALENDAR

August 30 – Introduction to Course

Syllabus content, reading list, course policies, introductions

Read the materials located in the Blackboard folder for August 30 before the first class.

September 4 – An Introduction to Economics and Rational Choice Theory

“Introducing the Logic Life.” Chapter 1 in *The Logic of Life* by Tim Harford.

“On the Definition of Economics,” by Roger E. Backhouse and Steven G. Medema. *Journal of Economic Perspectives*, 23 (1): 221-233.

September 6 – Demand and Supply

“The Language of Economics.” Chapter 1 in *Microeconomics Demystified* by Craig Depken.

“Demand and Supply,” pages 37-55 only. Chapter 4 in *Microeconomics Demystified* by Craig Depken; Answer quiz questions 1-7 and 11.

September 11 – Utility Maximization

“Utility.” Chapter 7 in *Microeconomics Demystified* by Craig Depken; Answer questions 1-8.

September 13 – Applying Rational Choice Theory to Bad Behaviors

“Why Are Americans So Obese?” by David Cutler, Edward Glaeser, and Jesse Shapiro. *Journal of Economic Perspectives*, 17 (3): 93-118.

September 18 – Rational Addiction

“Rationality, Irrationality and Addiction” in *Getting Hooked: Rationality and Addiction* by Ole-Jorgen Skog.

DUE TODAY: 1st Short Paper

September 20 – Competitive Markets and Efficiency

“Consumer and Producer Surplus.” Chapter 6 in *Microeconomics Demystified*, by Craig Depken.

September 25 – Market Failure and Government Intervention

“Market Failure and Government Interventions in Markets.” Chapter 13 in *Microeconomics Demystified* by Craig Depken.

“The Taxes of Sin: Do Smokers and Drinkers Pay Their Way?” by Willard G. Manning, Emmett Keeler, Joseph Newhouse, Elizabeth Sloss, and Jeffrey Wasserman. *JAMA*, 1989; 261: 1604-1609

September 27 – When are Bad Behaviors the Government's Problem?

“Critical Reading or How to Make Sense of Published Research” by Steven Greenlaw. Chapter 6 in *Doing Economics*.

“The Incidence of the Healthcare Costs of Obesity,” by Jay Bhattacharya and M. Kate Bundorf. *Journal of Health Economics*, 2009; 28: 649–658.

October 2 – Using Public Media Campaigns to Change Behavior

“Exposure to the Above the Influence Antidrug Advertisements and Adolescent Marijuana Use in the United States, 2006–2008,” by Christopher S. Carpenter and Comelia Pechmann. *American Journal of Public Health*, 2011; 101 (5): 948-954.

“Use of Media Campaigns to Change Health Behavior,” by Melanie Wakefield, Barbara Loken, and Robert C. Hornik. *The Lancet*, 2010; 376: 1261-1271.

DUE TODAY: 2nd Short Paper

October 4 – How Responsive Are Individuals to Policy Levers?

“Elasticity.” Chapter 5 in *Microeconomics Demystified* by Craig Depken; Answer quiz questions 3-10.

October 9 – Using Financial Incentives to Change Behavior

“Sugar-Sweetened Beverages and Obesity: The Potential Impact of Public Policies” by Frank J. Chaloupka, Lisa M. Powell, and Jamie F. Chriqui. *Journal of Policy Analysis and Management*, 2011; 30 (3): 645-655.

“Are Soft Drink Taxes an Effective Mechanism for Reducing Obesity?” by Jason M. Fletcher, David E. Frisvold, and Nathan Tefft. *Journal of Policy Analysis and Management*, 2011; 30 (3): 655-665.

October 11 – MIDTERM SCHEDULED FOR TODAY

October 16 – Fall Break

October 18 – The Economics of Crime

“An Economic Model of Criminal Behavior.” Chapter 3 in *The Economics of Crime* by Neil Alper and Darryl Hellman.

“Crime, the Criminal Justice System, and Socioeconomic Inequality” by Magnus Lofstrom and Steven Raphael. *Journal of Economic Perspectives*, 2016; 30 (2): 103-126.

October 23 – Horrible Bosses: The Economics of Discrimination

“Labor Market Discrimination” pages 342-352 only. Chapter 10 in *Labor Economics* by George Borjas.

“The Dangers of Rational Racism.” Chapter 6 in *The Logic of Life* by Tim Harford.

“Diversity in the Economics Profession: A New Attack on an Old Problem.” *Journal of Economic Perspectives*, 2016; 30 (4): 221-242. Selected pages will be assigned.

October 25 – Library Research Skills Orientation at Swem Library

[Class will meet in the Ford Classroom in the Media Center.]

“Surveying the Literature on a Topic in Economics.” Chapter 3 from *Doing Economics* by Steven Greenlaw.

October 30 – The Economics of MLDA Laws

“Youths as a Special Case,” Chapter 12 from *Paying the Tab: The Economics of Alcohol Policy*, by Philip Cook.

“The Minimum Legal Drinking Age and Public Health” by Christopher Carpenter and Carlos Dobkin. *Journal of Economic Perspectives*, 2011; 25 (2): 133-156. Selected pages will be assigned.

November 1 – The Economics of Rising Healthcare Costs: Who’s to Blame?

“Moral Failure and Health Costs: Two Simplistic Spending Narratives” by Jeff Goldsmith. Health Affairs Blog, October 28, 2015.

“The Health Insurance Experiment: A Classic RAND Study Speaks to the Current Health Care Reform Debate,” in RAND Health, Research Highlights Series. 2006.

“The Cost Conundrum: What a Texas town can teach us about health care,” by Atul Gawande, MD. *The New Yorker*, June 2009.

DUE TODAY: Term Paper Topic Proposal

November 6 – Legalizing It: The Economics of Drug Liberalization

“The Economic Case Against Drug Prohibition,” by Jeffrey A. Miron and Jeffery Zwiebel. *Journal of Economic Perspectives*, 9(4): 175-192. (You only need to read pages 176-180).

“Marijuana Liberalization Policies: Why We Can’t Learn Much from Policy Still in Motion” by Rosalie Liccardo Pacula and Eric L. Sevigny. *Journal of Policy Analysis and Management*, 2014; 33 (1): 212-221.

“The Legalization of Recreational Marijuana: How Likely Is the Worst-Case Scenario?” by D. Mark Anderson and Daniel I. Rees. *Journal of Policy Analysis and Management*, 2014; 33 (1): 221-232.

November 8 – The Economics of Risky Sex

“Why is the Teen Birth Rate in the United States So High and Why Does it Matter?” by Melissa S. Kearney and Phillip B. Levine. *Journal of Economic Perspectives*, 26 (2): 141-166.

“The Influence of Arousal,” Chapter 5 in *Predictably Irrational: The Hidden Forces that Shape our Decisions* by Dan Ariely.

November 13 – *Psychological Influences on Decision Making*

“Introduction” to *Nudge: Improving Decisions about Health, Wealth and Happiness*, by Richard Thaler and Cass Sunstein.

“Biases and Blunders,” Chapter 1 from *Nudge: Improving Decisions about Health, Wealth and Happiness*, by Richard Thaler and Cass Sunstein.

“Resisting Temptation,” Chapter 2 from *Nudge: Improving Decisions about Health, Wealth and Happiness*, by Richard Thaler and Cass Sunstein.

DUE TODAY: Final Paper Skeleton

November 15 – *Social Nudges and Research Paper Workshop*

“Following the Herd,” Chapter 3 from *Nudge: Improving Decisions about Health, Wealth and Happiness*, by Richard Thaler and Cass Sunstein.

November 20 – *Boundedly Rational Choice: The Economics of Savings*

“Choice Architecture,” Chapter 5 from *Nudge: Improving Decisions about Health, Wealth and Happiness*, by Richard Thaler and Cass Sunstein.

“Save More Tomorrow,” Chapter 6 from *Nudge: Improving Decisions about Health, Wealth and Happiness*, by Richard Thaler and Cass Sunstein.

“Behavioral Economics and Public Policy,” by Tim Harford. *Financial Times*, March 21, 2014.

November 22 – *Thanksgiving Break*

November 27 – *Economics of Gambling*

“Economics of Gambling” by Robert Simmons, from *Economics Uncut*. Selected pages.

“Subjective Relative Income and Lottery Ticket Purchases,” by Emily Hainsley, Romel Mustafa, and George Loewenstein. *Journal of Behavioral Decision Making* 21 (3): 283-295.

DUE TODAY: Paper draft for distribution to peer review group members

November 29 – *Peer Review Group Discussions*

DUE TODAY: Peer review reports

December 4 and 6 – *Oral presentations and course evaluations*

DUE THIS WEEK: Oral Presentation and accompanying one-page handout

December 19 – *Final paper due by 5 pm*

DUE TODAY: Final Paper

Please email an electronic copy to me and deliver a hard copy by 5 pm. The paper can be dropped off in my mailbox (Tyler 3rd floor) or at my office (Tyler 433).