

Economics 25510
Winter 2005

Department of Economics
University of Chicago

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Topics in Economic Development II

Theorizing Cultural Differences: The Economics of Fundamentalism

A fundamental problem in economic development is preventing the tragedies that stem from lack of choice, be it poverty, inequality, violence, infectious diseases, or lack of health and education. This seminar focuses on preventing human rights violations, in particular, as they relate to religious, ideological, and gendered violence. First we will cover economic theories of religion and how individuals are incentivized in groups. We go on to draw implications of religion as social insurance for political institutions and cultural fragmentation. Conflicts arise when people do not acknowledge other perspectives can exist. We will study the transmission and persuasion process of religious and political ideas, whose incommensurability is of topical concern. This seminar balances theory with empirical results. We apply economics from several fields (labor economics, development economics, political economy, micro theory) to understand cultural differences. The seminar is designed to prepare students to critique and conduct original research (especially BA papers).

Requirements

Class participation. 25% of grade.

Attendance is mandatory. You will be expected to read and have an opinion on everything that is assigned. This seminar provides a unique opportunity for class discussion, and your comments and participation are critically important. The starred readings are required and should be read before class.

Response papers. 25% of grade.

Three 3-page response papers will be assigned, one for each third of the course. These papers (short referee reports) should (i) briefly review the subject matter (40%), (ii) critique and describe open questions that remain (30%), and (iii) suggest how to address the critiques or open questions (30%). Response papers are due by email within two or three days after the last class meeting on the topic.

Empirical exercise. 20% of grade.

A 5-page paper will be focused around the planning and execution of an empirical task. More specifically, you will be asked to replicate and extend a recently published paper. This is due at midterm.

Final Paper. 30% of grade.

The 15-page final paper will be an opportunity for you to explore a topic in much more detail. You must discuss with me by midterm what you plan to write about.

Writing is a crucial part of this seminar and of the undergraduate experience. Development of good writing skills is essential for your success as an economist or in any profession. This is an exciting and wide-open field. The majority of what we will study in class was written in the last few years and there are many open questions.

Late Policy: Lateness will be considered in determination of final grade.

Office Hours: Appointment by e-mail, dlc@uchicago.edu

Target Enrollment: 15

Prerequisites: Economics 200 and 201 (microeconomics) and Econometrics (210)

0. Preliminaries:

Day 1

*Duflo, E. "Empirical Methods," MIT lecture notes.

*Meyer, Bruce D. (1995), "[Natural and quasi-experiments in economics](#)," *Journal of Business and Economic Statistics*, 13 (2), pp. 151-161.

*Angrist, Joshua and Alan Krueger (2001), "[Instrumental Variables and the Search for Identification: From Supply and Demand to Natural Experiments](#)," *Journal of Economic Perspectives*, Vol. 15 (4), pp. 69-87.

Angrist, J. and Alan Krueger, "Empirical Strategies in Labor Economics", ch. 23 in Ashenfelter and Card, [Handbook of Labor Economics](#), vol. 3.

Angrist, J. and V. Lavy, "[Using Maimonides' Rule to Estimate the Effect of Class Size on Scholastic Achievement](#)", *Quarterly Journal of Economics*, 1999

I. Economic Theories of Religion

Day 2

*Iannaccone, Laurence R. (1998) "[Introduction to the Economics of Religion](#)," *Journal of Economic Literature*, 36(3), 1465-95.

*Berman, Eli (2000) "[Sect. Subsidy, and Sacrifice: An Economist's View of Ultra-Orthodox Jews](#)," *Quarterly Journal of Economics*, 65(3), 905-953.

Day 3

*Chen, Daniel L. (2004) "[Club Goods and Group Identity: Evidence from Islamic Resurgence During the Indonesian Financial Crisis](#)," University of Chicago mimeo.

*Gruber, Jon (2005) "Pay or Pray? The Impact of Charitable Subsidies on Religious Attendance", NBER Working Paper #10374.

Finke, R. and R. Stark, [Churching of America 1776-1990: Winners & Losers in Our Religious Economy](#)

Gruber, Jon (2003b) "Religious Market Structure, Religious Participation and Outcomes: Is Religion Good For You?" MIT mimeo.

II. Volatility, Religion, and Social Violence

Day 4

*Abadie, Alberto and J. Gardeazabal (2003) "[The Economic Costs of Conflict: A Case Study of the Basque Country](#)," *American Economic Review*, 93(1), 113-132.

*Miguel, Edward, Shanker Satyanath and Ernest Sergenti (2004) "[Economic Shocks and Civil Conflict: An Instrumental Variables Approach](#)," *Journal of Political Economy*.

Easterly, William and R. Levine (1997) "[Africa's Growth Tragedy: Policies and Ethnic Divisions](#)," *Quarterly Journal of Economics*, 112(4), 1203-1250.

Alesina, Alberto, Reza Baqir, and William Easterly (1999) "[Public Goods and Ethnic Divisions](#)," *Quarterly Journal of Economics*, 114(4), 1243-84.

Day 5

*Krueger, Alan B. and Jitka Maleckova (2002) "[Education, Poverty, Political Violence and Terrorism: Is There A Causal Connection?](#)" NBER Working Paper No. 9074.

*Chen, Daniel L. (2004) "[Islamic Resurgence and Social Violence During the Indonesian Financial Crisis](#)," University of Chicago mimeo.

III. Communes, Kibbutzim, and Madrassah: Mechanism Design Theory

Day 6

*"Mechanism Design Theory", lecture notes.

Mas-Colell, A., MD Whinston, and JR Green (1995) Microeconomic Theory, Oxford U. Press. Ch 23 A-D, 857-891

Kreps, D. A Course in Microeconomic Theory. Princeton U. Press. Ch 18, 661-713.

Varian, H. Microeconomic Analysis, 3rd ed. W. W. Norton Co., 1992.

Day 7

*Abramitzky, Ran, "The Limits of Equality: an Economic Analysis of the Israeli Kibbutz," Stanford University mimeo.

*Levitt, Steven and Sudhir Alladi Venkatesh (2000) "[An Economic Analysis of a Drug-Selling Gang's Finances](#)," *Quarterly Journal of Economics*, 115(3), 755-89.

Sosis, Richard H. and Bradley J. Ruffle (2003) "[Religious Ritual and Cooperation: Testing for a Relationship on Israeli Religious and Secular Kibbutzim](#)," *Current Anthropology*, 44:5, 713-722.

Response Paper #1 due

IV. The Political Economy of Beliefs

Day 8

*Benabou, Roland and Efe Ok, "[Social Mobility and the Demand for Redistribution](#)," *Quarterly Journal of Economics*, 110.

*Acemoglu, Daron and J. Robinson (2000) "[Why Did the West Extend the Franchise? Growth, Inequality, and Democracy in Historical Perspective](#)," *Quarterly Journal of Economics*, 115(4), 1167-1199.

Glaeser, E., G. Ponzetto, and J. Shapiro (2005) "[Strategic Extremism: Why Republicans and Democrats Divide on Religious Values](#)," *Quarterly Journal of Economics*.

Day 9

*Edlund, Lena and R. Pande (2002) "[Why Have Women Become Left-Wing: The Political Gender Gap and the Decline in Marriage](#)," *Quarterly Journal of Economics*, 117(3), 917-961.

*Chen, Daniel L. and J. Lind (2005) "[The Political Economy of Beliefs: Why Fiscal and Social Conservatives and Liberals Come Hand-in-Hand](#)," University of Chicago mimeo.

Fogel, Robert W. (2000) The Fourth Great Awakening and the Future of Egalitarianism, University of Chicago Press.

Feldman, Noah (2005) Divided by God, Farrar, Straus, and Giroux.

Hamburger, Philip (2002) Separation of Church and State, Harvard University Press.

Hungerman, Daniel M. (2005) "Are Church And State Substitutes? Evidence from the 1996 Welfare Reform" *Journal of Public Economics*.

V. Cultural Fragmentation and Transmission

Day 10

*Glaeser, E. and J. Scheinkman (1996) "Crime and Social Interactions," *Quarterly Journal of Economics*.

*Ellison, G. and D. Fudenberg, (1993) "[Rules of Thumb for Social Learning](#)," *Journal of Political Economy*, 101 (4), 612-643.

Banerjee, A, "[A Simple Model of Herd Behavior](#)," *Quarterly Journal of Economics*, 107 (3), pp. 797-817.

Greif, Avner (1994) "[Cultural Beliefs and the Organization of Society: A Historical and Theoretical Reflection on Collectivist and Individualist Societies](#)," *Journal of Political Economy*, 102(3), pp. 912-950.

"Notes on a Theory of Ideological Change," lecture notes.

Jared Diamond, [Guns, Germs, and Steel](#), 1997

Day 11

*Sacerdote, Bruce. "[Peer Effects with Random Assignment: Results for Dartmouth Roommates](#)." *Quarterly Journal of Economics*, 116(2): 681-704, 2001.

*Duflo, Esther and E. Saez. "[The Role of Information and Social Interactions in Retirement Plan Decisions: Evidence from a Randomized Experiment](#)." *Quarterly Journal of Economics*, 2002

Bisin, Alberto and Thierry Verdier (2000) "[Beyond the Melting Pot: Cultural Transmission, Marriage, and the Evolution of Ethnic and Religious Traits](#)," *Quarterly Journal of Economics*, 115(3), 955-988.

Boyd, Robert and Peter Richardson (1985) [Culture and the Evolutionary Process](#), The University of Chicago Press.

Cavalli-Sforza LL and Feldman MW (1981) [Cultural Transmission and Evolution: A Quantitative Approach](#). Princeton, NJ: Princeton University Press.

Empirical Exercise due

VI. Marriage and Gender Violence

Day 12

*Chen, Daniel L. (2004) "[Gender Violence and the Price of Virginity: Theory and Evidence of Incomplete Marriage Contracts](#)," University of Chicago mimeo.

*Fisman, R., Iyengar, S., Kamenica, E., and Simonson, I. (2006) "Gender Differences in Mate Selection: Evidence from a Speed Dating Experiment," *Quarterly Journal of Economics*.

Fisman, R., Iyengar, S., Kamenica, E., and Simonson, I. (2006) "Racial Preferences in Dating," Columbia University mimeo.

Field, Erica (2004) "The Consequences of Early Marriage in Bangladesh," Harvard University mimeo.

Day 13

*Edlund, Lena, "A Theory of Prostitution", *Journal of Political Economy*, 1999

Banerjee/Duflo, "Theory of Households", MIT lecture notes.

Edlund, Lena, "[Son preference, sex ratios, and marriage patterns](#)", *Journal of Political Economy*, 1999

Pezzini, Silvia (2003), "[The Effect of Women's Rights on Women's Welfare: Evidence from a Natural Experiment](#)," LSE mimeo.

Rangel, Marcos (2004) "[Alimony Rights and Intra-Household Allocation of Resources: Evidence from Brazil](#)," UCLA mimeo.

Stevenson, Betsey and J. Wolfers (2006) "[Til Death Do Us Part: The Effects of Divorce Laws on Suicide, Domestic Violence and Intimate Homicide](#)," *Quarterly Journal of Economics*.

Response Paper #2 due

VII. Postmodern Theories of Knowledge

Day 14

*Kuhn, Thomas S. (1962), *The Structure of Scientific Revolutions*, Chicago: U. Chicago Press.

*Rorty, Richard (1986), "Science as Solidarity," reprinted in *The American Intellectual Tradition Volume II: 1865 to the Present*, David A. Hollinger and Charles Capper, eds. (2001) Oxford: Oxford U. Press, pp. 452-462.

*Sokal, Alan, "A Physicist Experiments with Cultural Studies," *Lingua Franca*, July 1996.

[“A Statistical Approach to Postmodern Theories of Knowledge,”](#) lecture notes.
“Coming to Blows Over How Valid Science Really Is,” *New York Times*, July 22, 2001. Source:
<http://www.nytimes.com/2001/07/21/arts/21KUH.html>
“The Foundations of Science,” *The Economist*, October 25, 2001.
“[A Philosopher's Call to End All Paradigms,](#)” *The Chronicle of Higher Education*, September 15, 2000.

Day 15

*Aumann, Robert (1995) “Interactive Epistemology”, p1-22.
*Huynh, Hsueh-Ling and Balasz Szentes, (2003) “[An Impossibility Theorem of Self-Belief,](#)” University of Chicago mimeo.
Fudenberg and Tirole, *Game Theory*, Ch. 14 “Common Knowledge and Games”

VIII. Persuasion and Argumentation: Why People Prefer Different Ways of Knowing

Day 16

*Nisbett, Richard. *Geography of Thought: How Asians and Westerners Think Differently and Why*
*Dawkins, Richard. (1990) *The Selfish Gene*. Oxford University Press.
*Aragones, Enriqueta, Itzhak Gilboa, Andrew Postlewaite, and David Schmeidler “Rhetoric, Analogies, and Induction,” Tel Aviv University mimeo.
“Notes on a Theory of Persuasion and Argumentation,” lecture notes.
Cialdini, R. *The Psychology of Persuasion*

Day 17

*Demarzo, Peter, D. Vayanos, and J. Zweibel (2003) “[Persuasion Bias, Social Influence, and Uni-Dimensional Opinions,](#)” *Quarterly Journal of Economics*, 118(3), 909-968.
Shleifer, Andrei and S. Mullainathan, (2005) “[The Market for News,](#)” *American Economic Review*.
Gentzkow, Matthew and J. Shapiro (2004) “[Media, Education, and Anti-Americanism in the Muslim World,](#)” *Journal of Economic Perspectives*.

Response Paper #3 due

Day 18-19

Student Presentations

IX. Other reading

Greif, Avner, Paul Milgrom, and Barry Weingast. (1994) “[Coordination, Commitment, and Enforcement: The Case of the Merchant Guild](#)”, *Journal of Political Economy*.
Acemoglu, Daron, James Robinson, and Simon Johnson. (2001) “[The Colonial Origins of Comparative Development: An Empirical Investigation,](#)” *American Economic Review*, Vol 91, pp. 1369-1401.
Putnam, Robert. (1993) *Making Democracy Work*. Ch 4-5.
Engerman, Stanley and Kenneth Sokoloff, (1997) “Factor Endowments, Inequality, and Path of Development Among New World Economies”. *Journal of the Latin American and Caribbean Economic Association* v3, n1 (Fall 2002): 41-88.
Riker, William. (1964) *Theory of Federalism*
Hirshman, Albert. (1970) *Exit, Voice, and Loyalty*
North, Douglass (1991) *Institutions, Institutional Change and Economic Performance*.
Ray, Debraj (1997) *Development Economics*, Princeton University Press.
Glaeser, Edward L. and Andrei Shleifer (2002) “[Legal Origins](#)”, *Quarterly Journal of Economics*.