

## ***Eco 381: The Economics of Culture***

TTH 10:55-12:40 AM

Lippman 201

Fall 2015

Lewis Davis

Lippman 118, x8395, [davisl@union.edu](mailto:davisl@union.edu)

Office Hours: W 2-4 and by appointment.

### ***Course Description***

It's not hard to understand why economists might be interested in culture. Cultural beliefs affect expectations regarding the returns to different behaviors, and cultural values enter directly into individual utility functions. In spite of the potential gains, until recently economists have been hesitant to invoke culture as an explanation for economic phenomena. In the absence of data on cultural values and beliefs, hypotheses regarding the economics of culture remained purely speculative. With increasing awareness of and familiarity with survey data on cultural values and beliefs, economists have in the past decade begun to address the economics of culture, formulating formal models of socialization and acculturation and generating empirical estimates of the effects of measurable values and beliefs on economic behavior, policies, institutions and outcomes. This course will introduce students to this emerging and rapidly expanding literature.

### ***Course Objectives***

The primary objective of the course is for students to critically evaluate the literature on the economics of culture. By this, I mean that, in addition to being familiar with key theories and results, students will gain an appreciation for the flaws and limits of this literature, for the nature of economic debate and the manner in which particular strands of this literature evolve, for inherent empirical challenges that arise in attempting to assign causality among correlated economic, political, social and cultural variables, and for the statistical techniques commonly employed to address these challenges. A critical perspective on this particular subfield of economics is intended to give students an appreciation for how economic knowledge is constructed. A number of aspects of the course are designed to support this objective, including the use of seminar style discussions of frontier research, close attention to data sources and empirical techniques, and the undertaking of substantial research project.

### ***Course Requirements***

**Class Participation:** A big part of the course is talking about what you have read. In preparation for class discussions, you'll want to read the papers for that meeting carefully and think about them in depth before coming to class. At the end of the course, I'll ask each of you to rank your classmates based on their contribution to class discussions. I will use this information in determining your discussion grade. (15%)

**In-Class Quizzes:** I will start each discussion class with a short quiz to test whether you've read the material for that day. The quizzes will be graded on a 0-1-2 basis, and I will drop your lowest two grades. (20%)

**Empirical Exercises:** These exercises are designed to introduce you to the empirical techniques used in the economics of culture and to some common empirical issues, e.g. designing and interpreting regressions, dealing with omitted variables bias, and endogenous regressors. From a practical point

of view, doing these exercises will give you some experience manipulating data, using econometric software and writing up and interpreting empirical results.

There are three empirical exercises. We will discuss the topics addressed by each exercise in class the week before it is due. You will work in small groups (2 or 3) and hand in a single common answer. (15%)

**Research Project:** An important goal of the course is to assist you in what may be your first large research project. This will be a 20-25 page paper and presentation on a topic of your choice. This project is discussed in more detail in a separate handout. (50%)

I do not expect you to walk in here knowing how to do research. To help you along, we will discuss a “research topic” at the end of each class meeting for the first four or five weeks of the course. Key due dates are listed below, as well as in the course outline below.

<u>Activity</u>	<u>Date</u>	<u>Weight</u>
Paper Topics	Sept. 22	0%
Annotated Bibliography	Oct. 8	0%
Literature Review	Oct. 20	5%
Rough Draft	Nov. 5	25%
Presentation	Nov. 10-17	5%
Final Paper	Nov. 19	15%

**Software:** For the empirical exercises and the research project, you’ll be working with data. This means you’ll need access to Excel or a similar spreadsheet program to manipulate data. In addition, you’ll need to obtain an econometric software package. I recommend the student version of Stata/IC 14, which you can download with a six-month license for \$75. I will be using Stata in class to talk about econometrics.

**Course Materials:** The course readings are posted on Nexus. There’s no textbook, which saves you some serious money, but **I do expect you to print out the papers for each day and bring them to class.** To save money on printing, you may format the papers as landscapes or use double-sided printing. At 10 cents per page, your estimated printing costs are \$136 for the term, which is around the cost of a textbook. Using landscape printing, this falls to \$68, which is significantly less than a book.

**Research Discussions:** One of the main goals of this course is to help you improve your research and writing skills. To do this, we will be devoting time at the end of each class to talk about some aspect of doing empirical work or writing a research paper.

**Attendance:** It’s hard to participate if you are not there. You get two free absences (10% of the class). After that, each missed class counts two (2) points off your final grade. This includes absences during student presentations at the end of the course.

**Cell Phone and Laptop Policy:** I don’t allow the use of laptops during class. Looking at your cell phone during class will cost you a point on your final grade.

### *The Honor Code*

You are all veterans of the Union College Honor Code and are expected to abide by it for the work in this class. In particular, this means 1) give credit where it’s due in your research papers,

2) don't use another group's work on the empirical exercises, and 3) don't cheat on the daily quizzes.

**Research Project:** You may discuss your project with other students, but the work itself should be yours. The main issue here is plagiarism, which we'll discuss later in detail.

**Empirical Exercises:** You are expected to work in groups. Within the group, work is collaborative, but do not copy material or discuss your results across groups. If you have problems with a mechanical issue, e.g. need help with the data or the software, and ask a member of another group, note that in material you hand in.

**My Role:** It is my job to clarify any questions you have about how the honor code applies to work preformed for this class. I provide brief overview below.

### *Course Outline*

#### **I. Introduction:**

##### **1. Sept. 10: Introduction to the Course**

- a. **Lecture:** The economics of culture
- b. Zakaria, "Capitalism, Not Culture, Drives Economies," Washington Post Op-Ed, Aug. 1, 2012.
- c. Cohen, "A Difference Beyond Question," Washington Post Op-Ed, Aug. 6, 2012.
- d. **Research:** Introduction to Stata

##### **2. Sept 15: The Economics of Culture**

- a. Guiso, Sapienza and Zingales (2006) "Does Culture Affect Economic Outcomes," *Journal of Economic Perspectives* 20(2), 23-48.
- b. Bertrand and Mullainathan (2001), "Do People Mean What They Say? Implications for Subjective Survey Data," *American Economic Review*, 67-72.
- c. **Research:** Designing and interpreting regressions

##### **3. Sept. 17: The Transmission and Persistence of Culture**

- a. Grosjean (2011) "A History of Violence: The Culture of Honor as a Determinant of Homicide in the US South," SSRN Abstract #1917113.
- b. Bisin and Verdier (2008) "Cultural Transmission," *New Palgrave Dictionary of Economics*, 2<sup>nd</sup> Edition.
- c. **Research:** Finding a good paper topic
- d. **Due:** Empirical Exercise 01.

##### **4. Sept. 22: Culture and Development**

- a. Spolaore and Wacziarg (2009) "The Diffusion of Development," *Quarterly Journal of Economics* 124(2): 469-529.
- b. Gorodnichenko and Roland (2011) "Which dimensions of culture matter for long run growth?" *American Economic Review* 101(5), 492-498.
- c. **Research:** Dealing with unobserved heterogeneity.
- d. **Due:** Paper topics

##### **5. Sept. 24: Racism**

- a. Voigtlaender and Voth, (2011), “Persecution Perpetuated: The Medieval Origins of Anti-Semitic Violence in Nazi Germany,” NBER working paper no. 17133.
- b. Stevens-Davidowitz, (2012) “The Effect of Racial Animus on a Black Presidential Candidate,” *SSRN #2050673*.
- c. **Research:** Dealing with Endogeneity.
- d. **Due:** Empirical Exercise 02.

## II. Factor Supplies

### 6. Sept. 29: Work

- a. Van Hoorn and Maseland (2013), “Does a Protestant work ethic exist? Evidence from the well-being effect of unemployment,” *Journal of Economic Behavior and Organization*.
- b. Bruegger et al. (2009) “Does Culture Affect Unemployment? Evidence from the Roestigraben,” *CESIFO Working paper #2714*.

### 7. Oct. 1: Saving

- a. Chen, Keith (2013) “The Effect of Language on Economic Behavior: Evidence from Savings Rates, Health Behaviors, and Retirement Assets,” *American Economic Review*, 103(2): 690–731.
- b. Guiso et al. (2004) “The Role of Social Capital in Financial Development,” *American Economic Review* 94(3), 526-56.
- c. **Due:** Empirical Exercise 03

## III. Economics and Religion:

### 8. Oct. 6: Religion and Development

- a. Barro and McKleary (2003) “Religion and Economic Growth Across Countries,” *American Sociological Review* 68(5), 760-781.
- b. Kuran (2004) “Why the Middle East is Underdeveloped,” *Journal of Economic Perspectives* 18(3), 71-90.
- c. **Research:** Avoiding Plagiarism

### 9. Oct. 8: Religious Competition

- a. Iannaccone (1991) “Consequence of Religious Market Structure,” *Rationality and Society* 3(2), 156-177.
- b. Ekelund et al. (2002) “An Economic Analysis of the Protestant Reformation,” *Journal of Political Economy* 110(3), 646-671.
- c. **Due:** Annotated Bibliography

## IV. The Taste for Redistribution

### 10. Oct. 13: Experience and Expectations

- a. Giuliano and Spilimbergo (2009) “Growing Up in a Recession: Beliefs and the Macroeconomy,” NBER Working Paper #15321.
- b. Luttmer and Singhal (2011) “Culture, Context and the Taste for Redistribution,” *American Economic Journal: Economic Policy* 3, 157-179.

### 11. Oct. 15: Politics and Preferences

- a. Alesina and Fuchs-Schuendeln, (2007) “Good-Bye Lenin (or not): The effect of communism on People’s Preferences,” *American Economic Review* 97(5), 1507-1528.
- b. Alesina and Angeletos (2005), “Fairness and Redistribution,” *American Economic Review* 95(4), 960-80.

- c. **Research:** Good and bad writing: things to do and things to avoid.

**V. Cooperation and Trust**

**12. Oct. 20: Trust and Economic Performance**

- a. Greif (1993) “The Maghribi Traders’ Coalition,” *American Economic Review* 83(3), 525-548.
- b. Algan and Cahuc “Inherited Trust and Growth,” *American Economic Review*
- c. **Due:** Lit Review

**13. Oct. 22: Determinants of Trust**

- a. Nunn and Wantchekon (2011) “The Slave Trade and the Origins of Mistrust in Africa,” *American Economic Review* 101(7), 3221-3252.
- b. Tabellini (2008) “The Scope of Cooperation: Values and Incentives,” *Quarterly Journal of Economics*, 905-950.
- c. **Research:** The data section

**VI. Culture and Institutions**

**14. Oct. 27: Culture and Institutions I**

- a. Putnam (1993) “Explaining Institutional Performance,” pp. 83-120, in *Making Democracy Work*. Princeton University Press: Princeton NJ, 1993.
- b. Davis and Williamson (2014) “Culture and the Regulation of Entry,” SSRN #2532546.

**15. Oct. 29: Culture and Institutions II**

- a. Tabellini (2008) “Institutions and Culture,” *Journal of the European Economic Association* 6(2-3), 255-294.
- b. Di Tella et al. (2007) “The Formation of Beliefs: Evidence from the Allocation of Land Titles to Squatters,” *Quarterly Journal of Economics* 122(1), 209-241.
- c. **Research:** Writing an introduction.

**16. Nov. 3: No Class. Research day.**

**17. Nov. 5: No Class:**

- a. **Due:** Rough drafts

**VII. Student Presentations: Nov. 10, 12, and 17.**

**Final Papers Due: Nov. 19**