

## Hauptseminar/V-Seminar SoSe 2018

# Everyday Economics

### LECTURERS

Prof. Dr. Niels Gottschalk-Mazouz

Prof. Dr. Stefan Napel

### OBJECTIVE

Can formal economic reasoning help us understand penalty kicks in football or serves in tennis, Christmas gifts and birthday presents? Does it illuminate Wagner's operas, biblical stories, as well as the plot in movies like *The Dark Knight* or *The Good, the Bad, and the Ugly*? Can economic thinking explain why drug dealers still live with their moms, why US crime rates decreased in the 1990s, or help us catch cheating Sumo wrestlers and school teachers? A number of scholars have argued that it can. The aim of this seminar is to look at these claims and assess them critically. How much game theory, microeconomic modelling and econometric analysis is there really in the respective investigation? Is it appropriate and in which sense does it contribute to our understanding of everyday life?

### TARGET GROUP

Advanced Bachelor students from:

- Philosophy & Economics
- Economics
- Internationale Wirtschaft & Entwicklung

Priority in the allocation of places will be given to students of a higher semester.

### SEMINAR PLACES

- 15

### LANGUAGE OF INSTRUCTION/ASSESSMENT

- Seminar: English
- Written work: English or German

### DATES AND DEADLINES

- Introduction and Organization Session: **17.4.2018, 14:15–15:45, S 6 (GW II)**
- Registration: **via Campus Online from 1.3.–7.3.** (residual places: possibly later)
- Notification of rejections if seminar capacity should be exhausted: **7.3.–14.3.**
- Coordination on presentation topic: **17.4.2018 onwards**
- Seminar: **8.–10.6.2018**
- Submission of seminar papers: **30.9.2018**

Deadlines are final and will be strictly enforced.

### ASSESSMENT

- BA V or P3 (old), and P4\* or P5\* (new), 2 cp: presentation, comment, participation
- BA V (old) 8 cp: same as 2 cp + 5000-6000 word seminar paper

- BA P3 (old), and V3 (new), 6 cp: same as 2 cp + 4000-5000 word seminar paper
- BA P6.5 (new), 5 cp: same as 2 cp + 3500-4500 word seminar paper  
*Economics, IWE*
- Bachelor Hauptseminar 5 cp: presentation, comment, participation, 3500–4500 word seminar paper [credits in Individueller Schwerpunkt or as GVWL II 5/6]

## ENROLMENT/REGISTRATION

Via Campus Online only.

## SEMINAR INSTRUCTIONS

1. Time allowed: presentation of 45 min., comment of 5 min, discussion of 30 mins.
2. Presentations should be a concise and systematic overview of the topic in the form of a “teaching lecture”.
3. Each presentation will be assigned to one other participant, who is to comment on / discuss the contents of the presentation. Presenters are required to send their presentations to both of us and the respective commenters at least seven days before the seminar session. All participants shall be fully ready to give their presentation on the first seminar day, independently of the order of themes.
4. The literature or URLs given below are a *starting point* for your lecture. This is a seminar in which you are expected to find additional literature and narrow down the topic of your presentation yourself. You are required to suggest and coordinate on a precise topic which fits your allocated theme with one of us as soon as possible after the theme allocation.

## SEMINAR PAPERS

Your *seminar paper* should be on a well-defined issue related to your presentation topic and must have the approval of either of us. You should try to identify at least one or two scientific papers that deal with the issue *before* you choose it. Trying to do the first game-theoretic analysis of your favorite *Star Trek* episode, say, could be suitable for an oral seminar presentation, but it will more likely than not be lacking the substance for a good seminar paper. Bear this in mind for the coordination on a presentation topic in case you want to go for more than 2 cp.

Please make sure when writing your paper that you maintain scholarly standards of presentation and citation. For guidance, please consult any of the papers that can be found on either of our web sites. We recommend that you use the author-date (Harvard) referencing system.

## THEMES

### T1. Freakonomics

The seminal work, which sold more than 4 millions copies, is:

Steven Levitt and Stephen J. Dubner (2005), *Freakonomics: A Rogue Economist Explores the Hidden Side of Everything*, New York, NY: William Morrow/HarperCollins.

In the book, Chapters 1, 3 & 4 are most worth reading. You might also want to consult the sequel, *Superfreakonomics*, or the authors’ blog at <http://freakonomics.com/>

There are many similar books by other authors:

Tyler Cowen (2008), *Discover Your Inner Economist: Use Incentives to Fall in Love, Survive Your Next Meeting and Motivate Your Dentist*, New York, NY: Plume.

Robert H. Frank (2007 & 2009), *The Economic Naturalist: Why Economics Explains Almost Everything*, New York: Basic Books & *The Return of the Economic Naturalist: How Economics Helps Make Sense of Your World*, London: Virgin.

David D. Friedman (1997), *Hidden Order: The Economics of Everyday Life*, New York, NY: Harper Business.

Uri Gneezy & John List (2013), *The Why Axis: Hidden Motives and the Undiscovered Economics of Everyday Life*, London: Random House.

Tim Harford (2005 & 2008), *The Undercover Economist: Exposing Why the Rich Are Rich, the Poor Are Poor – And Why You Can Never Buy a Decent Used Car!* Oxford: Oxford University Press & *The Logic of Life: Uncovering the New Economics of Everything*, London: Abacus.

John Kay (2004), *Everlasting Light Bulbs: How Economics Illuminates the World*, London: Erasmus.

Steven E. Landsburg (1993 & 2007), *The Armchair Economist*, London: Simon+Schuster & *More Sex Is Safer Sex: The Unconventional Wisdom of Economics*, New York, NY: Free Press.

Precursors of this movement are some well-known Chicago economists: Gary Becker, but also Richard Posner and others. You will easily find their papers online.

Possibilities include the analysis of cheating, of drug gangs, of crime and abortion, or just any other “freaky” topic (as long as standard economic methods are used and results have been published in economics research journals). Or try to compare Freakonomics now and then, i.e., from Becker to present.

## **T2. Game Theory in Literature, Opera, Bible, and Movies**

Good starting points and example articles include:

Steven J. Brams (1980), *Biblical Games: Game Theory and the Hebrew Bible*, Cambridge, MA: MIT Press.

Steven J. Brams (2011), *Game Theory and the Humanities*, Cambridge, MA: MIT Press.

Heike Harmgart, Steffen Huck, and Wieland Müller (2009), "The miracle as a randomization device: A lesson from Richard Wagner's romantic opera *Tannhäuser und der Sängerkrieg auf Wartburg*", *Economics Letters* 102(1), 33-35.

Steffen Huck (2008), "Why Elsa asks from when he came: an epistemological analysis of Richard Wagner's *Lohengrin*." Manuscript available on the author's website.

Robert J. Aumann and Michael Maschler (1985), "Game theoretic analysis of a bankruptcy problem from the Talmud", *Journal of Economic Theory* 36(2), 195-213.

Literature topics could focus on coordination problems, backward induction, or games between multiple selves in Jane Austen's six novels, power politics in Schiller's *Wallenstein*, conflict games as in Heller's *Catch-22*, and so forth. Analysis of Wagner's *Lohengrin* or *Tannhäuser* by Huck et al. will give you food for thought during the next festival season.

Biblical stories with game-theoretic aspects include Abraham's sacrifice, Samson and Delilah, and non-proportional division in the Talmud.

As a starting point for game-theoretic analysis of movies, check out “Movies” and “Television” at <http://www.gametheory.net/popular/> Possibilities there include the analysis of truels (as, e.g., in *The Good, the Bad and the Ugly*, *Reservoir Dogs*, or *Pirates of the Caribbean: Dead Man's Chest*), chicken games (as in *Rebel Without a Cause* and many other

movies), the role of commitment (e.g., *Dr. Strangelove*), and various bits of game theory in *Batman – The Dark Knight*, etc.

### **T3. Game Theory and (Sport) Games.**

Starting points for literature research are:

Ken G. Binmore, K.G. (2007), *Playing for Real – A Text on Game Theory* (Chs. 2 and 15), Oxford: Oxford University Press.

Steven D. Levitt, John A. List and Sally E. Sadoff (2011), “Checkmate: Exploring Backward Induction among Chess Players”, *American Economic Review* 101(2), 975-90.

Ignacio Palacios-Huerta (2014). *Beautiful Game Theory – How Soccer Can Help Economics* (Chs. 1 and 2), Princeton, NJ: Princeton University Press.

Ignacio Palacios-Huerta and Oscar Volij (2009), “Field Centipedes”, *American Economic Review*, 99(4): 1619-35.

Sportive possibilities include: backward induction among chess players, play of minimax strategies in football, tennis, cricket, etc. One might also look at basic strategic reasoning in “Tic-Tac-Toe” and “Nim”, the historical card game “Le Her”, or von Neumann’s simplified version of Poker.

### **T4. Reflections on Freakonomics, Game Theory & Reach of Economic Methods.**

The “Freakonomics” phenomenon triggered several reflections on its method and style, e.g.:

Jack J. Vromen (2009), “The booming economics-made-fun genre: more than having fun, but less than economics imperialism”, *Erasmus Journal for Philosophy and Economics* 2(1), 70-99.

Uskali Mäki (2012), “On the philosophy of the new kiosk economics of everything”, *Journal of Economic Methodology* 19(3), 219-230

A critical but very knowledgeable opinion on game theory is held by:

Ariel Rubinstein (2006), “Dilemmas of an economic theorist”, *Econometrica* 74(4), 865–883

Ariel Rubinstein (2012), *Economic Fables*, Cambridge, UK: Open Book Publishers

Learned general criticism concerning economic modelling, empirical economics etc. can, for instance, be found here:

Robert Sugden (2000), “Credible worlds: the status of theoretical models in economics”, *Journal of Economic Methodology* 7(1), 1-31. [See also his follow-up in *Erkenntnis* 70(1), 3-27 (2009)]

John P. A. Ioannidis, T. D. Stanley, and Hristos Doucouliagos (2017), “The Power of Bias in Economics Research” *Economic Journal* 127, F236–F265

You might try to assess the methodology of Levitt/Dubner and *Freakonomics* (and is it economics, anyway?). Or you reflect on successes (and failures) of using game theory to address real-world problems, such as allocating spectrum by auctions or using matching theory for school choice. Or ask yourself: Are economic models more than fables and mathematical storytelling? How empirical is “Empirical Economics”? etc.