Introduction

W. Kip Viscusi

in Rational Risk Policy: The 1996 Arne Ryde Memorial Lectures

Published in print: 1998 Published Online: November 2003
Item type: chapter

This chapter introduces the linkage between economic behaviour and risk regulation policies. Analysis of individual behaviour often reveals the nature of private market failures and provides guidance with respect to the appropriate forms of intervention. However, irrationality in behaviour can also generate the impetus for misguided government policies to the extent that policies are responsive to citizen preferences even when they are irrational.

Does Market Exposure Affect Economic Game Behaviour?

Michael Gurven

in Foundations of Human Sociality: Economic Experiments and Ethnographic Evidence from Fifteen Small-Scale Societies

Published in print: 2004 Published Online: January 2005
Item type: chapter

This chapter focuses on the behaviour in the Ultimatum and Public Goods Games of the Tsimane’, a group of Bolivian forager–horticulturalists. The study attempts to answer two questions: (1) whether Tsimane’ game behaviour differs from the standard results found among westernized, market-oriented, and industrialized populations, and (2) whether differential market exposure and acculturation affect norms of fairness and game behaviour across Tsimane’ villages. The chapter is arranged as follows: an introduction discusses cross-cultural game results, makes some predictions for results from the Tsimane’, and describes their characteristics; next, the methods used are outlined and the results are presented and analysed; the final section of the chapter discusses
several important questions raised by the research. Offers made by the Tsimane’ in the Ultimatum Game tended to be lower than those found among western populations and higher than those reported for the Machiguenga of Peru (ch. 5), while contributions in the Public Goods Game tended to be higher than those reported for the Machiguenga, but within the range found among western populations; there was also a high level of variation in the results from both games compared with standard western results. However, there were few differences in behaviour in either game that could be attributed to market exposure or acculturation, and the few differences that were there did not support the notion that exposure to modern markets produces game behaviour similar to that found in the west; the strongest predictor of game behaviour was village membership.

The Economist as Therapist: Methodological Ramifications of “Light” Paternalism
GEORGE LOEWNSTEIN and EMILY HAISLEY

in The Foundations of Positive and Normative Economics: A Hand Book
Published in print: 2008 Published Online: October 2011
DOI: 10.1093/acprof:oso/9780195328318.003.0009
Item type: chapter

As people consider quality and price in deciding what to buy and where to buy stuff, and make other such decisions in consumption, economic behavior is perceived to entail rationality and self-interest. However, there is a side of human behavior that seems to neglect rationality and tends to evoke self-destruction. Such behavior is displayed through making unstable investments, gambling, and activities that involve health risks such as smoking, excessive drinking, and even overeating that leads to obesity. An increasing number of economists are encouraged to look into the ability of people to perform reliable methods that show self-interest because of the developments and new findings in behavioral-economics research. This chapter examines paternalism and how certain acts can be attributed to externalities and internalities.

Acts of Mathematical Creation
Paul Erickson

in The World the Game theorists Made
Published in print: 2015 Published Online: May 2016
DOI: 10.7208/chicago/9780226097206.003.0002
Item type: chapter
Despite the ex post facto identification of a number of “anticipations” of game-theoretic results through history, it is generally agreed that modern game theory’s founding work was mathematician John von Neumann and economist Oskar Morgenstern’s 1944 book, Theory of Games and Economic Behavior. Yet to a student of game theory trained in recent decades, the book must seem antique in terms of its notations, style of presentation, and terminology. This chapter is therefore principally devoted to explicating the text of von Neumann and Morgenstern’s book, emphasizing the diverse nature of its contents: a dynamic, set-theoretic depiction of games in “extensive form;” the matrix “normal form” of the game and the celebrated “minimax theorem,” with its rich connections to topology and the theory of fixed points; the “characteristic function form” of games and definition of “solutions” as non-dominated sets of imputations; and finally, the von Neumann – Morgenstern theory of utility, which constructed a measure of utility from axioms of preference ordering. These pieces of the theory were not just selectively appropriated and used by different groups of individuals after 1944, but they were also the outgrowth of varied research interests of the book’s authors in the years preceding its publication.

Introduction
GREGORY C. CHOW

in Dynamic Economics: Optimization by the Lagrange Method

Dynamic economics involves explaining economic behavior that occurs through time. Although all of the economic behavior expressed by both enterprises and individuals occurs through time, there is a need to distinguish dynamic economics from other forms of economics because of how scientific theorizing entails abstraction. The term “dynamic economics” is used specifically in cases that concern long periods of development because for such cases, the time paths of various economic variables and the dynamic aspects of economic behavior are usually not taken into account. Initially, models of dynamic economics were mainly based on ad hoc assumptions and difference equations were prevalent as a tool for analysis. The development of dynamic econometric models between the 1950s and the 1970s introduced the lagged effects of variables. While optimization appears to be the fundamental goal of economics, dynamic economics involves choosing the appropriate uses for scarce resources across different periods of time.
Deconstructing and Reconceptualizing Market Abuse

EMILIOS AVGOULEAS

in The Mechanics and Regulation of Market Abuse: A Legal and Economic Analysis

Published in print: 2005 Published Online: January 2010

The identification of the link between insider dealing and market manipulation and the exploration of their conceptual and causal relationship with ‘bubbles’ and corporate governance failures should be seen as an inextricable part of any analysis of the two practices. This chapter discusses the mechanics of insider dealing as a form of economic behaviour. It attempts to chart the effect of insider dealing on market efficiency and aims to deconstruct the almost metaphysical dimensions that the discussion of the practice has taken, especially regarding its impact on market efficiency. The link between failures in corporate governance systems and the occurrence of market abuse, the relationship between insider dealing and market manipulation, and the extent to which bubbles foster and facilitate the perpetration of manipulations are also explored. In addition, a very large number of conceptual loans from what is considered as the legal analysis of market abuse are utilised in this chapter.

Conclusions

Louis Puttermann

in Continuity and Change in China’s Rural Development: Collective and Reform Eras in Perspective

Published in print: 1993 Published Online: October 2011

Despite the problems with the representativeness and generalizations of the Dahe data set, such information allows statistical investigations of economic behaviors of teams and team members during the collective period of crop production. Findings suggest that (1) a discretion-oriented, and not a coercive implementation of work codes, significantly adds to the fraction of work days and performance; and (2) the effective incentive system comprises heightened use and improved procedures on contribution-based cash disbursements. Another regime that marked the development of farm productivity and agricultural reforms
was the post-collective era, where marginal rewards were viewed as
effective compensation so as to achieve optimal performance and where
household farming (that is, the baogan daohu, was recognized as a
crucial task to the success of agriculture economics.

Motivating Methodological Change
in Borrowed Knowledge: Chaos Theory and the Challenge of Learning across
Disciplines

This chapter examines some detailed cases of the use of chaos theory
to motivate change, especially in economics but also in legal and
literary studies. It argues that in several instances this use is perfectly
appropriate, and begins by sketching the terrain in the study of chaotic
economic behavior.

Mass Politics in Tough Times
Larry Bartels and Nancy Bermeo (eds)

This book reveals how ordinary people in rich democracies responded to
the Great Recession. Through cross-national statistical work and detailed
case comparison, it surveys how the economic crisis affected elections,
public opinion and protest behaviour between 2008 and 2011. It shows
that incumbents were generally punished harshly at the polls regardless
of whether they were of the left or right, yet it also reveals that citizens
reacted to the recession with surprising moderation in other realms of
mass politics. Public opinion on redistribution, immigration, extremist
parties, and the Euro remained more stable than anticipated and popular
mobilizations were, with few exceptions, short-lived. The mobilizations
that did occur were overwhelmingly associated with austerity programs
and not the recession itself.
Mass Politics in Tough Times
Nancy Bermeo and Larry M. Bartels (eds)

in Mass Politics in Tough Times: Opinions, Votes and Protest in the Great Recession
Published in print: 2014 Published Online: April 2014
DOI: 10.1093/acprof:oso/9780199357505.003.0001
Item type: chapter

This chapter surveys how ordinary people reacted to the Great Recession. It introduces and elaborates on three themes emerging from the ten original essays that follow. First, voters were very likely to punish whatever party was ruling at the time of the recession, regardless of its ideology. No single ideological grouping including extremists has benefitted consistently from the Great Recession so far. Second, citizens were surprisingly unlikely to change their opinions during the crisis. Opinions on issues ranging from the Euro, to immigration, to redistribution remained surprisingly stable. Finally, with few exceptions, the Great Recession did not produce a wave of intense protest against poor economic performance. Mobilizations were generally focused on austerity packages and corruption rather than the recession per se.

The Inefficiency of Splitting the Bill
Uri Gneezy, Ernan Haruvy, and Hadas Yafe

in The Handbook of Market Design
Published in print: 2013 Published Online: January 2014
DOI: 10.1093/acprof:oso/9780199570515.003.0024
Item type: chapter

This chapter examines a restaurant setting in which groups of diners are faced with different ways of paying the bill. The manipulations are: splitting the bill, paying individually, having a portion of the bill picked up, and having the entire bill paid for. The chapter is organized as follows. The second section sketches the theory as it pertains to the diner's dilemma and derives the appropriate hypotheses implied by the theory. The third section details the design and procedures for the restaurant setting. The fourth section lists and explains the results, and investigates possible implications of gender issues. The fifth section presents a related laboratory experiment. The sixth section concludes.
Rational Expectations Are Endogenous to and Abide by “the” Model
Eric Barthalon

in Uncertainty, Expectations, and Financial Instability: Reviving Allais's Lost Theory of Psychological Time

Published in print: 2014 Published Online: November 2015
columbia/97802311166287.003.0002
Item type: chapter

This chapter examines the main assumptions of the rational expectations hypothesis (REH). REH is a pillar of the neo-Walrasian approach to general equilibrium, a mathematically demanding theory purporting to show how the interaction between rational agents engaged in constrained maximization of consumption, production, profits, etc., over time, generates a unique and stable intertemporal equilibrium. This chapter first provides a historical overview of REH before discussing John Muth's critique of exponential averages as a forecasting technique and his claim that exponential smoothing is an optimal filtering method, along with his other arguments against adaptive expectations. It then considers the application of REH to macroeconomics and proceeds by analyzing some of the criticisms against REH, including the mathematical or computational difficulties present in RE models and the compatibility of RE models with empirical data. Finally, it highlights REH's limited methodological relevance when it comes to modeling observed economic behavior.

Aging Issues in the United States and Japan
Seiritsu Ogura, Toshiaki Tachibanaki, and David A. Wise (eds)

Published in print: 2001 Published Online: February 2013
c/9780226620831.001.0001
Item type: book

The population base in both the United States and Japan is growing older and, as those populations age, they provoke heretofore unexamined economic consequences. This comparative volume, the third in the joint series offered by the National Bureau of Economic Research and the Japan Center for Economic Research, explores those consequences, drawing specific attention to four key areas: incentives for early retirement; savings, wealth, and asset allocation over the life cycle; health care and health care reform; and population projections. Given the undeniable global importance of the Japanese and U.S. economies, these chapters shed light on the complex correlations between aging...
and economic behavior. This work not only deepens our understanding of the Japanese and American economic landscapes but, through careful examination of the comparative social and economic data, clarifies the complex relation between aging societies, public policies, and economic outcomes.

Value and Why It Matters

Nick Gogerty

in The Nature of Value: How to Invest in the Adaptive Economy

Published in print: 2014 Published Online: November 2015
Item type: chapter

Publisher: Columbia University Press
DOI: 10.7312/columbia/9780231162449.003.0002

This chapter examines value more closely, showing how a better understanding of value can lead to a better understanding of the economy's behavior. It presents the economy as an evolutionary system, with comparisons made between the economy and the ecology. It shows that evolution's complex system of life (ecology) is analogous to the continual flow of the adaptive economy. Understanding one adaptive system—or panarchy—helps us understand the other. As material knowledge and energy flow through it, a panarchy's structure changes, bifurcating into more complex forms and allowing for greater and more efficient throughput of material and energy. Adaptive systems do not lend themselves to reductionist thinking, but by looking at general patterns and rules, one can start to understand some of their traits, behaviors, and goals.

Scandinavian Equality

Karl Ove Moene

in The Quest for Security: Protection Without Protectionism and the Challenge of Global Governance

Published in print: 2013 Published Online: November 2015
Item type: chapter

Publisher: Columbia University Press
DOI: 10.7312/columbia/9780231156868.003.0002

This chapter argues that Scandinavian equality gives direction to governance, social consciousness, and economic behavior. It shows how coordination induces wage compression in the labor market, which in turn leads to an egalitarian welfare state. Together they constitute an institutional equilibrium where equality is both cause and consequence. Faced with fierce competition on the world market, this equilibrium
path has produced the smallest wage differentials, the lowest frequency of labor disputes, and the most generous welfare states in the world. It must be the prime example of protection without protectionism—where worker security and free trade have persisted together for more than sixty years despite shifting governments and varying external circumstances.

Introduction
David A. Wise

in Labor Markets and Firm Benefit Policies in Japan and the United States

This is the fourth in a series of Japan Center for Economic Research-National Bureau of Economic Research volumes dealing with population aging, economic systems, and economic behavior in the United States and Japan. Following up on earlier work, this volume focuses more intensively on the employment policies in each country, including both general employment practices and more specific fringe benefit systems. Population aging, an older workforce, and the associated explosion in costs in both employer-provided and publicly-supported retirement benefit programs affect every aspect of employment policy. The chapters in this volume take an important step in relating these economic and demographic changes to employment practices and labor market trends in Japan and the United States, as well as to economic vitality and productivity more generally. An overview of the subsequent chapters is presented.

Milton Friedman as Teacher and Scholar
Robert E. Lucas

in Milton Friedman: Contributions to Economics and Public Policy

This chapter contains personal memories of Milton Friedman’s teaching as part of the Chicago PhD program in the academic year 1960 and 1961, supplemented by textbook assignments and some of his writings, notably in price theory, consumption theory, and monetary economics. As a teacher, Friedman’s classes were clinical experiences, like making
the hospital rounds with a brilliant doctor. The emphasis was on teaching students how to analyze economic behavior, to understand how policies or other forces alter behavior. Friedman’s goal was not simply to replace the authority his students were questioning with his own authority—though that would have been easy for him to do—but to equip them to identify the needed economics and apply it correctly themselves.

Personae and Their Purposes
in Front Page Economics
Published in print: 2011 Published Online: March 2013
DOI: 10.7208/chicago/9780226782010.003.0004
Item type: chapter

This chapter fills in the narratives with the essential actors and their purposes. It specifically provides the characters as personae who put a familiar and memorable face on economic behavior and turn making money into a test of individual worth. Francis Yates' The Art of Memory was one of the most persuasive studies of individual memory. This study was well stated and commended by Alan Baddeley. The personae in 1987 were as much a statement of what “should be” as it is a statement of “what is.” The 1987 stock market was more heavily policed than in 1929. Throughout the early months of 1987, the Stock Market personae were less colorful than of the ones in 1929. The Raiders and the Insiders were as bad as it got before the crash in 1987. Both the 1929 and 1987 romances would come crashing down into a corrupt and costly financial crisis.

Monkey’s Thigh Is the Shaman’s Meat
Jana Fortier
in Kings of the Forest: The Cultural Resilience of Himalayan Hunter-Gatherers
Published in print: 2009 Published Online: November 2016
DOI: 10.21313/hawaii/9780824833220.003.0005
Item type: chapter

This chapter describes how Rautes hunt monkeys and how God, who demands that they hunt monkey, blesses this symbolic cannibalism. The process of hunting is not linear, with a beginning and an end. Rautes think about hunting, dream about hunting, enact hunts through dance, and prepare for hunting during the times when they are not actually in the process of running and chasing monkeys into the nets. The rationale for hunting rituals is that God constantly asks for little gifts like rice and chicks; only then will she or he be satisfied, and only then will the Raute
hunts be successful. The chapter also discusses how hunting and sharing monkey meat constitutes an essential part of Raute economic behavior.

The Legacies of History
Gordon Redding and Michael A. Witt

in The Future of Chinese Capitalism: Choices and Chances: Choices and Chances

Published in print: 2010 Published Online: October 2011
Publisher: Oxford University Press DOI: 10.1093/acprof:oso/9780199575879.003.0004

This chapter presents a discussion on Chinese culture as well as its institutions and order. It also concentrates on aspects related to organization and economic behavior as the focus is placed on China's business life. As a result, it revolves around six crucial features affecting the society's emergence toward a new condition. These include the retention of control by the state, endemic mistrust and its connection with social structures, information access, social norms and institutions hierarchy and its effects on organization, individual entrepreneurship and opportunism, technological dependence and the desire to make up for lost time. All these flow forward from its history, and in a sense all of them make China what it is.