

# Economic Perspective on Non-economic Phenomena

Tomáš Miklánek



EVROPSKÁ UNIE  
Evropské strukturální a investiční fondy  
Operační program Výzkum, vývoj a vzdělávání



# Lecturer and TAs

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  - Tomáš Miklánek (tomas.miklanek@vse.cz)

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- Teaching assistant:
  - *Jméno a příjmení TA, email*

# Basic logistics

- Lectures: *den, hodiny, místnost*
- Exercise sessions (occasional migration allowed upon agreement with TA):
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## Semester schedule

Week ( <i>Den v týdnu</i> date)	Topic
<i>Datum</i>	Intro lecture
<i>Datum</i>	Family
<i>Datum</i>	Matching market
<i>Datum</i>	Marriage and Labor market
<i>Datum</i>	Fertility and Family policies
<i>Datum</i>	<b>Exam (Midterm)</b>
<i>Datum</i>	Drugs
<i>Datum</i>	Crime
<i>Datum</i>	Crime applications
<i>Datum</i>	Health
<i>Datum</i>	Religion
<i>Datum</i>	Discrimination
<i>Datum</i>	<b>Final exam</b>

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- Midterm (March 18th)
  - topics of Family Economics
  - **mandatory**
  - non-participation possible if supported by medical evidence (then it is written right after your final exam)
- Final exam
  - non-cumulative (no Family Economics)

# Readings

- Hoffman and Averett (2010): Women and the economy: family, work, and pay
- Cooter and Ulen (2014): Law and Economics
- Smelser and Swedberg (1994): The Handbook of Economic Sociology (or newer versions)
- Becker and Becker (1997): The Economics of Life

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- Topic related readings - will be announced with the topics

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- Enthusiasm
  - **the most important**

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- Their behavior is motivated by a broader set of values
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- People maximize their welfare (not only monetary outcomes) and are rational **given their decision-making framework**

## Restricted rationality? (assumptions)

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  - cognitive capacity

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  - It is rational to be ignorant when information costs more than is worth (**MC > MB**)

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  - Both, a general and a soldier want to win and both want the soldier to survive, but relative importance of the soldier's life is much greater for the soldier than for the general.

# Individual rationality vs. Group outcome



# Traffic congestion - simple example



Suppose that 1000 citizens of some town can use either car or train to get to their workplace. Duration of the train trip is always 30 minutes. Time of the car trip is given (in minutes) by  $T_c = 20 + \frac{N}{50}$ . Where N is number of the drivers on the road. Time is the only cost in this example and there are no other costs.

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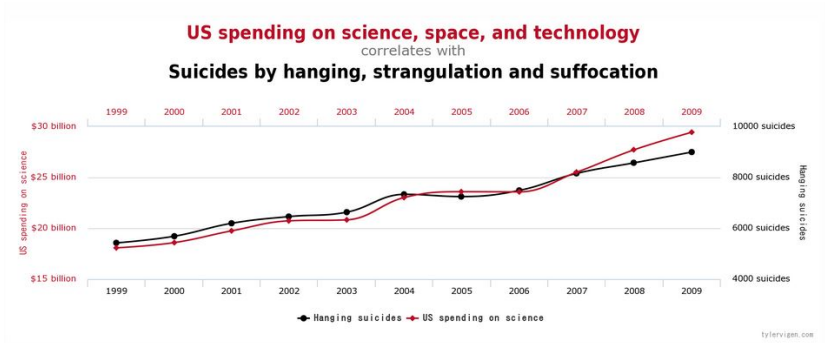


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An observed outcome may not be the best for the society, however, it may be individually rational.

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- *How can we conclusively derive cause-effect relationship?*

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  - Examine the outcome of these situations for the individuals and society

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- Marginal benefit of the crime  $>$  marginal cost of the crime  $\Rightarrow$   
It is rational to commit a crime

# Think about this...

- *Rape is a serious crime. However, the punishment for it, is in most countries significantly lower than for a murder. Could you think about the argument why is it so? Try to use the reasoning we have just discussed.*

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- *Rape is a serious crime. However, the punishment for it, is in most countries significantly lower than for a murder. Could you think about the argument why is it so? Try to use the reasoning we have just discussed.*
- More about Economics of Crime in April

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- *Problems with economic models?*
  - Short articles about use of the models: [LINK1](#), [LINK2](#)

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- Total cost has three components:

$D(O)$  = Damages of crime (as function of offenses)

$C(O,p)$  = Costs of apprehension (as function of offenses and probability of apprehension)

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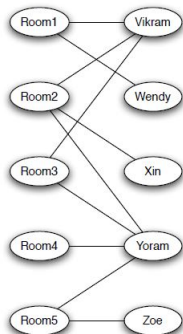
Total social cost =  $D(O) + C(O) + bpfO$

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- Assignment of the students into dormitory rooms





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- Importantly: such outcomes cannot be forced upon people in a centralized way.

## Matching market 2

- Unless you are religious, perhaps...



- More about matching markets in 2 weeks...

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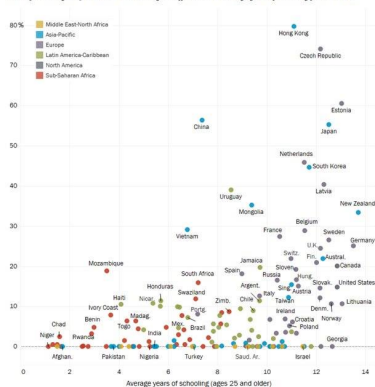
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- Prohibition
  - production, possession and consumption are penalized
- *How to choose the best regime for each drug?*

# What would happen if we prolong education time?

## Countries with high levels of educational attainment tend to have larger shares of religiously unaffiliated adults than countries with low attainment

Share of adults ages 25 and older with no religious affiliation vs. average years of schooling for all adults



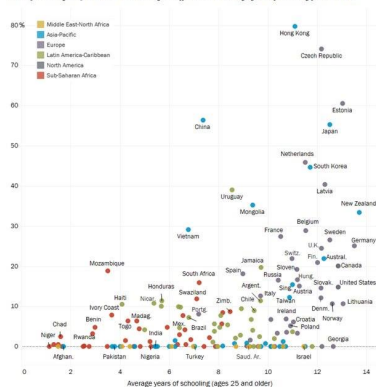
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Source: Pew Research Center analysis. See Methodology for more details.  
\*Religion and Education Around the World\*

PEW RESEARCH CENTER

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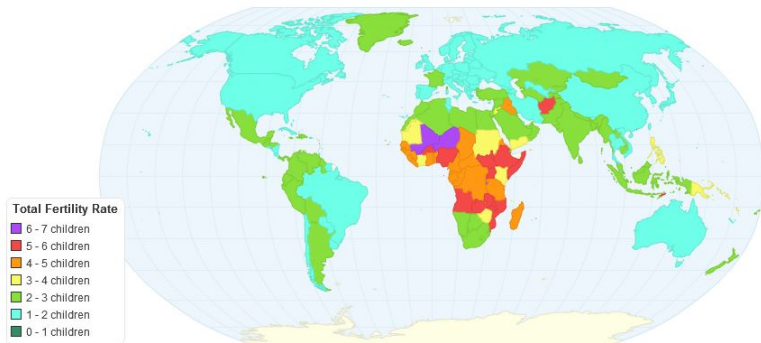
## ● Correlation/Causality?

## For the next lecture...

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- Contradicted by data:



Source: CIA World Factbook (2015)

## Think about this...

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Suggested reading for today:

- THE ECONOMIC WAY OF LOOKING AT LIFE, Gary S. Becker, Economic Sciences, 1992 (Nobel Prize Lecture)





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## Národohospodářská fakulta VŠE v Praze



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