

## ***Eco 225: The Economics of Sin***

MWF, 9:15-10:20, Karp 001

Prof. Lewis Davis

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Office Hours: 2-4 Thursday and by appointment

### **Overview:**

This class is about the economics of sin. As a working definition, *sin* will refer to goods and services that people demand but the sale of which is subject to public moral condemnation. These include transplantable organs, legal and illegal intoxicants, and sex. We will use the tools of economic analysis to consider the effects of various policies and regulations, both in terms of market outcomes and their broader social influence. We will also use economic analysis to address the evolution of ethical rules. We will also evaluate social outcomes from a number of different ethical positions, including deontological, libertarian, utilitarian and paternalistic perspectives. In doing so, we will be asking how economics and ethics interact and whether, or to what degree, markets can be used to further moral objectives.

### **Course Materials:**

Most of the readings are available on nexus. In addition, you should purchase a copy of Miron, *Drug War Crimes*, which is available at the bookstore. You are expected to bring printed copies of the articles to class so we can discuss them in detail.

### **Evaluation:**

Reading Quizzes	Almost daily	20%
Class Participation	Daily	20%
Midterm Exam	May 4	25%
Final Exam	TBA	35%

**Class Participation:** Active and insightful participation in class discussions is expected. Readings are available online on nexus. Most of the time, you will have a discussion guide to help you prepare for discussion.

**Reading Quizzes:** On days for which there is a discussion reading, there will be a quiz at the start of class on a simple aspect of one of the readings. The quiz will be graded as 0 or 1.

**Homework:** Problem sets for each topic are posted on nexus. They are not graded, but are designed to give you an idea of the kinds of problems I expect you to be able to do. You are encouraged to work on the homework in groups.

**Laptops and Cell Phones:** No laptops. Looking at your cell phone will cost you a point on your final grade.

**Honor Code:** Academic honesty is central to my expectations and your experience at Union. The Honor Code applies to all work done for this class.

## ***Course Outline***

### **I. Ethics and Economics**

#### **a. March 30: Introduction to Ethical Reasoning**

- i. **Lecture:** “Introduction to Ethical Reasoning: Deontology, Libertarianism, Utilitarianism, and Egalitarianism”
- ii. **Case Study:** Motorcycle Helmet Laws
  1. Teresi, “The Case for No Helmets,” NY Times, Op-Ed, June 17, 1995
  2. NHTSA, “Motorcycle Helmet Laws,” 2004.

#### **b. April 1: Evolutionary Perspectives on Ethics**

- i. Pinker, “The Moral Instinct,” NY Times, Jan. 13, 2008.
- ii. **Lecture:** Game Theory and Nepotistic Altruism. \*\* Dawkins, Nice guys finish First, in *The Selfish Gene*, 3<sup>rd</sup> edition. \*\* Heinrich et al. “‘Economic Man’ in cross-cultural perspective,” manuscript, Santa Fe Institute.
- iii. **Handout:** Game theory and the prisoner’s dilemma.

#### **c. April 3: The Evolution of Cooperation**

- i. Poundstone: “Survival of the Fittest” from *The Prisoner’s Dilemma*.
- ii. **Lecture:** Reciprocal Altruism

#### **d. April 6: Of Markets and Morals**

- i. **Lecture:** The Ethical Evaluation of Market Equilibria
- ii. **Handouts:** Computing Economic Surplus, Ethics of Equilibria

#### **e. April 8: Paternalism and the Economics of Self Control**

- i. Thaler and Sunstein, Chapters 2 and 4, in *Nudge*, Penguin Books, 2008.
- ii. **Lecture:** Paternalistic Libertarianism
- iii. **Handout:** The Economics of Self Control
- iv. **Homework #1:** Ethics and Economics

### **II. The Market for Transplantable Organs**

#### **a. April 10: The Market for Transplantable Organs**

- i. Rohter, “The Organ Trade,” NY Times, May 23, 2004.

- ii. **Lecture:** Supply and demand in the US kidney transplant market. \*\* Becker and Elias, "Introducing Incentives," JEP 21(3), 2007, 2-24.

**b. April 13: Ethical Perspectives on Organ Sales**

- i. Childress, "Should Congress Allow the Buying and Selling of Human Organs?" *Insight*, May 7, 2001, 40-43.
- ii. Cohen, "Directions for the Disposition of My (and Your) Vital Organs," *Regulation*, Fall 2005, 32-38.
- iii. Oswald, "Using the tax system to solve the shortage of human organs," *Kyklos*, 54, 2001, pp. 379-82.

**c. April 15: Exploitation, Distribution and Kidney Swaps**

- i. Meckler, "More Kidney Transplants May Go to Young," *WSJ*, March 10, 2007.
- ii. Goyal et al., "The Economic and Health Consequences of Selling a Kidney in India," *JAMA*, Oct. 2, 2002, 1589-1593.
- iii. Meckler, "Kidney Swaps Seen as Way to Ease Donor Shortage," *WSJ*, Oct. 15, 2007.
- iv. **Handout:** Kidney Swaps and Economic Surplus.

**d. April 17: Blood and Altruism**

- i. Healy, "Organizations and Obligations," *Last Best Gifts*, 2006.
- ii. **Lecture:** The Market for Blood
- iii. **Homework #2:** The economics of transplantable organs

**III. The Economics of Crime**

**a. April 20: Crime and Punishment**

- i. Becker, "The Economics of Crime" Cross Sections, Federal Reserve Bank of Richmond, 1995.
- ii. Levitt and Dubner "Where have all the criminals gone?" in *Freakonomics*, 2005.

**b. April 22: The Economics of Risky Behavior**

- i. **Lecture:** Risk and Impatience in utility functions

**c. April 24: Economics of Organized Crime:**

- i. Venkatesh, "Someone to Watch Over Me," in *Gang Leader for a Day*, 2008.

- ii. **Lecture:** The economics of organized crime. \*\* Skaperdas, “The political economy of organized crime,” *Econ. Gov.* (2001) 2: 173–202.
- iii. **Homework #3:** The Economics of Crime

**IV. Externalities, Taxes and Addiction: Cigarettes**

**a. April 27: Externalities and Cigarette Taxes**

- i. Lambert, “The Case Against Smoking Bans,” *Regulation*, Winter 2006-2007, 34-40.
- ii. **Lecture:** Externalities, Elasticity and Pigovian Taxes. \*\*\* Frank and Bernanke, Chapter 12. \*\* Gruber, “Tobacco at a cross-roads,” *J. of Econ. Perspectives*, Spring 2001, 193-212.

**b. April 29: Economics of Habits and Addiction**

- i. Becker, “Habits, Addictions and Traditions,” *Kyklos*, 1992.
- ii. Easterlin, “The Economics of Happiness,” *Daedalus*, 2004.

**c. May 1: Rationality and Addiction:**

- i. Schelling, “Cigarette Addiction,” *Science*, Jan. 24, 1992, 430-433.
- ii. Gruber, “Internalities,” *Regulation*, Winter 2002-2003, 52-65.
- iii. **Lecture:** Economic Models of Addiction
- iv. **Homework #4:** Externalities, Taxes and Addiction

*May 4: Midterm Exam*

**V. The Market for Sex: Marriage, Divorce, Infidelity, Polygamy and Prostitution**

**a. May 6: The Marriage Market:**

- i. **Lecture:** Explaining Trends in Marriage and Divorce. \*\*Stevenson and Wolfers, “Marriage and Divorce,” *JEP* 21(2), 2007, 27-52.

**May 8: Steinmetz Symposium: No Class.**

**b. May 11: Polygamy and Infidelity**

- i. Wright, “The Marriage Market,” *The Moral Animal*, pp. 93-112.
- ii. Elmslie and Tebaldi, “So what did you do last night? The Economics of Infidelity,” *Kyklos* 61(3), 2008, 391-210.

**c. May 13: Ethical Perspectives on Prostitution**

- i. Shrage “Prostitution and the case for decriminalization,” *Dissent* 43, 1996, 41-45
- ii. Weitzer, “Prostitution: Facts and Fictions,” *Contexts* 6(4), 28-33.
- iii. Interview with Carol Leigh: <https://vimeo.com/82925011>.

**d. May 15: Economics of Prostitution**

- i. “More Bang for Your Buck” *The Economist*, 2014.
- ii. **Lecture:** Prostitution: Theory and Evidence. \*\* Edlund and Korn, “A Theory of Prostitution,” *JPE*, 2002.
- iii. **Lecture:** Street Level and Online Prostitution: \*\* Levitt and Venkatesh, “An Empirical Analysis of Street-Level Prostitution,” manuscript, U. of Chicago, Sept. 2007. Cunningham and Kendal, “Prostitution 2.0”

**e. May 18: Prostitution and Human Trafficking**

- i. Platt, “Regulating the Global Brothel,” *American Prospect*, July 2, 2001, 10-14.
- ii. **Lecture:** Prostitution and Human Trafficking. \*\*Cho, Dreher and Neumayer, 2013.
- iii. **Homework #5:** Economics of Sex.

**VI. Illegal Markets: Prohibition and The War on Drugs (3 weeks)**

**a. May 20: The Prohibition of Alcohol in the US**

- i. Miron, “The Effect of Prohibition on Drug Consumption: Evidence from Alcohol Prohibition,” *Drug War Crimes*.
- ii. Blocker, “Did Prohibition Really Work?” *American Journal of Public Health* 96(2), 233-43.
- iii. Thornton, “Alcohol Prohibition was a Failure,” *Cato Institute Policy Analysis* #157, 1991.

**b. May 22: Introduction to the War on Drugs:**

- i. Wilson, “Against the legalization of drugs,” *Commentary*, *Commentary*, 89:2 (1990:Feb.) p.21-28.
- ii. Buckley, “The War on Drugs is Lost,” *National Review*, Feb 12, 1996.
- iii. *Executive Summary: The Economic Cost of Drug Abuse 1992-2002*, Office of National Drug Control Policy, <http://www.whitehousedrugpolicy.gov/>.

**iv. Quiz 7**

**c. May 25: The Economics of Prohibition**

- i. **Lecture:** Data on Drug Prices and Drug Use. \*\*MacCoun and Reuter, Chapter 2, in *Heresies*.
- ii. **Lecture:** The Economics of Prohibition, \*\*\*Miron, “The Economic Analysis of Drug Prohibition,” *Drug War Crimes*. \*\* Becker, Goldstein and Murphy, “The Market for Illegal Goods: The Case of Drugs,” JPE 114(1), 38-60.
- iii. **Note:** Quantity restrictions.

**d. May 27: Supply-Side Drug Control Policies**

- i. Reuter, “The Limits of Supply-Side Drug Control,” Milken Institute Review, 2001.
- ii. **Handout:** the economics of confiscation and eradication programs.
- iii. **Lecture:** Prohibition and Drug Prices: \*\*Miron, “The Effect of Prohibition on Drug Prices,” Review of Economics and Statistics, 2003, 522-530.
- iv. **Homework #6:** Economics of Prohibition

**e. May 29: Drugs and Crime**

- i. Miron, “Prohibitions and Violence,” Chapter 4, *Drug War Crimes*.
- ii. Blumenson and Nilsen, “The Drug War’s Hidden Agenda,” *The Nation*, March 9, 1998, 11-16.
- iii. **Handout:** Drug-Related Homicide in NY: 1984-1988.
- iv. **Lecture:** Crack and Crime. \*\*Grogger and Willis, “The Emergence of Crack Cocaine and the Rise in Urban Crime Rates,” RES 82(4), 519-29.
- v. **Quiz 8**

**f. June 1: Marijuana**

- i. Reinerman et al., “Cannabis in Amsterdam and San Francisco,” *American Journal of Public Health*, May 2004, Vol 94, No. 5.
- ii. Anderson and Rees, “The Legalization of Medical Marijuana: How Likely is the Worst-Case Scenario?” JPAM, 2014.
- iii. Cohen and McGowan, “The Grass is Always Greener When it’s Legal,” *The Economist’s Voice*, 2012.

**g. June 3: Heroin Policy**

- i. Nadelmann, "Commonsense Drug Policy," *Foreign Affairs*, January/February 1998.
- ii. Huber, "Needle Park," *Addiction*, 1994, 513-16.
- iii. **Lecture:** Price Discrimination in the Market for Heroin

**h. June 5: The International War on Drugs**

- i. Thoumi, "Illegal Drugs in Colombia: From Illegal Economic Boom to Social Crisis," *ANNALS, AAPSS*, 582, July 2002
- ii. Peceny and Durnan, "FARC's Best Friend: U.S. Antidrug Policies and the Deepening of Colombia's Civil War in the 1990s," *Latin American Politics and Society*, Summer 2006.
- iii. **Quiz 9**