Household Production Function approach to analyzing behavior

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I. Introduction: wearing two hats

1. Current position in the U.S. and China: a sales pitch for the Fulbright Program.

2. Educational background & experience: from Taiwan to the U.S.

3. Professional experience: working and living in the U.S.

Ambassador Locke





2012-2013 Annual Report



Econ 6990: Household Production, <u>Human Capital, and Analysis of</u> <u>Some Seemingly Non-Economic</u> Human Behavior

What do sex, contraceptives, marriage, divorce, suicide, charity, alcohol or cigarette addiction, religion, crime, homicide, and punishment have in common with consumption, production, price, labor market, inflation, monopoly, and exchange rates?

The answer is that the former are all aspects of human behavior, which, like the latter, can be analyzed and modeled using conventional economic approaches. The application of economic reasoning to human behavior, which was until recently considered to be beyond the scope of economic analysis, was pioneered by Gary Becker, the 1992 Nobel Laureate in Economics.

Becker's excursions into sociology, anthropology, and political science led him to think about issues such as marriage, religion, and crime in an entirely new way, and eventually to assert that all actions, whether working, playing, dating, or mating, have economic motivations and consequences.

The general objective of this course is to introduce Becker's work and ideas and to illustrate to students the ways in which the standard tools of economics can be used to understand a wide range of human actions.

Traditional Theory

Max. U = U(
$$X_{1_i} X_{2_i} X_n$$
)
s.t. I = $\sum P_i X_i$

Solutions: e.g. FOC: $(MU_1 / MU_2) = (P_1 / P_2)$ X₁ = d₁(I/P, P₁/P, P_i/P, T)

New Approach

Max. U = U(Z₁, Z₂,...,Z_n)
s.t. Z_i = Z_i (X_i, t_i, E)
with T = t_w +
$$\sum$$
t_i and I = \sum P_iX_i
or together S = wT + V = \sum (wt_i + P_iX_i)
FOC: (MU_i/MU_j) = [w(dt_i/dZ_i) + P_i(dX_i/dZ_i)]/
[w(dt_j/dZ_j) + P_j(dX_j/dZ_j)]
= (\pi_i/\pi_j)

Applications of HPF Approach

Analyzing suicidal behavior: A "Life Market" Participation Perspective of Suicide (treating the utility generating "life income" as a Z variable, i.e. Becker's type of household production commodity.)

Applications of HPF Approach

Analyzing charitable behavior: Labor Supply, Voluntary Work, and Charitable Contributions in a Model of Utility Maximization (treating a utilitygenerating composite commodity that accommodates every motive for charity as a Z variable)