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The Economics of Men Behaving Badly

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Brendan Hoffman for The New York Times Anthony Weiner, the latest example of a person with a lot to lose doing a "very dumb thing."

Maureen Dowd, among others, observed in Tuesday's paper that many of the recent examples of men behaving badly were perpetrated by men married to powerful, independently successful wives, on whom some of the cheaters were financially dependent. And with so much political power and celebrity of their own at stake, there was even more reason to avoid boneheaded decisions like texting crotch-shots to strangers or impregnating the housekeeper.

In economic terms, the risk-reward trade-off just didn't make sense.

Traditional economics would argue that illegal or immoral behavior should be most attractive to people who have little to lose. And yet successful people who have very high opportunity costs are still engaging in royally dumb activities.

In fact, some researchers have argued that people with more to lose may be *more* likely to engage in risky, socially unacceptable and self-destructive behavior.

For example, Utpal Bhattacharya and Cassandra D. Marshall of Indiana University-Bloomington have looked into what kinds of people are more likely to engage in insider-trading. The answer? The best-paid executives.

From the paper's abstract:

> Using a sample of all top management who were convicted of illegal insider trading in the United States for trades during the period 1989-2002, we explore the economic rationality of this white-collar crime. If this crime is an economically rational activity in the sense of Becker (1968), where a crime is committed if its expected benefits exceed its expected costs, "poorer" top management should be doing the most illegal insider trading. This is because the "poor" have more to gain (an extra dollar means more to them) and less to lose (loss of reputation and future compensation if caught is lower for them). We find in the data, however, that convictions are concentrated in the "richer" strata after we control for firm size, industry, firm growth opportunities, the opportunity to commit illegal insider trading, and the possibility that regulators target the "richer" strata. We thus cannot rule out psychological motives (like hubris) or sociological motives (like company culture) behind this white-collar crime.

Maybe power breeds hubris rather than actuarially-calibrated caution. But relative powerlessness somehow seems to have the same effect.

One controversial study by Christin L. Munsch, a doctoral candidate in sociology at Cornell, found that men who are more financially dependent on their wives are more likely to cheat. Again, this goes against what economics would predict, but seems to indicate that a lower level of power and threatened masculinity may also tempt men to transgress.

In related work — which we've blogged about before — a study examined the popular trope of the "Oscar Curse," popularized by the revelation that Sandra Bullock's husband was caught cheating right after she won an Academy Award. Comparing the marital fates of female Oscar winners versus female Oscar nominees, the research found that Oscar winners were much more likely to have their marriages end in divorce. It did not determine whether those marriages were more likely to end because of infidelity, though.