

Syllabus

Course name

Behavioral Economics

Semester

Spring 2022 semester

Name of the main instructor

Darya Korlyakova, MA, Ph.D. student

darya.korlyakova@cerge-ei.cz

Date

- Classes: February 28 – April 8, 2022
- Final exam week: April 11 – 15, 2022
- Make-up exam week: April 18 – 22, 2022

Time

- Lectures: Monday 9.00-10.30 a.m. CET, Thursday 9.00-9.45 a.m. CET. Note that after March 27, 2022, due to the daylight saving time lectures will be held on Monday 8.00-9.30 a.m. and Thursday 8.00-8.45 a.m. Thus, there will be no change in the course time slots for countries which do not change time.
 - Exercise session: Thursday 9.45-10.30 a.m. CET
-

Office hours

To be determined.

Course overview

The course aims to acquaint students with the basics of main behavioral theories and empirical methods commonly used to test theoretical predictions. The knowledge obtained in this course may be useful for both professional life in future and study strategies.

Upon successful completion of this course, students should be able to

- understand the conceptual framework of behavioral economics and its tools
- apply insights from psychology when predicting or analyzing economic decision-making
- critically discuss the assumptions of traditional economic theory

Prerequisites

Microeconomics, Macroeconomics and Statistics at an introductory level

Course Requirements and Grading

Grades will be determined based on (i) homework assignment(s) (20%), (ii) activity during lectures and exercise sessions (10%), (iii) report on a research paper (30%), and (v) final exam (40%). The recommended structure of the report, evaluation criteria, and a list of research papers to choose from will be provided at the beginning of the semester. The purpose of writing the report is to gain understanding of how to clearly formulate the predictions of standard economic and behavioral theory and to analyze research findings from a theoretical perspective.

Students must earn at least 60% of the total grade (and final exam) to pass the course. Cheating and plagiarism will be penalized.

Course Outline and Readings

Week 1: Introduction to Behavioral Economics. Bounded rationality.

- Camerer, C. F., Loewenstein, G., & Rabin, M. (Eds.). (2004). *Advances in behavioral economics*. Princeton University press.
- Laibson, D., & List, J. A. (2015). Principles of (behavioral) economics. *American Economic Review*, 105(5), 385-90.
- Simon, H. A. (1955). A behavioral model of rational choice. *The Quarterly Journal of Economics*, 69(1), 99-118.
- Angner, E., & Loewenstein, G. (2007). Behavioral economics. *Handbook of the Philosophy of Science: Philosophy of Economics*, 641-690.
- Chetty, R. (2015). Behavioral economics and public policy: A pragmatic perspective. *American Economic Review*, 105(5), 1-33.

Week 2: Heuristics & Biases. Reference-dependent utility.

- Kahneman, D. (2003). Maps of bounded rationality: Psychology for behavioral economics. *American Economic Review*, 93(5), 1449-1475.
- Kahneman, D. (2011). *Thinking, fast and slow*. Macmillan.
- Tversky, A., and Kahneman, D. (1974). Judgment under uncertainty: Heuristics and biases. *Science*, 185, 1124-1131.
- Ariely, D., Loewenstein, G., & Prelec, D. (2003). "Coherent arbitrariness": Stable demand curves without stable preferences. *The Quarterly Journal of Economics*, 118(1), 73-106.
- Furnham, A., & Boo, H. C. (2011). A literature review of the anchoring effect. *The Journal of Socio-Economics*, 40(1), 35-42.
- Kahneman, D., & Tversky, A. (1979). Prospect Theory: An Analysis of Decision under Risk. *Econometrica*, 47(2), 263-292.
-

Kahneman, D., Knetsch, J. L., & Thaler, R. H. (1991). Anomalies: The endowment effect, loss aversion, and status quo bias. *Journal of Economic Perspectives*, 5(1), 193-206.

Week 3: Intertemporal choice

DellaVigna, S. (2009). Psychology and economics: Evidence from the field. *Journal of Economic Literature*, 47(2), 315-72.

O'Donoghue, T., & Rabin, M. (1999). Doing it now or later. *American Economic Review*, 89(1), 103-124.

Thaler, R. H., & Shefrin, H. M. (1981). An economic theory of self-control. *Journal of Political Economy*, 89(2), 392-406.

O'Donoghue, T., & Rabin, M. (2000). The economics of immediate gratification. *Journal of Behavioral Decision Making*, 13(2), 233-250.

Loewenstein, G., Read, D., & Baumeister, R. F. (Eds.). (2003). Time and decision: Economic and psychological perspectives of intertemporal choice. Russell Sage Foundation.

Bryan, G., Karlan, D., & Nelson, S. (2010). Commitment devices. *Annual Review of Economics*, 2(1), 671-698.

Moffitt, T. E., Arseneault, L., Belsky, D., Dickson, N., Hancox, R. J., Harrington, H., ... & Caspi, A. (2011). A gradient of childhood self-control predicts health, wealth, and public safety. *Proceedings of the national Academy of Sciences*, 108(7), 2693-2698.

Week 4: Social preferences

Camerer, C. Behavioral Game Theory: Experiments in Strategic Interaction.

DellaVigna, S. (2009). Psychology and economics: Evidence from the field. *Journal of Economic Literature*, 47(2), 315-72.

Gächter, S. (2004). Behavioral game theory. *Blackwell Handbook of Judgment and Decision Making*, 485-503.

Camerer, C. F. (1997). Progress in behavioral game theory. *Journal of Economic Perspectives*, 11(4), 167-188.

Week 5: The economic psychology of incentives

- Kamenica, E. (2012). Behavioral economics and psychology of incentives. *Annual Review of Economics*, 4(1), 427-452.
- Gneezy, U., Meier, S., & Rey-Biel, P. (2011). When and why incentives (don't) work to modify behavior. *Journal of Economic Perspectives*, 25(4), 191-210.
- Fehr, E., & Falk, A. (2002). Psychological foundations of incentives. *European Economic Review*, 46(4-5), 687-724.
- Benabou, R., & Tirole, J. (2003). Intrinsic and extrinsic motivation. *The Review of Economic Studies*, 70(3), 489-520.
- Hossain, T., & List, J. A. (2012). The behavioralist visits the factory: Increasing productivity using simple framing manipulations. *Management Science*, 58(12), 2151-2167.

Week 6: Attention and information acquisition

- Chetty, R., Looney, A., & Kroft, K. (2009). Salience and taxation: Theory and evidence. *American economic review*, 99(4), 1145-77.
- Mackowiak, B., Matejka, F., & Wiederholt, M. (2021). Rational inattention: A review. ECB Working Paper No. 2570.
- Olafsson, A., Pagel, M., Coibion, O., & Gorodnichenko, Y. (2018). The ostrich in us: Selective attention to personal finances. NBER Working Paper No. 23945.
- Bartoš, V., Bauer, M., Chytilová, J., & Matějka, F. (2016). Attention discrimination: Theory and field experiments with monitoring information acquisition. *American Economic Review*, 106(6), 1437-75.
- Golman, R., Hagmann, D., & Loewenstein, G. (2017). Information avoidance. *Journal of Economic Literature*, 55(1), 96-135.
- Bénabou, R., & Tirole, J. (2016). Mindful economics: The production, consumption, and value of beliefs. *Journal of Economic Perspectives*, 30(3), 141-64.
- Golman, R., Loewenstein, G., Molnar, A., & Saccardo, S. (2021). The demand for, and avoidance of, information. SSRN Working Paper No. 2149362.
-

Loewenstein, G. (1994). The psychology of curiosity: A review and reinterpretation. *Psychological bulletin*, 116(1), 75.
