

## **Tentative Schedule & Reading List (Revised October 4, 2022)**

*All required readings not included in the textbooks can be accessed via Canvas.  
Class topics and readings are subject to revision, i.e. some topics might be revised or even dropped  
altogether if time runs short. Please check Canvas for an updated Tentative Schedule.*

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### **MODULE 1 – INTRODUCTION**

**September 9**

#### **L1 Course Introduction**

##### Activities and Assignments:

- A short in-class survey in TopHat
- In-class experiments

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### **MODULE 2 – OVERVIEW AND RISK PREFERENCES**

**September 12-18**

**September 13**

#### **L2 Overview of course topics**

Q. What is behavioral economics?

Q. What makes an “economic anomaly”?

Q. Why is it important to study economic anomalies, or “predictable irrationality”?

**\*\*Class Syllabus\*\***

##### Activities and Assignments:

- In-class experiments

##### Required Readings:

- Kahneman, Introduction and Chapter 1
- “Fairness as a Constraint on Profit-Seeking,” Kahneman, Knetsch, and Thaler (1986)

**September 16**

#### **L3 Expected utility theory**

Q. How does the neoclassical model explain risk aversion?

##### Required Readings:

Kahneman, Chapter 25

##### Activities and Assignments

Problem Set 1 (due Sunday, September 18 at 3:00pm)

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### **MODULE 3 – RISK PREFERENCES: PROSPECT THEORY**

**September 19-25**

**September 20**

#### **L4 The endowment effect and reference dependence**

Q. What kinds of choices between risky gambles are inconsistent with the neoclassical model? Why?

##### Required Readings:

- Kahneman, Chapters 26 and 27

**September 23**

#### **L5 Prospect Theory value function**

Q. What are the properties of Prospect Theory’s value function, and how does it differ from a “standard” utility function?

##### Required Readings:

- Kahneman, Chapters 29 and 31

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## **MODULE 4 – APPLICATIONS OF PROSPECT THEORY**

**September 26-October 2**

**September 27**

### **L6 Applications of Prospect Theory**

Q. What evidence shows the predictions of prospect theory playing out in real world settings?

Activities and Assignments:

- Problem Set 2 (due Thursday, September 29 at 3:00pm)

**September 30**

### **L7 Applications of Prospect Theory**

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**October 4 – Exam 1 on Modules 1-4**

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## **MODULE 5 – LOSS AVERSION**

**October 3-9**

**October 7**

### **L8 Happiness Research**

Q. What makes people happy?

Q. Why do we compare ourselves to others?

Q. Where do our Reference Points come from?

Required Readings:

- Kahneman, Chapters 37 and 38
- “Anomalies: Utility Maximization and Experienced Utility,” Kahneman and Thaler (2006)

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## **MODULE 6 – LOSS AVERSION AND TIME PREFERENCES: STANDARD MODEL AND VIOLATIONS**

**October 10-16**

**October 11**

### **L9 Loss aversion in different markets**

Q. In what kinds of market interactions are loss aversion and the endowment effect most prevalent?

Q. Does market “practice” mitigate the endowment effect?

Required Readings:

“Neoclassical Theory versus Prospect Theory: Evidence from the Marketplace,” List (2004)

**October 14**

### **L10 Decision making over time: The standard model**

Q. How does future utility factor into choices in the exponential discounting model?

Required Readings:

- Frederick et al. (JEL 2002): Time Discounting and Time Preference: A Critical Review
- “Intertemporal Choice,” Loewenstein and Thaler (1989), ONLY pp. 181-186

Activities and Assignments:

- Problem Set 3 (due Sunday, October 16 at 3:00pm)
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## **MODULE 7 – TIME PREFERENCES: VIOLATIONS OF THE STANDARD MODEL AND HYPERBOLIC DISCOUNTING**

**October 17-23**

**October 18**

### **L11 Violations of Exponential Discounting**

Q. What does it mean for a person's preferences to be "time-inconsistent" and how can we tell?

**October 21**

### **L12 Hyperbolic discounting model**

Q. How does the hyperbolic discounting model allow for preferences to be "time-inconsistent"?

Q. What differentiates naïve and sophisticated hyperbolic discounters?

Required Readings:

- "Doing it Now or Later," Rabin and O'Donoghue, ONLY Sections I-III, up to page 112

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## **MODULE 8 – HYPERBOLIC DISCOUNTING AND APPLICATIONS**

**October 24-October 30**

**October 25**

### **L13 Hyperbolic discounting II**

Q. Why do people procrastinate, start smoking, and do other things that seem to go against their long-term interest?

Q. What are default effects?

Required Readings:

- Kahneman, Chapter 3

**October 28**

### **L14 Applications of hyperbolic discounting**

Q. What is libertarian paternalism?

Q. What are commitment devices, and how do they work?

Required Readings:

- "Procrastination, Deadlines, and Performance. Self-Control by Precommitment," Ariely and Wertenbroch (2002)

Activities and Assignments:

- Problem Set 4 (due Sunday, October 30 at 3:00pm)

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## **MODULE 9 – APPLICATIONS OF HYPERBOLIC DISCOUNTING**

**October 31- November 6**

**November 1**

### **L15 Applications of hyperbolic discounting and practice problems**

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**November 4 – Exam 2 on Modules 5-9**

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## **MODULE 10 – PROJECTION BIAS**

**November 7-13**

**November 8**

### **L16 Projection Bias**

Q. How do current conditions bias individuals' choices for the future? How can we model this?

Required Readings:

- “Predicting Hunger: The Effects of Appetite and Delay on Choice,” Read and van Leuwen (1998)

**November 11 – No class: Veterans Day**

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## **MODULE 11 – EXPERIMENTAL METHODS**

**November 14-20**

**November 15**

### **L17 Experimental Methods I**

Q. How are experimental methods used in economics and in behavioral economics?

Required Readings:

- “Measuring Social Norms and Preferences using Experimental Games: A Guide for Social Scientists,” Camerer and Fehr (2004), ONLY pp. 1-17 and 28-29.

**November 18**

### **L18 Experimental Methods II, The Ultimatum Game, and Introduction to Social Preferences**

Required Readings:

- “The Ultimatum Game,” Thaler (1988) (can skip sections on Two-Stage/Multi-Stage Bargaining)

Activities and Assignments:

- Problem Set 5 (due Sunday, November 20 at 3:00pm)

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## **MODULE 12 –SOCIAL PREFERENCES**

**November 21-December 1**

**November 22**

### **L19 Social Preferences**

Q. How can we distinguish between competing explanations from observed generosity, e.g. altruism, an intrinsic aversion to inequality, intentions-based preferences, and face-saving concerns?

**November 25 – No class: Thanksgiving**

**November 29**

### **L20 Applications of Social Preferences**

Required Readings:

- “Testing for Altruism and Social Pressure in Charitable Giving,” DellaVigna, List, and Malmendier, ONLY Sections, I, III, IV.

Activities and Assignments:

- Problem Set 6 (due Thursday, December 1 at 3:00pm)
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## **MODULE 13 – BEHAVIORAL DEVELOPMENT ECONOMICS**

**December 2-6**

**December 2**

### **L21 Behavioral Development Economics – Health**

Required Readings:

- “How behavioral economics is promoting better health around the world,” Ashraf (2013)
- “Price and take-up and use of preventive health products,” J-PAL Policy Brief

**December 6**

### **L22 Behavioral Development Economics – The Psychology of Poverty**

Required Readings:

- “Poverty Impedes Cognitive Function,” Mani, Mullainathan, Shafir, and Zhao (Science 2013)
- “The Psychological Lives of the Poor,” Schilbach, Schofield, and Mullainathan (AER 2016)
- “A Behavioral-Economics View of Poverty,” Bertrand, Mullainathan, and Shafir (2004)

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**December 13, 8:00AM – 10:00AM (Location: TBA by the University Registrar) – Exam 3 on Modules 10-13**

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