

Behavioral Economics Schedule

- Instructor: Simon Halliday, PhD.
- Time: Tues & Thurs 3 to 4:50pm
- Venue: Seelye 110
- Semester: Fall 2017
- Course code: ECO254
- Email/hangouts: shalliday+eco254@smith.edu (shalliday+eco254@smith.edu) Why is this my email address? Check here (<https://support.google.com/mail/answer/12096?hl=en>)
- Syllabus (syllabus.html)
- Project Guidelines (team_guidelines)
- FAQ (FAQ)
- Sign up for topics, share notes, and look at questions here (topics_notes_questions).
- Experiment report guidelines (exp_reports)

Week 9: Fairness and Social Preferences

Tuesday 31 October

See readings for Week 8. We focus on Kahneman et al and Cappelen et al today. We will also look at how to do citations in R Markdown at the citations (citations) page.

And you can download the project template file here (project_template.Rmd). You will need to download and use the `rticles()` package.

Thursday 2 November

Week 10: Fairness & Social Preferences

See readings for Week 8. We will do an exercise in R looking at social preferences.

Tuesday 7 November

Thursday 9 November

- Go here for the initial Marseille exercise guide: marseille (marseille)
- Download the description of the data here <https://moodle.smith.edu/mod/resource/view.php?id=51529> (<https://moodle.smith.edu/mod/resource/view.php?id=51529>)
- And the data itself as a .txt file here: <https://moodle.smith.edu/mod/resource/view.php?id=51530> (<https://moodle.smith.edu/mod/resource/view.php?id=51530>)

Week 11: Gender and Preferences

We consider the evidence for *average* differences using gender as a category. We consider whether statistically significant differences on average imply *substantive* differences in practice or policy.

Tuesday 14 November

Reading

- Rachel Croson and Uri Gneezy, 2009, “Gender Differences in Preferences (<https://moodle.smith.edu/mod/resource/view.php?id=233976>),” *Journal of Economic Literature*, 47 (2): 1–27 (22 pages)
- Julie A. Nelson, 2016, “Not-So-Strong Evidence for Gender Differences in Risk Taking (<https://moodle.smith.edu/mod/resource/view.php?id=233978>),” *Feminist Economics*, 22 (2): 114-142. (26 pages)

Thursday 16 November

Project work & wrap up Gender.

Week 12: Happiness and Utility

Tuesday 21 November

Reading

- Cartwright, Chapter 10, up to the end of section 10.4.
- Daniel Kahneman and Alan Krueger, “Developments in the Measurement of Subjective Well-Being (<https://moodle.smith.edu/mod/resource/view.php?id=233860>),” *Journal of Economic Perspectives*, 2006, Vol. 20 (1) 3-24, (20 pages).
- Betsey Stevenson and Justin Wolfers, 2013. “Subjective Well-Being and Income: Is There Any Evidence of Satiation? (<https://moodle.smith.edu/mod/resource/view.php?id=233969>),” *American Economic Review*, American Economic Association, vol. 103(3), pages 598-604, May (5 pages)

Watch

- Daniel Kahneman, “The riddle of experience vs. memory (http://www.ted.com/talks/daniel_kahneman_the_riddle_of_experience_vs_memory.html),” TED, 2010. (Video, 20 minutes)

Homework

- We are going to do an exercise with the World Values survey here: http://simondhalliday.github.io/eco254/fall_2015/activities/wvs/wvs (http://simondhalliday.github.io/eco254/fall_2015/activities/wvs/wvs)

Thanksgiving break

Have a splendid time while you're away for 11/22 to 11/26.

Week 13: Policy and Manipulation

Tuesday 28 November

Thursday 30 November

Reading

- Cartwright Chapter 11.

- Chetty, Raj, 2015, “Behavioral Economics and Public Policy: A Pragmatic Perspective (<https://moodle.smith.edu/mod/resource/view.php?id=233704>),” *American Economic Review: Papers & Proceedings*, 105 (5): 1-33, (30 pages)
- Bhargava and Loewenstein, 2015, “Behavioral Economics and Public Policy 102: Beyond Nudging (<https://moodle.smith.edu/mod/resource/view.php?id=233862>)”, *American Economic Review: Papers & Proceedings*, 105 (5): 396–401

Cases

- TBC
- TBC

Week 14

Tuesday 5 December

Read

- Tanjim Hossain and John List, 2012, “The Behavioralist Visits the Factory: Increasing Productivity Using Simple Framing Manipulations (<https://moodle.smith.edu/mod/resource/view.php?id=243595>),” *Management Science* 58 (12): 2151 - 2167 (X pages). Note: We will use the NBER version (<https://moodle.smith.edu/mod/resource/view.php?id=243595>) of this paper because the Management Science version isn't available to us yet through our online resources.

Thursday 7 December

- Bring your laptops. It's team project time!
- We'll also do the final experiment (other things equal)
- Go here: https://shalliday.shinyapps.io/sutter_shiny (https://shalliday.shinyapps.io/sutter_shiny)
- Import the data from your midterm and see whether you can create an interactive version of Figure 4 using the template provided.

Week 15: Final Presentations

Tuesday 12 December

- Group 1
- Group 2
- Group 3

Thursday 14 December

- Group 4
- Group 5
- Group 6

Week 1: Introduction

Thursday 7 September

- What is *Economics* about? How does it inform policy?
- What is *Behavioral Economics* about? How might *it* inform policy?
- The results of in-class question about behavioral economics will appear here

Read

- Behavioral Economics for Kids here (<https://moodle.smith.edu/mod/resource/view.php?id=233702>)
- Alm, James, 2017, "Presidential Address: Is economics useful for public policy (<https://moodle.smith.edu/mod/resource/view.php?id=233701>)", *Southern Economic Journal*, 83 (4), 835–854 (16 pages)
 - Why read this? I want to convince you, first, that economics itself is useful for informing policy decisions and, second, that behavioral economics is at least as useful too in informing policy-makers on how to construct policy too. But, we mustn't throw out the baby with the bathwater: "economics" and "behavioral economics" must be used appropriately.

Recommended

- The Behavioral Economics Guide 2016, available here (<https://moodle.smith.edu/mod/resource/view.php?id=233703>).
 - The BE Guide is useful for you to get a broad sense of what we do in Behavioral Economics and what kinds of ideas you might want to research in your team project.

Cases

- George Loewenstein, "Economics Behaving Badly (<http://www.nytimes.com/2010/07/15/opinion/15loewenstein.html>)", *New York Times*, July 14 2010.
- Richard Thaler, 2015, "Unless You Are Spock, Irrelevant Things Matter in Economic Behavior (<http://www.nytimes.com/2015/05/10/upshot/unless-you-are-spock-irrelevant-things-matter-in-economic-behavior.html?referrer=>)", *New York Times*, 8 May 2015.

Transparency and Integrity in Research

- New Truths that only one can see (<http://www.nytimes.com/2014/01/21/science/new-truths-that-only-one-can-see.html>), *New York Times*, George Johnson, 20 January 2014.
- How reliable are psychology studies? (<http://www.theatlantic.com/health/archive/2015/08/psychology-studies-reliability-reproducibility-nosek/402466/>), Ed Yong, *The Atlantic*, 27 August 2015.
- Unreliable Research: trouble at the lab (<http://www.economist.com/news/briefing/21588057-scientists-think-science-self-correcting-alarming-degree-it-not-trouble>), *The Economist*, 17 October 2013.
- Austerity's Spreadsheet Error (<http://thecolbertreport.cc.com/videos/dcyvro/austerity-s-spreadsheet-error>) (Colbert Report Video)

Homework

Complete these surveys:

- Your individual background and preferences: goo.gl/forms/M9DaKh366j (<https://goo.gl/forms/M9DaKh366j>)
- Questions about your thinking and preferences: goo.gl/forms/MKPML7aMny (<https://goo.gl/forms/MKPML7aMny>)
- Moodle statistical knowledge survey: <https://moodle.smith.edu/mod/questionnaire/view.php?id=233865> (<https://moodle.smith.edu/mod/questionnaire/view.php?id=233865>)

Week 2: Heuristics & Biases

Tuesday 12 September

Reading

- Cartwright Chapter 2: To the end of section 2.5.
- Rabin, Matthew, 2002, "A Perspective on Psychology and Economics (<https://moodle.smith.edu/mod/resource/view.php?id=233700>)", *European Economic Review*, 46 (4-5): 657-685.
 - This Rabin paper is a lovely and not too technical introduction to many of the important ideas in behavioral economics. Some of the ideas will only become clear later in the course, but don't worry we shall get there later.

Revision

- BFH Chapter 3: Doing the best you can

Recommended

- Rabin, Matthew, 1998, "Psychology and Economics (<https://moodle.smith.edu/mod/resource/view.php?id=233721>)", *Journal of Economic Literature*, Vol 36 (1): 11-46.
 - This is a much more technical approach than the Rabin paper above, but potentially useful depending on what you plan to do for your project.

Cases

- Michael Moss, "The Extraordinary Science of Addictive Junk Food (http://www.nytimes.com/2013/02/24/magazine/the-extraordinary-science-of-junk-food.html?_r=1)", *New York Times*, 2013.
- Steven Levy, "Nest's Plan to Stop Brownouts Before They Start (<http://www.wired.com/business/2013/04/nest-energy-services/>)", *Wired*, 2013. See also: MyEnergy.com (<http://www.myenergy.com>).
- Larcom et al (15 September 2015), 'The Benefits of Forced Experimentation', is available here: www.voxeu.org/article/benefits-forced-experimentation (<http://www.voxeu.org/article/benefits-forced-experimentation>)
- Here's a link to the workbook from class on the happiness scale: simondhalliday.github.io/eco254/fall_2015/activities/happy_students (http://simondhalliday.github.io/eco254/fall_2015/activities/happy_students)
- The reading guide is available here: docs.google.com/document/d/12SU6upZrKDtUwyNaWOATo3LlZrJT3yODHkUlag5Hgu0/edit (<https://docs.google.com/document/d/12SU6upZrKDtUwyNaWOATo3LlZrJT3yODHkUlag5Hgu0/edit>)

Thursday 14 September

Today we shall do an experiment and (if there's time) begin to talk about using R.

- Go to VEconLab here: <http://veconlab.econ.virginia.edu/login.htm> (<http://veconlab.econ.virginia.edu/login.htm>)
- I will give you details on this page that you can use to log in.

Read

- Vernon Smith, 1997, "Economics in the Laboratory (<https://moodle.smith.edu/mod/resource/view.php?id=233707>)", *Journal of Economic Perspectives*, Vol 8 (1): 113-131 (17 pages).

Revision

- BFH, Chapter 1.

Experiment Reports

- Guidelines for the reports are available here: Experiment Report Guidelines (exp_reports)

Week 3: Risk

Tuesday 19 September

Reading

- Cartwright, Chapter 3: Risk, Read up to Section 3.5
- Tversky and Kahneman, 1981, "The Framing of Decisions and the Psychology of Choice (<https://moodle.smith.edu/mod/resource/view.php?id=233720>)," *Science*, Vol 211, January, 453-458 (6 pages).

Revision

- BFH Chapter 4: A Risky and Unequal World.

Recommended

- A paper TBC

Thursday 21 September

1. Go to <https://rstudio.smith.edu> (<https://rstudio.smith.edu>) and log on to ensure that you have access to the RStudio server.
2. Once you have done that, start a new R Notebook file clicking on File -> New -> R Notebook.
 - Go here: Lab1 (Lab1.html)
 - Access the cheat sheets from RStudio Help -> Cheatsheets -> [Select the Cheatsheet you want]

Homework Once you're comfortable with the server, do the following. On your laptop, follow these steps to install R and the latest version of RStudio. Make sure to install R and LaTeX first!

1. Download and install R here: cran.rstudio.com/ (<https://cran.rstudio.com/>)
2. Download and install LaTeX here: www.latex-project.org/get/ (<https://www.latex-project.org/get/>)
3. Download and install R Studio here: www.rstudio.com/products/rstudio/download/ (<https://www.rstudio.com/products/rstudio/download/>)

We will use these documents as guides, for some of them you will need to log in to Moodle:

- Installation Guide: <https://moodle.smith.edu/mod/resource/view.php?id=37210> (<https://moodle.smith.edu/mod/resource/view.php?id=37210>)
- Tidy Data: tidy_data (tidy_data)
- Check your name off here: <https://docs.google.com/spreadsheets/d/1DB60SzS9VBA1IsUr2AiPWJyt0f3C6RyLbcSstSWvCWw/edit?usp=sharing> (<https://docs.google.com/spreadsheets/d/1DB60SzS9VBA1IsUr2AiPWJyt0f3C6RyLbcSstSWvCWw/edit?usp=sharing>)

Watch these videos by Nick Horton (Amherst College) as an introduction to R markdown if you want more

revision:

- Video 1: www.youtube.com/watch?v=w4hLT7WyjnM&feature=youtu.be (<https://www.youtube.com/watch?v=w4hLT7WyjnM&feature=youtu.be>)
- Video 2: www.youtube.com/watch?v=MdxNFIXm1qE&feature=youtu.be (<https://www.youtube.com/watch?v=MdxNFIXm1qE&feature=youtu.be>)

Prof Horton also has some videos about starting out with R:

- Video 1: www.youtube.com/channel/UC5fHtS-LUBTBWI9_h7eCcRQ (https://www.youtube.com/channel/UC5fHtS-LUBTBWI9_h7eCcRQ)
- Video 2: www.youtube.com/watch?v=3Y_i3PxIKfg (https://www.youtube.com/watch?v=3Y_i3PxIKfg)

Week 4: Risk

Tuesday 26 September

Read

- Cartwright Chapter 3, Section 3.6 (don't read further than 3.6)
- George Loewenstein et al, 2001., "Risk as Feelings (<https://moodle.smith.edu/mod/resource/view.php?id=233740>)," Psychological Bulletin, Vol 127 (2): 267-286. (15 pages)
- Make sure you've also read the Kahneman & Tversky paper from last week.
- We shall spend time finishing up to the end of 3.5, briefly discuss 3.6, then switch to the two papers.

Other Notes

- Check here for the notes on Bayes' Rule and understanding expected utility changes: [bayes_rule](#) ([bayes_rule](#)).

Thursday 28 September

- We're doing Lab 2 today.
- Go here to see it: [Lab2](#) ([Lab2.html](#))
- Remember to log on to RStudio using the RStudio server: <https://rstudio.smith.edu> (<https://rstudio.smith.edu>)
- Sit in your teams and work through the lab together. I'll come around and answers questions and occasionally highlight specific points.

Week 5: Time

Tuesday 3 October

Reading

- Cartwright Chapter 4: Time Preferences up to Section 4.4.

Cases

- Cass Sunstein, "Why Ebola Is Scarier Than It Should Be," Bloomberg, 2014.

Thursday 5 October

- Go to VEconLab here: <http://veconlab.econ.virginia.edu/login.htm> (<http://veconlab.econ.virginia.edu/login.htm>)
- I will give you details on this page that you can use to log in.
- I strongly recommend that you read Chapters 4 and 7 of the Charles Holt book as it covers the relevant content for these (and does some of it better than the Cartwright book in my mind)

Week 6: Time concluded

Tuesday 10 October - Fall Break

Thursday 12 October

Read - Dan Ariely and Klaus Wertenbroch, 2002, "Procrastination, Deadlines, and Performance: Self-Control by Pre-Commitment (<https://moodle.smith.edu/mod/resource/view.php?id=233739>)," *Psychological Science*, Vol. 13 (3): 219-224. (6 pages) - Richard H. Thaler and Cass R. Sunstein, "Libertarian Paternalism (<https://moodle.smith.edu/mod/resource/view.php?id=233719>)," *The American Economic Review: Papers and Proceedings*, Vol. 93, (2): 175-179. (5 pages)

Notes & Lab:

- If we have time, we'll get started on Lab3 (Lab3.html)
- You can see some slides on Moodle.
- Slides on glyph-ready data: <https://moodle.smith.edu/mod/resource/view.php?id=233888> (<https://moodle.smith.edu/mod/resource/view.php?id=233888>)
- Slides on using ggplot: <https://moodle.smith.edu/mod/resource/view.php?id=233890> (<https://moodle.smith.edu/mod/resource/view.php?id=233890>)

Cases

- Katrin Bennhold, "Britain's Ministry of Nudges," New York Times, 2013.
- "The limits of nudging," The Economist, 2015.

Week 7: Learning & Information

Tuesday 17 October

Reading - Textbook & Lab

- Cartwright, Chapter 5 up to the end of Section 5.4 (feel free to exclude Section 5.3.4. if you're struggling to understand it as it may employ game theory you have not done)
- Also read section 6.4 from Chapter 6 (we are excluding the rest of Chapter 6)
- Gary Charness and Matthias Sutter, 2012, "Groups make better self-interested decisions (<https://moodle.smith.edu/mod/resource/view.php?id=233863>)," *Journal of Economic Perspectives*, 26 (3): 157-176 (18 pages)

Thursday 19 October

ggplot Exercise

We are going to do an exercise where we use ggplot to try to reproduce at least one graphic from a published paper. The paper is:

- Sutter, Matthias. 2009. "Individual Behavior and Group Membership: Comment (<https://moodle.smith.edu/mod/resource/view.php?id=233834>)" *American Economic Review*, 99(5): 2247-57.
- download the paper from Moodle here: <https://moodle.smith.edu/mod/resource/view.php?id=46730> (<https://moodle.smith.edu/mod/resource/view.php?id=46730>)
- see the paper's page at the AER here: <https://www.aeaweb.org/articles.php?doi=10.1257/aer.99.5.2247&fnd=s> (<https://www.aeaweb.org/articles.php?doi=10.1257/aer.99.5.2247&fnd=s>)
- download the data on Moodle here: <https://moodle.smith.edu/mod/folder/view.php?id=46728> (<https://moodle.smith.edu/mod/folder/view.php?id=46728>)
- see the online appendix for the paper here: https://www.aeaweb.org/aer/data/feb2013/20101542_app.pdf (https://www.aeaweb.org/aer/data/feb2013/20101542_app.pdf)

Working with the data

- We will follow what to do at Lab4 (Lab4)
- You will notice that the data is *not* glyph-ready and it also isn't that *tidy*.
- Ideally, we would work with the spreadsheet as is and import it into R. We're not going to do that, but will create different spreadsheets with different data and *then* import them into R.
- Check out the TIER protocol for suggestions.

Team Projects

- I want you to emphasize the following steps:
 - making sure you have *data* to work with (to bring to later class sessions)
 - deciding on the literature with which your project fits to produce a *literature review*
 - (later) thinking about the ways in which you can alter/improve on the existing experiments/surveys to improve our overall knowledge

Related to the topics in R today

- Wide vs. Narrow data: <https://moodle.smith.edu/mod/resource/view.php?id=233892> (<https://moodle.smith.edu/mod/resource/view.php?id=233892>)
- Joins: <https://moodle.smith.edu/mod/resource/view.php?id=233891> (<https://moodle.smith.edu/mod/resource/view.php?id=233891>)
- `group_by` and `summarise` see here: <http://dtkaplan.github.io/DCF-2014/CourseNotes/BasicDataCommands/DraftNarrative.html> (<http://dtkaplan.github.io/DCF-2014/CourseNotes/BasicDataCommands/DraftNarrative.html>) and here: <https://moodle.smith.edu/mod/resource/view.php?id=233893> (<https://moodle.smith.edu/mod/resource/view.php?id=233893>)

Cases

- People don't want equality, they want fairness: <http://www.theatlantic.com/science/archive/2015/10/people-dont-actually-want-equality/411784/> (<http://www.theatlantic.com/science/archive/2015/10/people-dont-actually-want-equality/411784/>)
- Cass Sunstein reviews Akerlof and Shiller's *Phishing for Phools*: <http://www.nybooks.com/articles/archives/2015/oct/22/why-free-markets-make-fools-us/> (<http://www.nybooks.com/articles/archives/2015/oct/22/why-free-markets-make-fools-us/>)

Week 8: Fairness and Social Preferences

Do people only worry about their own consumption or their own money, or are they concerned (in prosocial or antisocial ways) about what others get? If they do care, what do their preferences look like? Are they altruistic? Are they reciprocal? What experiments do we use to check this and how can we understand the breadth of these preferences?

Tuesday 24 October

Catch-up on groups & on learning articles: - Sundali and Croson, 2006, "Biases in casino betting: The hot hand and the gambler's fallacy (<https://moodle.smith.edu/mod/resource/view.php?id=233746>)," *Judgment and Decision Making*, Vol 1 (1): 1-12 (11 pages)

Reading

- Cartwright, Chapter 7 up to Section 7.4.
- Daniel Kahneman, Jack Knetsch, and Richard Thaler, 1986, "Fairness as a Constraint on Profit Seeking: Entitlements in the Market (<https://moodle.smith.edu/mod/resource/view.php?id=233839>)," *American Economic Review*, Vol. 76 (4): 728-741, (13 pages).
- Alexander Cappelen et al, 2007, "The Pluralism of Fairness Ideals: An Experimental Approach (<https://moodle.smith.edu/mod/resource/view.php?id=233841>)," *American Economic Review*, Vol. 97 (3) 818-827, (9 pages).

Cases

- Kusum Ailawadi and Paul Farris, "How Companies Can Get Smart About Raising Prices," Wall Street Journal, 2013. See also: Four Barrel.
- "The rise of the sharing economy (<http://www.economist.com/news/leaders/21573104-internet-everything-hire-rise-sharing-economy>)," Economist, 2013.

Recommended

- Stefano DellaVigna, 2009, "Psychology and Economics: Evidence from the Field (<https://moodle.smith.edu/mod/resource/view.php?id=233705>)," *Journal of Economic Literature*, 47 (2): 315-372.

Revision

- BFH Chapter 2

Thursday 26 October

- We shall do an experiment, then continue lab work (from Lab 4)

Experiment 3

- Go to VEconLab here: <http://veconlab.econ.virginia.edu/login.htm> (<http://veconlab.econ.virginia.edu/login.htm>)

ggplot exercise continued (depending on where we get to):

- you're first going to need to make the data narrow using a key-value pair
- you'll then need to filter out data that you don't need for the first graph in the paper (i.e. you only want

“teamtreat” and “individuals”)

- to do this, you'll need to use “logical operators”.
 - A logical operator is like an “and” sign “&” or an “or” sign “|”
 - you'll need to use or “|” because you'll want to *keep* those observations in “teamtreat” or “individual”
- once you've filtered out the treatments you don't need, you can construct the ggplot code