

## **I. Behavioral Economics II.**

Instructor: Kristof Madarasz.

Credits: 2 ETC (1 CEU Credit).

Evaluation: In-class final (80%), class participation (20%).

This course introduces various key topics in psychology and economics. The primary focus is on models of decision-making, but we will discuss both experimental and field evidence that motivate and test various aspects of these models. The prerequisite for the course is some graduate training in Microeconomics and Econometrics.

## **II. Course Outline**

Lecture 1: Introduction and Loss Aversion.

\*Kahneman, Daniel, Jack Knetsch, and Richard Thaler, "Anomalies: The Endowment Effect, Loss Aversion, and Status Quo Bias," *Journal of Economic Perspectives* 5 (1991), pp. 193-206.

\*David Genesove & Christopher Mayer, (2001) "Loss Aversion and Seller Behavior: Evidence from the Housing Market," *The Quarterly Journal of Economics*, vol. 116(4), 1233-1260.

\*Kahneman, Daniel, and Amos Tversky. 1979. "Prospect Theory: An Analysis of Decision under Risk" *Econometrica*, 47(2): 263-292.

\*List, John A. 2004. "Neoclassical Theory Versus Prospect Theory: Evidence from the Marketplace," *Econometrica*, 72(2): 615-625.

Lectures 2-3: Reference-dependence

\*Rabin, Matthew and Richard Thaler. "Risk Aversion" *Journal of Economic Perspectives* 15(1), (2001): 219-232.

\*Rabin Matthew "Risk aversion and expected utility: a calibration theorem", *Econometrica*, 2000, 68, 1281-93.

\*Koszegi, Botond and Matthew Rabin (2006). "A Model of Reference-Dependent Preferences" *Quarterly Journal of Economics*, 121(4): 1133-1166.

\*Koszegi, Botond and Matthew Rabin (2007). "Reference-Dependent Risk-Attitudes" *American Economic Review*

Camerer, Colin, Linda Babcock, George Loewenstein, and Richard Thaler, (1997) "Labor Supply of New York City Cabdrivers: One Day at a Time," *Quarterly Journal of Economics*, CXII, 407–441.

Farber, Henry S. (2005) "Is Tomorrow Another Day? The Labor Supply of New York Cab Drivers," *Journal of Political Economy*, CXIII, No. 1, 46–82.

#### Lecture 4: Projection bias 1

Ariely Dan and George Loewenstein (2005) "The Heat of the Moment: The Effect of Sexual Arousal on Sexual Decisionmaking" *Journal of Behavioral Decision Making*.

\*Conlin, Michael, Ted O'Donoghue, and Timothy J. Vogelsang (2007). "Projection Bias in Catalog Orders." *American Economic Review*.

\*Loewenstein, George, Ted O'Donoghue, and Matthew Rabin. 2003. "Projection Bias In Predicting Future Utility," *Quarterly Journal of Economics*, 118(4): 1209-1248.

Read D. and B. van Leeuwen (1998) "Predicting Hunger: The Effects of Appetite and Delay on Choice. *Organizational Behavior and Human Decision Processes*, 76(2), 189-205.

#### Lecture 5: Projection bias 2 and Conclusion.

\*Camerer, Colin, George Loewenstein and Martin Weber (1989) "The Curse of Knowledge in Economic Settings" *Journal of Political Economy*. 5: 1232-54

\*Madarasz, Kristof (2008) "Information Projection: Model and Applications." *mimeo UC Berkeley*.

Colin Camerer, Samuel Issacharoff, George Loewenstein, Ted O'Donoghue, and Matthew Rabin. (2003) "Regulation For Conservatives: Behavioral Economics And The Case For 'Asymmetric Paternalism'" *University of Pennsylvania Law Review*, 151, 1211—1254.

Della Vigna, Stefano (2007) "Psychology and Economics: Evidence from The Field" *mimeo UC Berkeley*.