

Econ 0040: Behavioural Economics Fall 2020

Lecturer information

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Student feedback hours (online): Thursdays 13:15-14:15 during first term or by appointment & later by appointment.

What will you learn about?

The purpose of this course is to provide students an overview of research in Behavioural Economics, a field of economics that draws on knowledge in psychology to capture important aspects of human behaviour and social interactions that standard economic models cannot explain.

The topics we will cover include: Heuristics and Biases, Decision Making under Uncertainty, Prospect Theory, Reference Dependence, Intertemporal Choice, Social Preferences, Bounded Rationality, Nudge as well as Heterogeneity and Malleability of Preferences. Throughout this course, we will link theory to practice and discuss empirical applications in areas and topics such as consumer choice, saving behaviour, procrastination, education, labour supply, finance and policy making.

How will you learn?

We will use a mixture of online asynchronous and synchronous content. [Each Monday by 11:45 am you will get access to the core materials for the week as well as the tasks.](#) In addition, both your lecturer and your teaching assistant will have regular student support and feedback hours where you can drop in to discuss any issues around this module.

Weekly Live Sessions with Dr Gurguc: [Wednesdays 11AM-12:30PM. The lectures will be on zoom except for weeks 6, 7, 12 and 14 \(i.e. October 7, October 14, November 18 and December 2\) when the live lecture will be held face-to-face \(F2F\). F2F lectures will take place in Wilkins Building \(main building\), Jeremy Bentham Room. All lectures will be both live streamed and recorded. The recording will become available in moodle shortly after the lecture. The material in live lectures builds on the material covered in asynchronous teaching content, therefore it is important that you watch the videos before attending the lecture on Wednesday.](#)

Live tutorial sessions: TBC

Is this course right for you?

Students are expected to have a good background in Microeconomics and Econometrics. Microeconomics is a prerequisite for this class. Additionally, Quantitative Economics and Econometrics, and Game Theory are recommended.

What will you know (better) by the end of the course?

Drawing on real-world examples, the students will be able to understand how Behavioural Economics builds on traditional economic models and psychology. They will be able to demonstrate knowledge of some of the main theoretical and empirical findings, and apply the main concepts from this field to a variety of contexts.

What have students thought of the course in the past?

Students liked seeing how behavioural economics was used to generate better theoretical insights in economics and reading about real-world applications.

Assessment

The overall mark in this module comprises the following assessments:

- 20% Written assignment convertible into a blogpost on Behavioural Economics (1500-2500 words)
- 30% Online Moodle quizzes (2 in total 15% each, mixture of MCQs and exercises)
- 50% Online remote exam with two compulsory questions and a choice of one out of three additional questions.

Readings

Please note that the details of readings in this syllabus may be updated at various points during the term.

We will not follow a particular textbook; however, the following books are recommendable for an overview and/or those who are seriously interested in behavioural economics:

- Wilkinson, Nick, and Matthias Klaes. *An introduction to behavioral economics*. Palgrave Macmillan, 2012.
- Camerer, Colin F., George Loewenstein, and Matthew Rabin, eds. *Advances in Behavioral Economics*. Princeton University Press, 2011.
- Camerer, Colin F., *Behavioral game theory: Experiments in strategic interaction*. Princeton University Press, 2003.

The relevant articles per topic are listed below. The journal articles are all available through the [UCL Library website](#). Please note that there will be additional resources that will be posted below the link for each lecture on the Moodle page. Each week you will receive guidance on which readings/videos etc (not all listed below) to go through and which tasks to complete.

Topic 1: An Introduction to Behavioural Economics

- Kahneman, Daniel. "Maps of bounded rationality: Psychology for behavioral economics." *The American economic review* 93.5 (2003): 1449-1475.
- Camerer, Colin, Linda Babcock, George Loewenstein, and Richard Thaler. "Labor supply of New York City cabdrivers: One day at a time." *The Quarterly Journal of Economics* 112, no. 2 (1997): 407-441.

Topic 2: Decision Making Under Risk and Uncertainty

- Kahneman, Daniel, Jack L. Knetsch, and Richard H. Thaler. "Anomalies: The endowment effect, loss aversion, and status quo bias." *The journal of economic perspectives* 5.1 (1991): 193-206.
- De Martino, Benedetto, Dharshan Kumaran, Ben Seymour, and Raymond J. Dolan. "Frames, biases, and rational decision-making in the human brain." *Science* 313, no. 5787 (2006): 684-687.

Topic 3: Reference Dependence

- Marzilli Ericson, Keith M., and Andreas Fuster. "Expectations as endowments: Evidence on reference-dependent preferences from exchange and valuation experiments." *The Quarterly Journal of Economics* 126, no. 4 (2011): 1879-1907. (INCLUDING APPENDIX)

Topic 4: Intertemporal Choice

- O'Donoghue, T. and Rabin, M. (1999), *Doing it Now or Later?*, *American Economic Review*, 89:1, 103-124
- DellaVigna, S. and Malmendier, U. (2006), *Paying not to go to the gym*, *American Economic Review*, 96(3), 694-719.
- Halevy, Yoram. "Time consistency: Stationarity and time invariance." *Econometrica* 83.1 (2015): 335-352.

Topic 5: Social Preferences

- Berg, Joyce, John Dickhaut, and Kevin McCabe. "Trust, reciprocity, and social history." *Games and economic behavior* (1995): 122-142.
- Kahneman, Daniel, Jack L. Knetsch, and Richard Thaler. "Fairness as a constraint on profit seeking: Entitlements in the market." *The American economic review* (1986): 728-741.
- Falk, Armin, Ernst Fehr, and Urs Fischbacher. "On the nature of fair behavior." *Economic Inquiry* 41.1 (2003): 20-26.
- Gneezy, Uri, and Aldo Rustichini. "A fine is a price." *The Journal of Legal Studies* 29.1 (2000b): 1-17.

Topic 6: Bounded Rationality, Limited Attention & Limited Bandwidth

- Mani, Anandi, Sendhil Mullainathan, Eldar Shafir, and Jiaying Zhao. "Poverty impedes cognitive function." *Science* 341, no. 6149 (2013): 976-980.
- Chetty, Raj, Adam Looney, and Kory Kroft. "Salience and taxation: Theory and evidence." *The American economic review* 99.4 (2009): 1145-1177.
- Masatlioglu, Yusufcan, Daisuke Nakajima, and Erkut Y. Ozbay. "Revealed attention." *American Economic Review* 102.5 (2012): 2183-2205.

Topic 7: Changing Behaviour, Policy Making and Nudge

- Niederle, Muriel, and Lise Vesterlund. "Do women shy away from competition? Do men compete too much?." *The Quarterly Journal of Economics* 122.3 (2007): 1067-1101.
- Andersen, Steffen, Seda Ertac, Uri Gneezy, John A. List, and Sandra Maximiano. "Gender, competitiveness, and socialization at a young age: Evidence from a matrilineal and a patriarchal society." *Review of Economics and Statistics* 95, no. 4 (2013): 1438-1443.

Topic 8: Heterogeneity & Malleability of Preferences

- Falk, Armin, Anke Becker, Thomas Dohmen, Benjamin Enke, David Huffman, and Uwe Sunde. "Global evidence on economic preferences." *The Quarterly Journal of Economics* 133, no. 4 (2018): 1645-1692.
- Rao, Gautam. "Familiarity does not breed contempt: Generosity, discrimination and diversity in Delhi schools." *American Economic Review* 109, no. 3 (2019): 774-809
- Kosse, Fabian, et al. "The formation of prosociality: causal evidence on the role of social environment." *Journal of Political Economy* 128.2 (2020): 434-467.
- Alan, Sule, and Seda Ertac. "Fostering patience in the classroom: Results from a randomized educational intervention." *Journal of Political Economy* (2018).