Course Outline

EE 416 Behavioral Economics

Semester 2/2022 (January 9 - May 6, 2023)

Number of credits: 3 credits (3-0-6)

Lecture Time: Tuesdays and Thursdays, 09.30 – 11.00 hours

Lecture Venue: Room 201, Faculty of Economics,
Thammasat University (Tha Prachan)

Handouts will be posted before classes, and lecture notes will be posted after each class on google classroom.

Communication channels:

Please join both platforms.

1. Google classroom	2. line group
Class code: desnko7	Invite link:
https://classroom.google.com/c/NTA5NDgyMTY5MjI4?cjc=desnko7	https://line.me/ti/g/riWJ2Mhf5j

Join Google classroom and Line group via QR code:

Instructor: Dr. Sunsiree Kosindesha,

Office: Room 429, 4th Floor, Faculty of Economics

Email: sunsiree@econ.tu.ac.th

Office hours: by appointment (please email)

Prerequisites: *EE 311*

Course Description: Concepts and frameworks in behavioral economics including comparative study of models for decision under uncertainty between mainstream economics and behavioral economics, empirical evidences that support behavioral economics, models that incorporate psychological and sociological factors for consumer and social behaviors, and other topics that the lecturer finds suitable.

Evaluation:

Midterm Exam:	25%
Final Exam:	40%
Term paper:	25%
Free-form Project:	10%
Mid-term examination	**Thursday, March 2, 2023; 09.00 – 11.00 AM**
Final examination	**Monday, May 15, 2023; 1.30 – 4.30 PM**

Main textbook

Dhami**, S. (2016). ***The foundations of behavioral economic analysis. Oxford University Press.

Puey Ungphakorn Library, Tha Phra Chan campus, HB74.P8 D43 2016

e-book: https://th1lib.org/book/2947003/5d0636

Dhami, S. (2019). ***Foundations of Behavioral Economic Analysis: Volume 1 Behavioral Economics of Risk, Uncertainty, and Ambiguity***. Oxford University Press.
Puey Ungphakorn Library, Tha Phra Chan campus, HB74.P8 D43 2019 V. 1

Dhami, S. (2019). ***Foundations of Behavioral Economic Analysis: Volume 2 Other-Regarding Preferences***. Oxford University Press.
Puey Ungphakorn Library, Tha Phra Chan campus, HB74.P8 D43 2019 V. 2

Dhami, S. (2019). ***Foundations of Behavioral Economic Analysis: Volume 3 Behavioral Time Discounting***. Oxford University Press.
Puey Ungphakorn Library, Tha Phra Chan campus, HB74.P8 D43 2019 V. 3

Dhami, S. (2019). ***Foundations of Behavioral Economic Analysis: Volume 4 Behavioral Game Theory***. Oxford University Press.
Puey Ungphakorn Library, Tha Phra Chan campus, HB74.P8 D43 2019 V. 4

Dhami, S. (2020). ***Foundations of Behavioral Economic Analysis: Volume 5 Bounded Rationality***. Oxford University Press.
Puey Ungphakorn Library, Tha Phra Chan campus, HB74.P8 D43 2020 V. 5

Dhami, S. (2020). ***Foundations of Behavioral Economic Analysis: Volume 7 Further Topics in Behavioral Economics***. Oxford University Press.
Puey Ungphakorn Library, Tha Phra Chan campus, HB74.P8 D43 2020 V. 7

Recommended books:

- Angner, Erik. ***A course in behavioral economics***. Bloomsbury Publishing, 2020.
- Corr, P., Plagnol, A. ***Behavioral Economics the basics***. London: Routledge, 2019

  Companion site: https://www.behavioraleconomicsbasics.net/
- Kahneman, D. ***Thinking, fast and slow***. New York, NY, US: Farrar, Straus and Giroux, 2011
- Sunstein, Cass R. ***Behavioral Science and Public Policy***. Cambridge: Cambridge University Press, 2020
- Sunstein, Cass R. ***Sludge: What Stops Us From Getting Things Done And What To Do About It***. MIT Press, 2021
- Thaler, R. H. ***Misbehaving: The making of behavioral economics***. 2015.
- Thaler, Richard H., and Cass R. Sunstein. ***Nudge: Improving decisions about health, wealth, and happiness***. Yale University Press, 2008.
- Wendel, Stephen. ***Designing for behavior change: Applying psychology and behavioral economics***. O'Reilly Media, 2020.

Expected Learning Outcomes:

1. Morality and Ethics

Applicability	Expected Learning Outcomes
●	1.1 Students demonstrate integrity.
○	1.2 Students prioritize social and public benefits over personal ones.
●	1.3 Students are punctual and comply with the code of conduct of the institution and society at large.
○	1.4 Students are responsible and accountable to society, the nation, and the subject of economics.
○	1.5 Students realize the cultural and environmental value of the sustainable society.

2. Knowledge

Applicability	Expected Learning Outcomes
●	2.1 Students know and understand modern economics principles and theories, and are up to date with new developments.
●	2.2 Students know and understand Thai and global economic structure, and the importance of major international economic events.
●	2.3 Students know and understand instruments of economic analysis.
●	2.4 Students know and understand applied fields in economics, including monetary, public, international, business, natural resource and environmental, industrial, agricultural, cooperative, political, developmental, and entrepreneurial economics as well as agribusiness.
○	2.5 Students are informed about related fields including sociology, business administration, education, law policy, and science.

3. Intellectual Development

Applicability	Expected Learning Outcomes
●	3.1 Students have developed individual critical thinking.
●	3.2 Students are sufficiently trained in research skills.
●	3.3 Students demonstrate an ability to analyze and synthesize data, as well as appropriately integrate economics concepts to understand causes of current economic problems in Thailand. Based on analysis and synthesis, students demonstrate an ability to propose policy guidelines to resolve problems.

4. Interpersonal Skills and Responsibilities

Applicability	Expected Learning Outcomes
●	4.1 Students are responsible for assigned tasks and work in groups effectively.
●	4.2 Students have problem-solving skills.
○	4.3 Students show leadership skills and team spirit.
●	4.4 Students are always improving themselves.
○	4.5 Students have good interpersonal skills, adapting and working under different conditions.

5. Quantitative Analysis, Communication and Information Technology

Applicability	Expected Learning Outcomes
●	5.1 Students select and apply appropriate statistical and mathematical methods for data processing, interpretation, conclusions, and recommendations to resolve problems.
●	5.2 Students communicate effectively and select appropriate presentation methods.
●	5.3 Students use information and communication technologies appropriately to gather data as well as process, interpret, and present results.

Planned timeline

The planned timeline is subject to change as instructor sees fit when the course proceeds.

Topics	วัน
1. Introduction to Behavioral Economics & Nudge	10 Jan – 17 Jan
2. Behavioral Economics of Risk	19 Jan – 31 Jan
3. Behavioral Economics of Time	2 Feb – 14 Feb
4. Social Preferences	16 Feb - 23 Feb
5. Emotions	7 Mar – 16 Mar
6. Bounded Rationality	21 Mar- 28 Mar
7. Behavioral Welfare Economics	30 Mar – 18 Apr
8. Behavioral Game Theory	20 Apr- 27 Apr
9. Neuroeconomics	2 May

Topics

The topics are subject to change as instructor sees fit when the course proceeds.

1. Introduction to Behavioral Economics & Nudge

- **What is behavioral economics?**
- **What better insight can we get from studying behavioral economics?**
- **Principles of (Behavioral) Economics**
- **Public Policy to combat error**

Reading:

Nudge, Ch. 1, 4, 5, 11

Behavioral Economics the basics (Corr and Plagnol), Ch.1, 4, 6

Laibson, David, and John A. List. 2015. "Principles of (Behavioral) Economics." *American Economic Review*, 105 (5): 385-90.DOI: 10.1257/aer.p20151047

Dolan, Paul & Hallsworth, Michael & Halpern, David & King, D. & Metcalfe, R. & Vlaev, Ivo. (2012). "Influencing behavior: The mindspace way." Journal of Economic Psychology. 33. 264–277.

Johnson EJ, Goldstein D. Medicine. "Do defaults save lives?" Science. 2003 Nov 21;302(5649):1338-9. doi: 10.1126/science.1091721. PMID: 14631022.

Brigitte C. Madrian, Dennis F. Shea. "The Power of Suggestion: Inertia in 401(k) Participation and Savings Behavior." *The Quarterly Journal of Economics*. Volume 116. Issue 4. November 2001, Pages 1149–1187

Banerjee, S., & John, P. (2021). "Nudge plus: Incorporating reflection into behavioral public policy." Behavioural Public Policy, 1-16.

Further reading:

Rabin, M. (2013). "An Approach to Incorporating Psychology into Economics," American Economic Review Papers and Proceedings, 103(3), 617-22.

DellaVigna, S. (2009). "Psychology and Economics: Evidence from the Field," Journal of Economic Literature, 47, 315-372.

Camerer, C. and G. Loewenstein (2004). "Behavioral Economics: Past, Present, Future," in Advances in Behavioral Economics, C. Camerer, G. Loewenstein, and M. Rabin, eds., Princeton University Press.

Rabin, M. (1998). "Psychology and Economics," Journal of Economic Literature, 36, 11-46.

2. Behavioral Economics of Risk

- **Prospect theory**
- **Loss aversion**
- **The endowment effect**
- **Probability weighting**
- **Fourfold patterns of choices under risk**
- **Applications of Prospect theory**

Reading:
Dhami, S. (2019). *Foundations of Behavioral Economic Analysis: Volume 1 Behavioral Economics of Risk, Uncertainty, and Ambiguity.*

Thinking Fast and Slow, Ch. 25-30

Nudge, Ch. 1

Behavioral Economics the basics (Corr and Plagnol), Ch.4

FACULTY OF ECONOMICS THAMMASAT UNIVERSITY
2 PRACHAN ROAD, PHRANAKORN BANGKOK 10200 THAILAND
WWW.BE.ECON.TU.AC.TH
B.E. INTERNATIONAL PROGRAM
FAX: +66 (0) 2224 0150
PHONE : +66 (0) 2613 2437 TO 8
E-MAIL : BE@ECON.TU.AC.TH

Further reading:

Kahneman, D. and A. Tversky, (1979) “Prospect Theory: An Analysis of Decision Under Risk,” Econometrica, 47, 263-291.

Camerer, C., L. Babcock, G. Loewenstein, and R. Thaler (1997). “Labor Supply of New York City Cabdrivers: One Day at a Time,” Quarterly Journal of Economics, 112, 407-443.

Barberis, Nicholas. “A Model of Casino Gambling.” Management Science 58, no. 1 (2012): 35–51.

3. Behavioral Economics of Time

3.1 Present Bias

- **Procrastination and Self-control**
- **Commitment Devices**
- **Experimental evidences and applications of Time Discounting**

Reading:

Dhami, S. (2019). *Foundations of Behavioral Economic Analysis: Volume 3 Behavioral Time Discounting.*

Nudge, Ch. 2, 6, 7

Further reading:

O’Donoghue, T. and M. Rabin (1999). “Doing it Now or Later,” American Economic Review, 89, 103-124.

O’Donoghue, T. and M. Rabin (2001). “Choice and Procrastination,” Quarterly Journal of Economics, 116, 121-160.

Laibson, D. (1997). “Golden Eggs and Hyperbolic Discounting,” Quarterly Journal of Economics, 112, 443-477.

DellaVigna, S. and U. Malmendier (2006). “Paying Not to Go to the Gym,” American Economic Review, 96(3), 694-719.

Gruber, J. and Mullainathan, S. (2005). “Do Cigarette Taxes Make Smokers Happier?” Advances in Economic Analysis and Policy, 5(1), Article 4.

Meier, S. and C. Sprenger (2010). “Present-Biased Preferences and Credit Card Borrowing,”American Economic Journal: Applied Economics, 2(1), 193-210.

Shapiro, JM. (2005). Is there a daily discount rate? Evidence from the food stamp nutrition cycle. Journal of Public Economics. 89. 303-325.

3.2 Projection bias

Reading:

Loewenstein, G., T. O’Donoghue, and M. Rabin (2003). “Projection Bias in Predicting Future Utility,” Quarterly Journal of Economics, 118, 1209-1248.

Conlin, M., T. O’Donoghue, and T. Vogelsang (2007). “Projection Bias in Catalog Orders,”American Economic Review, 97(4), 1217-1249.

4. Social Preferences

- **The Evidence on Human Sociality**
- **Fairness**
- **Behavioral Political Economy**
- **Altruism**
- **Reciprocity**
- **Charity giving**
- **Human Morality and Social Identity**

Reading:
Dhami, S. (2019). *Foundations of Behavioral Economic Analysis: Volume 2 Other-Regarding Preferences.*

Misbehaving, Ch. 14 – 15

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2 PRACHAN ROAD, PHRANAKORN BANGKOK 10200 THAILAND
WWW.BE.ECON.TU.AC.TH
B.E. INTERNATIONAL PROGRAM
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PHONE : +66 (0) 2613 2437 TO 8
E-MAIL : BE@ECON.TU.AC.TH

Further reading:

Kahneman D, J. Knetsch, and R. Thaler (1986). "Fairness and the Assumptions of Economics," Journal of Business, 59, 285-300.

Fehr, Ernst, and Klaus M. Schmidt. "A Theory of Fairness, Competition, and Cooperation." *The Quarterly Journal of Economics*, vol. 114, no. 3, 1999, pp. 817–68.

Falk, Armin. "Gift Exchange in the Field." *Econometrica*, vol. 75, no. 5, 2007, pp. 1501–11.

DellaVigna, S., J. List, and U. Malmendier (2012). "Testing for Altruism and Social Pressure in Charitable Giving," Quarterly Journal of Economics, 127, 1-56.

5. Emotions

- **Dual-Process theory**
- **Emotions and decision makings**
- **Anticipation and delay under certainty**
- **Fear and anxiety under uncertainty**
- **Happiness economics**

Reading

Dhami, S. (2020). ***Foundations of Behavioral Economic Analysis: Volume 7 Further Topics in Behavioral Economics***.

Behavioral Economics The Basics (Corr and Plagnol), Ch.4

Further reading:

Loewenstein, G., T. O'Donoghue, and S. Bhatia (2015). Modeling the interplay between affect and deliberation. Decision 2 (2), 55-81.

Lerner, J. S., Y. Li, P. Valdesolo, and K. S. Kassam (2015). Emotion and Decision Making. Annual Review of Psychology 66 (1), 799-823.

Benjamin, D., O. Heffetz, M. Kimball, and A. Rees-Jones (2012). "What Do You Think Would Make You Happier? What Do You Think You Would Choose?" American Economic Review, 102(5), 2083-2110.

6. **Bounded Rationality**

- **Heuristics and Biases**
- **Herbert Simon's approach to bounded rationality**
- **Limited Attention**
- **Mental Accounting**

<u>Reading:</u>

Dhami, S. (2020). ***Foundations of Behavioral Economic Analysis: Volume 5 Bounded Rationality***.

Tversky, A. and D. Kahneman(1974). "Judgement under uncertainty: Heuristics and Biases" Science, New Series, Vol. 185, No. 4157, pp. 1124-1131.

Chetty, R., A. Looney, and K. Kroft (2009). "Salience and Taxation: Theory and Evidence," American Economic Review, 99(4), 1145-1177.

Lacetera, N., D. Pope, and J. Sydnor (2012). "Heuristic Thinking and Limited Attention in the Car Market," American Economic Review, 102(5), 2206-2236

Pedro Bordalo, Nicola Gennaioli, Andrei Shleifer, Memory, Attention, and Choice, *The Quarterly Journal of Economics*, Volume 135, Issue 3, August 2020, Pages 1399–1442

Thaler, R.H. (1999), Mental accounting matters. J. Behav. Decis. Making, 12: 183-206.

7. Behavioral Welfare Economics

- **Soft paternalism**
- **Optimal sin tax**
- **Limited attention and tax elasticities**

<u>Reading:</u>

Dhami, S. (2020). ***Foundations of Behavioral Economic Analysis: Volume 7 Further Topics in Behavioral Economics***.

Sunstein, C. and R. Thaler (2003). "Libertarian Paternalism Is Not An Oxymoron." University of Chicago Law Review, 70, 1159-1202.

O'Donoghue, T. and M. Rabin (2003). "Studying Optimal Paternalism, Illustrated by a Model of Sin Taxes," American Economic Review (Papers and Proceedings), 93, 186-191.

O'Donoghue, T. and M. Rabin (2006). "Optimal Sin Taxes," Journal of Public Economics, 90(10-11), 1825-1849.

8. Behavioral Game Theory

- **Psychological game theory**
- **Correlated equilibrium and social norms**

Reading:

Dhami, S. (2019). ***Foundations of Behavioral Economic Analysis: Volume 4 Behavioral Game Theory***. Oxford University Press.

9. Neuroeconomics

- **Neuroeconomics of risky decision**
- **Pharmaeconomics: an application to the social effects of oxytocin**

Reading:

Dhami, S. (2020**). *Foundations of Behavioral Economic Analysis: Volume 7 Further Topics in Behavioral Economics***.

BACHELOR OF ECONOMICS
THAMMASAT UNIVERSITY

ACADEMIC CALENDAR & HOLIDAY
SEMESTER 2/2022

Semester 2/2022 (January 9 - May 6, 2023)	
Registration at REG TU (*ID.62-65)	November 22 – 25, 2022
Tuition Fee Payment Period (Via TU Greats App)	November 27, 2022 – January 7, 2023
Classes Begin	January 9, 2023
Add-drop period	January 9 - 22, 2023 *(from 9.00 AM of January 9 to 10.30 PM of January 22)*
Tuition Fee Payment Period (Via TU Greats App)	January 9 - 23, 2023 *(9 AM - 10.30 PM)*
Mid-term Examination Period	February 27 - 28 to March 4, 2023
*Makha Bucha Day**	*March 6, 2023*
Withdrawal period with "W" on record	January 25 – March 19, 2023 *(from 9.00 AM of* January 25 *to 10.30 PM of* March 19*)*
*Chakri Memorial Day**	*April 6, 2023*
*Songkran Festival Day**	*April 10 - 16, 2023*
*Coronation Day**	*May 4, 2023*
Last day of class for Semester 2/2022	May 6, 2023
Final exam period	May 8 – 22, 2023
*Royal Ploughing Ceremony Day**	*To be announced*
Submitting Forms for Degree Conferral	January 9 - 22, 2023

Remark * Holiday, No classes during this period