

Course Outline

EE 416 Behavioral Economics

Semester 2/2019 (January 13 – May 10, 2020)

Number of credits:	3 credits (3-0-6)
Lecture Time:	Tuesdays and Thursdays, 09.30 – 11.00 hours
Lecture Venue:	Room 203, Faculty of Economics
Instructor:	Ajarn Sunsiree Kosindesha, E-mail: sunsiree@econ.tu.ac.th

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: (To be discussed)

Midterm Exam:	25%
Final Exam:	50%
Term paper:	25%

Mid-term examination **Thursday, March 5, 2020; 9 am – 11 am**

Final examination **Monday, May 11, 2020; 1.30 pm – 4.30 pm**

Exam periods: (no class)

Midterm: March 2- March 7, 2020

Final: May 11- May 23, 2020

Main Textbook:

Thaler, Richard H., and Cass R. Sunstein. *Nudge: Improving decisions about health, wealth, and happiness*. Yale University Press, 2008.

Kahneman, D. *Thinking, fast and slow*. New York, NY, US: Farrar, Straus and Giroux, 2011

Corr, P., Plagnol, A. (2019). *Behavioral Economics the basics*. London: Routledge, <https://doi.org/10.4324/9781315391229> (<https://www.behavioraleconomicsbasics.net/>)

Additional reading:

Thaler, R. H. (2015). *Misbehaving: The making of behavioral economics*.

Expected Learning Outcomes:**1. Morality and Ethics**

Applicability	Expected Learning Outcomes
<input checked="" type="radio"/>	1.1 Students demonstrate integrity.
<input type="radio"/>	1.2 Students prioritize social and public benefits over personal ones.
<input checked="" type="radio"/>	1.3 Students are punctual and comply with the code of conduct of the institution and society at large.
<input type="radio"/>	1.4 Students are responsible and accountable to society, the nation, and the subject of economics.
<input type="radio"/>	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.

TEACHING PLAN

Week	Topics learning in class
<p>Week 1 (Tue 14, Thu 16 Jan.)</p>	<p>Introduction to Behavioral Economics</p> <ul style="list-style-type: none"> • What is behavioral economics? • What better insight can we get from studying behavioral economics? • Heuristics and Biases <p><u>Reading:</u> Nudge, Ch. 1 Behavioral Economics(Corr and Plagnol), Ch.1 & 4</p> <p><u>Further reading(non-required):</u></p> <p>Tversky, A. and D. Kahneman(1974). "Judgement under uncertainty: Heuristics and Biases" Science, New Series, Vol. 185, No. 4157, pp. 1124-1131.</p> <p>Rabin, M. (2013). "An Approach to Incorporating Psychology into Economics," American Economic Review Papers and Proceedings, 103(3), 617-22.</p> <p>DellaVigna, S. (2009). "Psychology and Economics: Evidence from the Field," Journal of Economic Literature, 47, 315-372.</p> <p>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.</p> <p>Rabin, M. (1998). "Psychology and Economics," Journal of Economic Literature, 36, 11-46.</p>
<p>Week 2 (Tue 21, Thu 23 Jan)</p> <p>Week 3 (Tue 28, Thu 30 Jan)</p> <p>Week 4 (Tue 4, Thu 6 Feb)</p>	<p>Risk preferences</p> <ul style="list-style-type: none"> • Prospect theory • Loss aversion • The endowment effect • Probability weighting • Fourfold patterns of choices under risk • Applications of Prospect theory <p><u>Reading:</u> Thinking Fast and Slow, Ch. 25-30 Nudge, Ch. 1 Behavioral Economics(Corr and Plagnol), Ch.4</p> <p><u>Further reading(non-required):</u></p> <p>Kahneman, D. and A. Tversky, (1979) "Prospect Theory: An Analysis of Decision Under Risk," Econometrica, 47, 263-291.</p> <p>Kahneman, D., and A. Tversky (1992). "Advances in Prospect Theory: Cumulative Representation of Uncertainty," Journal of Risk and Uncertainty, 5, 297-323.</p> <p>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.</p> <p>Bruhin, A., H. Fehr-Duda, and T. Epper (2010). "Risk and Rationality: Uncovering Heterogeneity in Probability Distortion," Econometrica, 78, 1375-1412.</p>

<p>Week 5 (Tue 11, Thu 13 Feb)</p> <p>Week 6 (Tue 18, Thu 20 Feb)</p> <p>Week 7 (Tue 25, Thu 27 Feb)</p>	<p>Time preferences</p> <ul style="list-style-type: none"> • Present Bias • Procrastination and Self-control • Commitment Devices • Experimental Evidences and applications of Time Discounting <p><u>Reading:</u> Nudge, Ch. 2, 6, 7</p> <p><u>Further reading(non-required):</u></p> <p>O'Donoghue, T. and M. Rabin (1999). "Doing it Now or Later," American Economic Review, 89, 103-124.</p> <p>O'Donoghue, T. and M. Rabin (2001). "Choice and Procrastination," Quarterly Journal of Economics, 116, 121-160.</p> <p>Laibson, D. (1997). "Golden Eggs and Hyperbolic Discounting," Quarterly Journal of Economics, 112, 443-477.</p> <p>DellaVigna, S. and U. Malmendier (2006). "Paying Not to Go to the Gym," American Economic Review, 96(3), 694-719.</p> <p>Gruber, J. and Mullainathan, S. (2005). "Do Cigarette Taxes Make Smokers Happier?" Advances in Economic Analysis and Policy, 5(1), Article 4.</p> <p>Meier, S. and C. Sprenger (2010). "Present-Biased Preferences and Credit Card Borrowing," American Economic Journal: Applied Economics, 2(1), 193-210.</p>
<p>Week 8 (Tue 10, Thu 12 Mar)</p>	<p>Other topics in intertemporal choices</p> <ul style="list-style-type: none"> • Temptation • Anticipation • Projection bias <p><u>Further reading(non-required):</u></p> <p>Loewenstein, G. (1987). "Anticipation and the valuation of delayed consumption" Economic Journal, 97, 666-684.</p> <p>Loewenstein, G., T. O'Donoghue, and M. Rabin (2003). "Projection Bias in Predicting Future Utility," Quarterly Journal of Economics, 118, 1209-1248.</p> <p>Conlin, M., T. O'Donoghue, and T. Vogelsang (2007). "Projection Bias in Catalog Orders," American Economic Review, 97(4), 1217-1249.</p>

<p>Week 9 (Tue 17, Thu 19 Mar)</p> <p>Week 10 (Tue 24, Thu 26 Mar)</p>	<p>Public policy to combat error</p> <ul style="list-style-type: none"> • Choice Architecture • Default option <p><u>Reading:</u> Nudge, Ch. 4, 5, 11 Behavioral Economics(Corr and Plagnol), Ch. 6</p> <p><u>Further reading (non-required):</u> Sunstein, C. and R. Thaler (2003). "Libertarian Paternalism Is Not An Oxymoron." University of Chicago Law Review, 70, 1159-1202.</p> <p>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.</p> <p>O'Donoghue, T. and M. Rabin (2006). "Optimal Sin Taxes," Journal of Public Economics, 90(10-11), 1825-1849.</p>
<p>Week 11 (Tue 31 Mar, Thu 2 Apr)</p>	<p>Attention, Salience, and Memory</p> <p><u>Further reading(non-required):</u> Chetty, R., A. Looney, and K. Kroft (2009). "Salience and Taxation: Theory and Evidence," American Economic Review, 99(4), 1145-1177.</p> <p>Lacetera, N., D. Pope, and J. Sydnor (2012). "Heuristic Thinking and Limited Attention in the Car Market," American Economic Review, 102(5), 2206-2236</p> <p>Bordalo, P., N. Gennaioli, and A. Shleifer (2011). "Salience Theory of Choice Under Risk," Quarterly Journal of Economics, 127, 1243-1285.</p>
<p>Week 12 (Tue 7, Thu 9 Apr)</p>	<p>The role of cognition and emotion in decision making</p> <ul style="list-style-type: none"> • Dual-Process theory • Emotion and Decision-making <p><u>Reading</u> Behavioral Economics(Corr and Plagnol), Ch.4</p> <p><u>Further reading(non-required):</u> Loewenstein, G., T. O'Donoghue, and S. Bhatia (2015). Modeling the interplay between affect and deliberation. Decision 2 (2), 55-81.</p> <p>Lerner, J. S., Y. Li, P. Valdesolo, and K. S. Kassam (2015). Emotion and Decision Making. Annual Review of Psychology 66 (1), 799{823.</p>

<p>Week 13 (Tue 21, Thu 23 Apr)</p>	<p>Social preferences</p> <ul style="list-style-type: none"> • Fairness • Altruism, Kindness and cooperation • Charity giving <p><u>Reading:</u> Misbehaving, Ch. 14 – 15</p> <p><u>Further reading(non-required):</u> Kahneman D, J. Knetsch, and R. Thaler (1986b). "Fairness as a Constraint on Profit Seeking: Entitlements in the Market," American Economic Review, 76, 728-741.</p> <p>Kahneman D, J. Knetsch, and R. Thaler (1986a). "Fairness and the Assumptions of Economics," Journal of Business, 59, 285-300.</p> <p>DellaVigna, S., J. List, and U. Malmendier (2012). "Testing for Altruism and Social Pressure in Charitable Giving," Quarterly Journal of Economics, 127, 1-56.</p>
<p>Week 14 (Tue 28, Thu 30 Apr)</p>	<p>Subjective Well-being and Happiness</p> <ul style="list-style-type: none"> • Measurement of subjective well-being <p><u>Further reading(non-required):</u> 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.</p>
<p>Week 15 (Tue 5, Thu 7 May)</p>	<p>Review and Paper presentation</p>

The prospective topics and timeline of this course are subject to change as instructor sees fit when course proceeds.

ACADEMIC CALENDAR & HOLIDAY

Semester 2/2019

(January 13 – May 9, 2020)

Activities	Time Period
Classes Begin	January 13, 2020
Add-drop period	January 13 - 27, 2020
Tuition payment period	January 13 - 28, 2020
<i>Makha Bucha Day*</i>	<i>February 8, 2020</i>
<i>Substitution for Makha Bucha Day*</i>	<i>February 10, 2020</i>
Mid-term Examination Period	March 2 – 7, 2020
Withdrawal period with “W” on record	March 18 – 23, 2020
<i>Chakri Memorial Day*</i>	<i>April 6, 2020</i>
<i>Songkran Festival Day*</i>	<i>April 12 - 18, 2020</i>
<i>Coronation Day*</i>	<i>May 4, 2020</i>
<i>Visakha Bucha Day*</i>	<i>May 6, 2020</i>
<i>Royal Ploughing Ceremony Day*</i>	<i>May 11, 2020</i>
Last day of class for Semester 2/2019	May 9, 2020
Final exam period	May 11 – 22, 2020

* Holiday, No classes during this period

CONTACT INFORMATION

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