

## Course Outline

### EE 416 Behavioral Economics

Semester 1/2020 (August 10 - November 28, 2020)

<b>Number of credits:</b>	3 credits (3-0-6)
<b>Lecture Time:</b>	Tuesdays and Thursdays, 09.30 – 11.00 hours
<b>Lecture Venue:</b>	Room 203, 2 <sup>nd</sup> floor, Faculty of Economics
<b>Instructor:</b>	Ajarn Sunsiree Kosindesha, Office: Room 429, 4 <sup>th</sup> Floor, Faculty of Economics  Email: <a href="mailto:sunsiree@econ.tu.ac.th">sunsiree@econ.tu.ac.th</a>  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.

#### Powerpoint Acknowledgement

The slides that will be used in this class are largely adapted from graduate course in behavioral economics by Prof. Ted O'Donoghue and undergraduate course in behavioral economics and public policy class by Prof. Brandon Tripp, Cornell University.

**Evaluation:**

Midterm Exam:	25%
Final Exam:	40%
Term paper:	25% (maximum of 4 people)
Free-form Pitch Project:	10% (maximum of 4 people)
Mid-term examination	<b>Thursday, October 1, 2020; 9 am – 11 am</b>
Final examination	<b>Tuesday, December 8, 2020; 1.30 pm – 4.30 pm</b>

**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
●	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.

# Topics

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

## 1. Introduction to Behavioral Economics (approx. 2 classes)

- What is behavioral economics?
- What better insight can we get from studying behavioral economics?
- Heuristics and Biases

### Reading:

Nudge, Ch. 1

Behavioral Economics(Corr and Plagnol), Ch.1 & 4

### Further reading(non-required):

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

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. Risk preferences (approx. 5 classes)

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

### Reading:

Thinking Fast and Slow, Ch. 25-30

Nudge, Ch. 1

Behavioral Economics(Corr and Plagnol), Ch.4

Further reading(non-required):

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.

Bruhin, A., H. Fehr-Duda, and T. Epper (2010). "Risk and Rationality: Uncovering Heterogeneity in Probability Distortion," *Econometrica*, 78, 1375-1412.

### **3. Time preferences (approx. 6 classes)**

- Present Bias
- Procrastination and Self-control
- Commitment Devices
- Experimental Evidences and applications of Time Discounting

Reading:

Nudge, Ch. 2, 6, 7

Further reading(non-required):

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.

### **4. Projection bias (approx. 1 class)**

Further reading(non-required):

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.

## 5. Public policy to combat error (approx. 3 classes)

- Choice Architecture
- Default option

### Reading:

Nudge, Ch. 4, 5, 11

Behavioral Economics(Corr and Plagnol), Ch. 6

### Further reading (non-required):

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.

## 6. Attention, Salience, and Memory (approx. 3 classes)

### Further reading(non-required):

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

## 7. The role of cognition and emotion in decision making (approx. 2 classes)

- Dual-Process theory
- Emotion and Decision-making

### Reading

Behavioral Economics(Corr and Plagnol), Ch.4

### Further reading(non-required):

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.

## 8. Social preferences (approx. 4 classes)

- Fairness
- Altruism, Kindness and cooperation
- Charity giving

### Reading:

Misbehaving, Ch. 14 – 15

### Further reading(non-required):

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.

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

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

## 9. Subjective Well-being and Happiness (approx. 2 classes)

- Measurement of subjective well-being

Further reading(non-required): 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.



## ACADEMIC CALENDAR 2020 SEMESTER 1/2020

Event	Semester 1 (August - December 2020)
Pre-Registration period (BE Portal)	July 13 - 15, 2020
Course Registration (Reg TU)	July 28 - 31, 2020
Payment	July 28 - August 3, 2020
Classes Begin	August 10, 2020
<i>H.M. Queen Sirikit The Queen Mother's Birthday*</i>	<i>August 12, 2020</i>
Adding and Dropping Courses W/O Record	August 10 - 23, 2020
Payment	August 10 - 24, 2020
Mid-term Examination Period	September 28 - October 3, 2020
Course Withdrawal With "W"	October 12 - November 15, 2020
<i>H.M. King Bhumibol Adulyadej The Great Memorial Day *</i>	<i>October 13, 2020</i>
<i>King Chulalongkorn's Day*</i>	<i>October 23, 2020</i>
Last Day of Classes	November 28, 2020
Final Examination Period	November 30 - December 16, 2020
<i>H.M. King Bhumibol Adulyadej The Great's Birthday*</i>	<i>December 5, 2020</i>
<i>Substitution for H.M. King Bhumibol Adulyadej The Great's Birthday*</i>	<i>December 7, 2020</i>
<i>Constitution Day*</i>	<i>December 10, 2020</i>

*\* Public Holiday, No Classes during this period*

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