

## Course Outline

### EE 416 Behavioral Economics

Semester 2/2021 (January 10 - May 7, 2022)

<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>	Online and/or On-Site

*On-site:* Room (TBA), Faculty of Economics, Thammasat University (Tha Prachan)

*Real-time online class via Zoom:*

Zoom meeting ID for every classes: 917 2559 1037

Join Zoom meeting: <https://zoom.us/j/91725591037> or use QR code:



Handouts will be posted before classes and the zoom recorded videos, as well as lecture notes, will be posted after each class on google classroom and BE Moodle.

**BE Moodle:** Enrollment key: 2358

### Communication channels:

Please join both platforms.

#### 1. Google classroom

Class code: **es2zpvb**

#### Join google classroom:

<https://classroom.google.com/c/Mjl3Njl3NTYzNzI0?cjc=es2zpvb>

#### 2. line group

Invite link: <http://line.me/ti/g/8qTlzSgzGV>

Join Line group via QR code:



**Instructor:** Dr. Sunsiree Kosindesha,

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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% (maximum of 5 people)
Free-form Project:	10% (maximum of 5 people)
Mid-term examination	<b>Thursday, March 3, 2022; 09.00 – 11.00 AM</b>
Final examination	<b>Tuesday, May 10, 2022; 1.30 – 4.30 PM</b>

## Main Textbooks:

1. Thaler, Richard H., and Cass R. Sunstein. *Nudge: Improving decisions about health, wealth, and happiness*. Yale University Press, 2008.
2. Kahneman, D. *Thinking, fast and slow*. New York, NY, US: Farrar, Straus and Giroux, 2011
3. Angner, Erik. *A course in behavioral economics*. Bloomsbury Publishing, 2020.

## Additional Books:

1. Sunstein, Cass R. *Sludge: What Stops Us From Getting Things Done And What To Do About It*. MIT Press, 2021
2. Wendel, Stephen. *Designing for behavior change: Applying psychology and behavioral economics*. O'Reilly Media, 2020.
3. Thaler, R. H. *Misbehaving: The making of behavioral economics*. 2015.
4. Corr, P., Plagnol, A. *Behavioral Economics the basics*. London: Routledge, <https://doi.org/10.4324/9781315391229> ( <https://www.behavioraleconomicsbasics.net/> ), 2019

## 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

## 1. Introduction to Behavioral Economics

- What is behavioral economics?
- What better insight can we get from studying behavioral economics?
- Principles of (Behavioral) Economics

### Reading:

Nudge, Ch. 1

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

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

### 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. Public policy to combat error

- 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.

### 3. Risk preferences

- 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.

### 4. Time preferences

- 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.

## 5. Projection bias

### 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.

## 6. Attention, Salience, and Memory

### 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

- 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

- Fairness
- Behavioral game theory
- 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

- 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.

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

## ACADEMIC CALENDAR & HOLIDAY SEMESTER 2/2021

Semester 2/2021 (January 10 – May 7, 2022)	
Classes Begin	January 10, 2022
Add-drop period	January 17 - 20, 2022 <i>(from 9.00 AM of January 17 to 10.30 PM of January 20)</i>
Tuition Fee Payment Period	7 December, 2021 - January 23, 2022 <i>(9 AM - 10.30 PM)</i>
<i>Makha Bucha Day*</i>	<i>February 16, 2022</i>
Mid-term Examination Period	February 28 - March 5, 2022
Withdrawal period with "W" on record	March 14 - April 25, 2022 <i>(from 9.00 AM of March 14 to 10.30 PM of April 25)</i>
<i>Chakri Memorial Day*</i>	<i>April 6, 2022</i>
<i>Songkran Festival Day*</i>	<i>April 11 - 17, 2022</i>
<i>Coronation Day*</i>	<i>May 4, 2022</i>
Last day of class for Semester 2/2021	May 7, 2022
Final exam period	May 9 - 12, 17 - 25, 2022
<i>Royal Ploughing Ceremony Day*</i>	<i>May 13, 2022</i>
<i>Visakha Bucha Day*</i>	<i>May 15, 2022</i>
<i>Substitution for Visakha Bucha Day*</i>	<i>May 16, 2022</i>

\* Holiday, No classes during this period