

IDEC - X0010050

Behavioral Economics, Development, and Policy
Spring 2018

Instructor: Johann Caro-Burnett	Time: Tu & Th, 10:30 - 12:00
Email: johanncb [at] hiroshima-u.ac.jp	Place: IDEC-201

Course Website:

- <https://sites.google.com/site/johanncaro/teaching>

Office Hours: Fr, 13:00-14:00

Teaching Assistant: Huang Qiong

Objectives: On Spring 2018, the main topic of the course X0010050 will be Behavioral Economics. This course is designed for graduate students at IDEC. It will have a combination of theoretical and empirical studies related to Behavioral Economics and its implications on Economic Development. At the end of the course, a successful student should be able to:

- Understand the main streams of research in the literature of Behavioral Economics and how it relates to development,
- Understand and identify various models and know how and when to use them, and
- Specialize in one subtopic.

Prerequisites: There are no prerequisites to this course, however it is strongly suggested to have basic knowledge on microeconomics.

Grading: Grading will be based on:

- 20% Attendance and class participation.
- 20% Quizzes (on random days).
- 60% Final evaluation (See instructions at the end of this document).

Course Outline:

Topic 1: Confidence

Lecture 1, April 10th (Tuesday)

- Muriel Niederle and Lise Vesterlund, "Do Women Shy Away from Competition? Do Men Compete Too Much?", Quarterly Journal of Economics, 2007.
- Daniel Kahneman and Gary Klein, "Conditions for Intuitive Expertise: A Failure to Disagree," American Psychologist, 2009.

Lecture 2, April 12th (Thursday)

- Marsh, H. W., Craven, R. G. (2006). Reciprocal effects of self-concept and performance from a multidimensional perspective: Beyond seductive pleasure and unidimensional perspectives. *Perspectives on psychological science*, 1(2), 133-163.
- Rasheed, H. S., Rasheed, B. Y. (2003). Developing entrepreneurial characteristics in minority youth: The effects of education and enterprise experience. In *Ethnic entrepreneurship: Structure and process* (pp. 261-277). Emerald Group Publishing Limited. [Book Chapter]

Supplementary Readings

- Glaeser, Edward L., David Laibson, Jose A. Scheinkman and Christine L. Soutter, What is Social Capital? The Determinants of Trust and Trustworthiness NBER Working Paper, 1999.
- Fehr, Ernst, Urs Fischbacher and Michael Kosfeld, Neuroeconomic Foundations of Trust and Social Preferences, Institute for Empirical Research in Economics, University of Zurich, Working Paper No. 221, June 2005.
- Caballero, Ricardo, Kevin Cowan, and Jonathan Kearns, "Fear of Sudden Stops: Lessons from Australia and Chile" NBER Working Paper No. 10519, May 2004.
- Kelly See et al., The detrimental effects of power on confidence, advice taking, and accuracy, *Journal of Organizational Behavior and Human Decision Processes*, 2011.
- Justin Kruger and David Dunning, "Unskilled and Unaware of It: How Difficulties in Recognizing One's Own Incompetence Lead to Inflated Self-Assessments," *Journal of Personality and Social Psychology*, 1999.
- Catherine Good et al., Improving adolescents standardized test performance: An intervention to reduce the effects of stereotype threat, *Applied Developmental Psychology*, 2003.
- Anita Williams Woolley et al., Evidence for a Collective Intelligence Factor in the Performance of Human Groups, *Science*, 2010.
- Jane Margolis et al., The Anatomy of Interest: Women in Undergraduate Computer Science, *Women's Studies Quarterly*, 2000.
- Karla Hoff and Priyanka Pandey, "Belief Systems and Durable Inequalities: An Experimental Investigation of Indian Caste," World Bank Working Paper, 2004.
- Andy Yap, et al., The Ergonomics of Dishonesty: The Effect of Incidental Posture on Stealing, Cheating, and Traffic Violations, *Psychological Science*, 2013.
- Dubois, D. L., Tevendale, H. D. (1999). Self-esteem in childhood and adolescence: Vaccine or epiphenomenon?. *Applied and Preventive Psychology*, 8(2), 103-117.
- Craven, R. G., Marsh, H. W., Burnett, P. (2003). Cracking the self-concept enhancement conundrum. *International advances in self research*, 1, 91-126.
- Kahn, J. S., Kehle, T. J., Jenson, W. R., Clark, E. (1990). Comparison of cognitive-behavioral, relaxation, and self-modeling interventions for depression among middle-school students. *School Psychology Review*.
- Baumeister, R. F., Campbell, J. D., Krueger, J. I., Vohs, K. D. (2003). Does high self-esteem cause better performance, interpersonal success, happiness, or healthier lifestyles?. *Psychological science in the public interest*, 4(1), 1-44.

- Chen, C. C., Greene, P. G., Crick, A. (1998). Does entrepreneurial self-efficacy distinguish entrepreneurs from managers?. *Journal of business venturing*, 13(4), 295-316.

Topic 2: Habits

Lecture 3, April 17th (Tuesday)

- Judah, G., Gardner, B., Aunger, R. (2013). Forming a flossing habit: an exploratory study of the psychological determinants of habit formation. *British journal of health psychology*, 18(2), 338-353.
- Gregory, G. D., Leo, M. D. (2003). Repeated behavior and environmental psychology: The role of personal involvement and habit formation in explaining water consumption. *Journal of Applied Social Psychology*, 33(6), 1261-1296.

Lecture 4, April 19th (Thursday)

- Charness, G., Gneezy, U. (2009). Incentives to exercise. *Econometrica*, 77(3), 909-931.
- Gneezy, U., Meier, S., Rey-Biel, P. (2011). When and why incentives (don't) work to modify behavior. *Journal of Economic Perspectives*, 25(4), 191-210.
- Jager, W. (2003). Breaking bad habits: a dynamical perspective on habit formation and change. *Human Decision-Making and Environmental Perception-Understanding and Assisting Human Decision-Making in Real Life Settings*. Libor Amicorum for Charles Vlek, Groningen: University of Groningen.

Supplementary Readings

- Green, D. P., Shachar, R. (2000). Habit formation and political behaviour: Evidence of consuetude in voter turnout. *British Journal of Political Science*, 30(4), 561-573.
- Lally, P., Van Jaarsveld, C. H., Potts, H. W., Wardle, J. (2010). How are habits formed: Modelling habit formation in the real world. *European journal of social psychology*, 40(6), 998-1009.
- Cass Sunstein, *Fifty Shades of Manipulation*, *Journal of Behavioral Marketing*, 2015.
- Aarts, H., Paulussen, T., Schaalma, H. (1997). Physical exercise habit: on the conceptualization and formation of habitual health behaviours. *Health education research*, 12(3), 363-374.
- Steven Stanton et al., *Effects of Induced Mood on Economic Choices, Judgement and Decision Making*, 2014.
- Timothy Wilson and Daniel Gilbert, *Affective Forecasting: Knowing What to Want*, *Current Directions in Psychological Science*, 2005.
- Tanjim Hossain and John List, *The Behavioralist Visits the Factory: Increasing Productivity Using Simple Framing Manipulations*, NBER Working Paper, 2009.
- Daniel Kahneman, et al, "Would You Be Happier if You Were Richer? A Focusing Illusion," *Science*, 2006.

Topic 3: Information

Lecture 5, April 24th (Tuesday)

- Gabaix, Xavier and David Laibson. Shrouded Attributes, Consumer Myopia, and Information Suppression in Competitive Markets, *The Quarterly Journal of Economics*, 121(2): 505-540.

- Bernartzi, Shlomo and Richard Thaler. Save More Tomorrow: Using Behavioral Economics to Increase Employee Saving, *Journal of Political Economy*, 112(1), 2004: S164-S187.

Lecture 6, April 26th (Thursday)

- Resnick, P., Zeckhauser, R., Swanson, J., Lockwood, K. (2006). The value of reputation on eBay: A controlled experiment. *Experimental economics*, 9(2), 79-101.
- Allen, F., Morris, S., Shin, H. S. (2006). Beauty contests and iterated expectations in asset markets. *The Review of Financial Studies*, 19(3), 719-752.

Supplementary Readings

- Daniel Kahneman and Amos Tversky, "Prospect Theory: An Analysis of Decision Under Risk," *Econometrica*, 1979
- Daniel Kahneman and Alan Krueger, "Developments in the Measurement of Subjective Well-Being," *Journal of Economic Perspectives*, 2006.
- Daniel Kahneman and Robert Sugden, "Experienced Utility as a Standard of Policy Evaluation," *Environmental and Resource Economics*, 2005.
- Matthew Killingsworth and Daniel Gilbert, A Wandering Mind is an Unhappy Mind, *Science*, 2010.
- Matthew Gentzkow, Edward L. Glaeser, and Claudia Goldin, The Rise of the Fourth Estate: How Newspapers Became informative and Why It Mattered", National Bureau of Economic Research Working Paper No. 10791, September 2004.
- Huberman, B. A., Romero, D. M., Wu, F. (2008). Social networks that matter: Twitter under the microscope. arXiv preprint arXiv:0812.1045.
- Hong, Harrison, Jeffrey Kubik and Jeremy Stein, "The Neighbor's Portfolio: Word of Mouth Effects in the Holdings and Trades of Money Managers", NBER Working Paper No. 9711, 2003.
- Avery, Christopher, and Peter Zemsky, "Multidimensional Uncertainty and Herd Behavior in Financial Markets," *American Economic Review* 88(4):724-48, 1998.
- Banerjee, Abhijit, "A Simple Model of Herd Behavior," *Quarterly Journal of Economics* 107 (3):979-817, 1992.
- Barberis, Nicholas, and Andrei Shleifer, Style Investing NBER Working Paper No. w8039, December 2000.
- Barberis, Nicholas, Andrei Shleifer, and Robert Vishny, "A Model of Investor Sentiment," *Journal of Financial Economics*, 49 (1998): 307-43.
- Gentzkow, M., and J. Shapiro (2008): Competition and Truth in the Market for News, *Journal of Economic Perspectives*, 22(2): 133-154.
- DellaVigna, S., and E. Kaplan (2007): The Fox News Effect: Media Bias and Voting, *Quarterly Journal of Economics*, 122(3): 1187-1234.
- Roland Freyer, Jr., et al., Enhancing the Efficacy of Teacher Incentives Through Loss Aversion: A Field Experiment, NBER Working Papers, 2012.
- 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, 1997: 407-441.

Topic 4: Fairness**Lecture 7, May 8th (Tuesday)**

- Armin Falk, "Gift Exchange in the Field," *Econometrica*, 2007.
- Konow, J. (2003). Which is the fairest one of all? A positive analysis of justice theories. *Journal of economic literature*, 41(4), 1188-1239.

Lecture 8, May 10th (Thursday)

- Kahneman, Daniel, Jack Knetsch and Richard H. Thaler, Fairness as a Constraint on Profit-Seeking: Entitlements in the Market, *American Economic Review* September 76:4 (September 1986) pp. 728-41.
- Alexander Cappelen et al, "The Pluralism of Fairness Ideals: An Experimental Approach," *American Economic Review*, 2007.

Supplementary Readings

- Dufwenberg, M., Kirchsteiger, G. (2004). A theory of sequential reciprocity. *Games and economic behavior*, 47(2), 268-298.
- Hodgson, G. M. (2017). Karl Polanyi on economy and society: a critical analysis of core concepts. *Review of Social Economy*, 75(1), 1-25.
- Borghans, L., Duckworth, A. L., Heckman, J. J., Ter Weel, B. (2008). The economics and psychology of personality traits. *Journal of human Resources*, 43(4), 972-1059.
- Falk, A., Fischbacher, U. (2006). A theory of reciprocity. *Games and economic behavior*, 54(2), 293-315.
- Bailey, Sydney D., "Post-Mortem on the Bengal Famine" *Far Eastern Survey* 14(25):373-4, December 19, 1945.
- Daniel Kahneman, Jack Knetsch, and Richard Thaler, "Fairness as a Constraint on Profit Seeking: Entitlements in the Market," *American Economic Review*, 1986.
- Fehr, Ernst and Simon Gächter. Fairness and Retaliation: The Economics of Reciprocity, *Journal of Economic Perspectives*, 14(3), 2000: 159-181.
- Michael Norton and Dan Ariely, Building a Better America One Wealth Quintile at a Time, *Perspectives on Psychological Science*, 2011.
- Catherine Eckel, et al. A Field Experiment on Directed Giving at a Public University, NBER Working Paper, 2014.
- Fehr, E., Fischbacher, U., Gächter, S. (2002). Strong reciprocity, human cooperation, and the enforcement of social norms. *Human nature*, 13(1), 1-25.

Topic 5: Culture**Lecture 9, May 15th (Tuesday)**

- Alberto Alesina, Paula Guiliano and Nathan Nunn (2013), On the Origins of Gender Roles: Women and the Plough, *Quarterly Journal of Economics*, Vol 128(2)

- Henrich, J., Boyd, R., Bowles, S., Camerer, C., Fehr, E., Gintis, H., Henrich, N. S. (2005). Economic man in cross-cultural perspective: Behavioral experiments in 15 small-scale societies. *Behavioral and brain sciences*, 28(6), 795-815.

Lecture 10, May 17th (Thursday)

- Bikhchandani, D., David Hirshleifer and Ivo Welch, A Theory of Fashion, Social Custom and Cultural Change, *Journal of Political Economy* 81:637-54, 1992.
- Henrich, J (2001), Does culture matter in economic behavior? ultimatum game bargaining among the Machiguenga of the Peruvian Amazon, *American Economic Review* 90, 973-79.
- John M.Gowdy. "Behavioral economics and climate change policy." *Journal of Economic Behavior and Organization*. Volume 68, Issues 3-4, December 2008, Pages 632-644.

Supplementary Readings

- Stanley Milgram, "Behavioral Study of Obedience," *Journal of Abnormal and Social Psychology*, 1963.
- Henrich, J., Boyd, R., Bowles, S., Camerer, C., Fehr, E., Gintis, H., McElreath, R. (2001). In search of homo economicus: behavioral experiments in 15 small-scale societies. *American Economic Review*, 91(2), 73-78.
- Frederick, S. (2006): Valuing future life and future lives: A framework for understanding discounting, *Journal of Economic Psychology*, 27: 667-680.
- Brosnan, S. F., De Waal, F. B. (2003). Monkeys reject unequal pay. *Nature*, 425(6955), 297.
- Smith, V. L. (2003). Constructivist and ecological rationality in economics. *American economic review*, 93(3), 465-508.
- Levitt, S. D., List, J. A. (2007). What do laboratory experiments measuring social preferences reveal about the real world?. *Journal of Economic perspectives*, 21(2), 153-174.
- Stephen Craig et al., Sometimes You Feel Like a Nut, Sometimes You Dont: Citizens Ambivalence About Abortion, *Political Psychology*, 2002.
- Beaman, Lori, Raghavendra Chattopadhyay, Esther Duflo, Rohini Pande and Petia Topalova, Powerful Women: Does Exposure Reduce Bias? *Quarterly Journal of Economics*, Vol. 124(4): 1497-1540.
- Jayachandran, Seema. 2014. The roots of gender inequality in developing countries. *National Bureau of Economic Research*, 20380.
- Beaman, Lori, Esther Duflo Rohini Pande and Petia Topalova Female Leadership Raises Aspirations and Educational Attainment for Girls: A Policy Experiment in India, *Science Magazine*, Vol. 335 no. 6068, February 2012.
- Ashraf, Nava (2009). Spousal Control and Intra-household Decision Making: An Experimental Study in the Philippines. *American Economic Review* 99(4), 1245 - 1277.
- Jayachandran, Seema and Rohini Pande .2015. Why are Indian Children so Short? NBER Working Paper 21036.
- Rabin, Matthew. *Psychology and Economics*, *Journal of Economic Literature*, 36(1), 1998: 11-46.
- DellaVigna, Stefano. *Psychology and Economics: Evidence from the Field*, *Journal of Economic Literature*, 47(2), 2009: 315-372.

- Harrison, G. W., List, J. A. (2004). Field experiments. *Journal of Economic literature*, 42(4), 1009-1055.

Topic 6: Poverty

Lecture 11, May 22nd (Tuesday)

- Bertrand, Marianne, Sendhil Mullainathan, and Eldar Shafir. 2004. "A Behavioral-Economics View of Poverty." *American Economic Review*, 94(2): 419-423.
- Anandi Mani, Sendhil Mullainathan, Eldar Shafir, Jiaying Zhao "Poverty Impedes Cognitive Function" *Science* 30 Aug 2013: Vol. 341, Issue 6149, pp. 976-980

Lecture 12, May 24th(Thursday)

- Fehr, Ernst, Georg Kirchsteiger and Arno Riedl. "Does Fairness Prevent Market Clearing? An Experimental Investigation." *Quarterly Journal of Economics*, May 1993, 108(2), pp. 437-59.
- Marianne Bertrand, Sendhil Mullainathan, and Eldar Shafir, "Behavioral Economics and Marketing in Aid of Decision-Making Among the Poor," *Journal of Public Policy and Marketing*, 2006.

Supplementary Readings

- Daniel J. Benjamin, Sebastian A. Brown, Jesse M. Shapiro; Who is Behavioral? Cognitive Ability and Anomalous Preferences, *Journal of the European Economic Association*, Volume 11, Issue 6, 1 December 2013, Pages 1231-1255.
- Anuj K. Shah, Sendhil Mullainathan, Eldar Shafir. "Some Consequences of Having Too Little". *Science* 02 Nov 2012: Vol. 338, Issue 6107, pp. 682-685.
- S Meier, C Sprenger "Present-biased preferences and credit card borrowing". *American Economic Journal: Applied Economics*, 2010
- RJ Murnane. "US high school graduation rates: Patterns and explanations." *Journal of Economic Literature*, 2013
- Akerlof, George A., and Rachel E. Kranton, "Economics and Identity." *Quarterly Journal of Economics*, August 2000, 115(3), pp. 715-53.
- Krueger, Alan B., and Lawrence H. Summers, "Efficiency Wages and the Interindustry Wage Structure," *Econometrica*, 56(2) (March 1988), pp. 259-93.
- Blanchard, Olivier, and Lawrence Summers, "Hysteresis in Unemployment European Economic Review, 31:1/2 (February-March 1987), pp. 288-95, NBER Working Paper No. 1950
- Paola Giuliano "The Determinants of Living Arrangements" Presented at Macroeconomics and Individual Decision Making Conference, NBER, 2004.

Topic 7: Development

Lecture 13, May 29th (Tuesday)

- Clark, Gregory, "Why Isn't the Whole World Developed? Lessons from the Cotton Mills," *The Journal of Economic History* 47(1):141-73, March 1987.
- Cunha, F., Heckman, J. J. (2009). The economics and psychology of inequality and human development. *Journal of the European Economic Association*, 7(2-3), 320-364.

Lecture 14, May 31st (Thursday)

- Chen, C. C., Greene, P. G., Crick, A. (1998). Does entrepreneurial self-efficacy distinguish entrepreneurs from managers?. *Journal of business venturing*, 13(4), 295-316.
- Thomas Astebro et al., *Seeking the Roots of Entrepreneurship: Insights from Behavioral Economics*, Journal of Economic Perspectives, 2014.

Supplementary Readings

- Gordon, Robert J., "Why Was Europe Left at the Station when America's Productivity Locomotive Departed?" Discussion Paper No. 4416, Centre for Economic Policy Research, 2004.
- Phelps, Edmund, "Economic Underperformance in Continental Europe: A Prospering Economy Runs on the Dynamism from its Economic Institutions"
- Lamoreaux, Naomi R. and Kenneth Sokoloff, "Inventive Activity and the Market for Technology in the United States, 1840-1920 NBER Working Paper No. 7107, 1999.
- Gordon, Robert J., "Issues in the Comparison of Welfare between Europe and the United States," paper presented to the Venice Summer Institute Organized by Columbia University's Center on Capitalism and Society and by CESifo, Isola San Servolo, Vennice, July 2006.
- Sinn, Hans-Werner, "The Welfare State and the Forces of Globalization," paper presented to the Venice Summer Institute Organized by Columbia University's Center on Capitalism and Society and by CESifo, Isola San Servolo, Venice, July 2006.

Lecture 15, June 5th (Tuesday)

Students will hand in their research proposals and possibly give a short oral defense (this will depend on the size of the class).

Final evaluation: Students have to prepare a research proposal, satisfying the following as minimum requirements (minimum requirements do not guarantee a full grade):

- The document has to be clear, written in proper English, and has to be logically coherent. A printed version should be handed in to the instructor on the final day of class, by 10:30 AM.
- Font: Times New Roman, Size: 12pt, Spacing: 1.5, Length: at least six full pages long.
- Organization: The document should be sub-divided in the following parts.
 - A clear motivation that implicitly answers: Why is this topic interesting? And why is this topic relevant? (about 2 pages)
 - A literature review of papers (not book chapters) that is comprehensive, relevant, and reflecting the state-of-the-art research related to your chosen topic, with a minimum of ten published papers, and a minimum of five papers from the supplementary readings provided in this syllabus. (about 3 pages)
 - A clear research question and a hypothesis. Additionally, this section should include potential policy implications in the case that the hypothesis would happen to be accepted (or rejected). (about 1 page)
 - A complete plan of how you would proceed with your research, and what difficulties you may find. Some hints: (i) If the data does not exist, it should be feasible to get it. (ii) If your work is empirical, you should be able to calculate a minimum sample size. (about 2 pages)