



## Psychology and Economics

Spring 2017  
Mondays and Wednesdays  
4:55 pm - 6:10 pm  
Office Hours: Mon. and Wed. 3:30 pm - 4:30 pm

Simon Bowmaker  
sbowmake@stern.nyu.edu  
Office: KMEC 8-58  
Telephone: (212) 998-0478

### **Course Description**

This course provides an overview of behavioral economics, an emerging sub-field that integrates insights from psychology into economic models of behavior. Throughout the course, we will examine the ways in which individuals make decisions that systematically depart from the so-called “standard model” of *homo economicus*, which assumes perfect rationality, perfect selfishness, and perfect willpower. We will address the implications of the major findings of behavioral economics for issues such as persuasion and motivation.

### **Readings**

I have put together a book of readings for the course that will be distributed at the first class.

### **Course Assessment**

Assessment is based on the following items, with weights noted:

Midterm	30%
Final	40%
Group presentation	15%
Class participation	15%

### **Course Website**

I will maintain a website for the course using NYU Classes. The website will include announcements and downloadable files with the class lectures.

## **Classroom Norms**

Laptops, cell phones, Smartphones and other electronic devices are a disturbance to both students and professors. All electronic devices must be turned off prior to the start of each class meeting.

## **Attendance**

Class attendance is very important. Much of the learning that takes place in this course occurs during the lectures. For example, I will run in-class experiments for which participation in the experiment is part of the learning experience.

## **Class participation**

I strongly encourage students to participate in class by answering questions that I pose and by posing questions of their own. In the evaluation, quality is more important than quantity. In addition, the evaluation of class participation could be affected adversely by lack of attendance or creating negative classroom externalities (see Classroom Norms above).

## **Ethical Guidelines**

All students are expected to follow the Stern Code of Conduct:

(<http://www.stern.nyu.edu/uc/codeofconduct>)

A student's responsibilities include, but are not limited to, the following:

1. A duty to acknowledge the work and efforts of others when submitting work as one's own. Ideas, data, direct quotations, paraphrasing, creative expression, or any other incorporation of the work of others must be clearly referenced.
2. A duty to exercise the utmost integrity when preparing for and completing examinations, including an obligation to report any observed violations.

## **Students with Disabilities**

Students whose class performance may be affected due to a disability should notify me immediately so that arrangements can be made in consultation with the Henry and Lucy Moses Center for Students with Disabilities <http://www.nyu.edu/csd/> to accommodate their needs.

## **What you can expect of me**

I am committed to making this course intellectually rewarding, logically cohesive, idea-based (not memory-based), personally relevant and fun. If it is not, please tell me and I will try to do better.

## Course Schedule and Readings

### **1. Monday, January 23: Introduction to Psychology and Economics**

Sunstein, Cass and Richard Thaler (2016), 'The Two Friends Who Changed How We Think About How We Think,' *The New Yorker*, December 7

### **2. Wednesday, January 25: Prospect Theory (Part I)**

Tversky, A. and D. Kahneman (1981), 'The Framing of Decisions and the Psychology of Choice,' *Science*, 211: 453-458.

### **3. Monday, January 30: Prospect Theory (Part II)**

Barberis, N.C. (2013), 'Thirty Years of Prospect Theory in Economics: A Review and Assessment,' *Journal of Economic Perspectives*, 27(1): 173-196.

### **4. Wednesday, February 1: Mental Accounting**

Thaler, R. (1999), 'Mental Accounting Matters,' *Journal of Behavioral Decision Making*, 12: 183-206.

### **5. Monday, February 6: Heuristics and Biases (Part I)**

Tversky, A. and D. Kahneman (1974), 'Judgment under Uncertainty: Heuristics and Biases,' *Science*, 185: 1124-1131.

### **6. Wednesday, February 8: Heuristics and Biases (Part II)**

Niederle, M. and L. Vesterlund (2007), 'Why Women Shy Away from Competition? Do Men Compete Too Much?' *Quarterly Journal of Economics*, 122 (3): 1067-1101.

### **7. Monday, February 13: Heuristics and Biases (Part III)**

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

### **8. Wednesday, February 15: Memory and Hindsight Bias**

Kahneman, D., Fredrickson, B.L., Schreiber, C.A. and D.A. Redelmeier (1993), 'Why More Pain is Preferred to Less: Adding a Better End,' *Psychological Science*, 14: 520-524.

**No class on Monday, February 20 (Presidents' Day)**

**9. Wednesday, February 22: Social Preferences and Self-Serving Biases (Part I)**

Fehr, E. and S. Gächter (2000), 'Fairness and Retaliation: The Economics of Reciprocity,' *Journal of Economic Perspectives*, 14 (3): 159-181.

**10. Monday, February 27: Social Preferences and Self-Serving Biases (Part II)**

Mazar, N., Amir, O. and D. Ariely (2008), 'The Dishonesty of Honest People: A Theory of Self-Maintenance,' *Journal of Marketing Research*, 45 (6): 633-644.

**11. Wednesday, March 1: Choice, Part I**

Ivengar, S.S. and M.R. Lepper (2000), 'When Choice is Demotivating: Can One Desire Too Much of a Good Thing?' *Journal of Personality and Social Psychology*, 79 (6): 995-1006.

**12. Monday, March 6: Midterm Review Lecture**

**13. Wednesday, March 8: Midterm Exam**

**No classes on Monday, March 13 and Wednesday, March 15 (Spring Break)**

**14. Monday, March 20: Class Exercise**

**15. Wednesday, March 22: Choice, Part II**

Loewenstein, G. and R. Thaler (1989), 'Anomalies: Intertemporal Choice,' *Journal of Economic Perspectives*, 3: 181-193.

**16. Monday, March 27: Commitment Devices**

Bryan, G., Karlan, D., and S. Nelson (2010), 'Commitment Devices,' *Annual Review of Economics*, 2: 671-698.

**17. Wednesday, March 29: Emotional Decision-Making**

Loewenstein, G. (2000), 'Emotions in Economic Theory and Economic Behavior,' *American Economic Review, Papers and Proceedings*, 90 (2): 426-432.

**18. Monday, April 3: Persuasion**

Freedman, J.L. and S.C. Fraser (1966), 'Compliance without Pressure: The Foot-in-the-Door Technique,' *Journal of Personality and Social Psychology*, 4: 195-202.

**19. Wednesday, April 5: Identity**

Akerlof, G.A. and R.E. Kranton (2000), 'Economics and Identity,' *Quarterly Journal of Economics*, 115 (3): 715-753.

**20. Monday, April 10: Behavioral Game Theory**

Camerer, C.F. (1997), 'Progress in Behavioral Game Theory,' *Journal of Economic Perspectives*, 11(4): 167-188.

**21. Wednesday, April 12: Neuroeconomics**

Camerer, C.F., Loewenstein, G. and D. Prelec (2004), 'Neuroeconomics: Why Economics Needs Brains,' *Scandinavian Journal of Economics*, 106 (3): 555-579.

**22. Monday, April 17: Language**

Chen, K.M. (2013), 'The Effect of Language on Economic Behavior: Evidence from Savings Rates, Health Behaviors, and Retirement Assets,' *American Economic Review*, 103 (2): 690-731.

**23. Wednesday, April 19: Motivation**

Ariely, D., Gneezy, U., Loewenstein, G. and N. Mazar (2009), 'Large Stakes and Big Mistakes,' *Review of Economic Studies*, 76 (2): 451-469.

**24. Monday, April 24: Poverty**

Bertrand, M., Mullainathan, S. and E. Shafir (2004), 'A Behavioral Economics View of Poverty,' *American Economic Review*, Papers and Proceedings, 94 (2): 419-423.

**25. Wednesday, April 26: Romance**

Whitchurch, E.R., Wilson, T.D., and D.T. Gilbert (2011), "'He Loves Me, He Loves Me Not..." Uncertainty Can Increase Romantic Attraction,' *Psychological Science*, 22 (2): 172-175.

**26. Monday, May 1: Group Presentations**

**27. Wednesday, May 3: Group Presentations**

**28. Monday, May 8: Group Presentations**

**Final exam: Monday, May 15, 6 pm to 7.50 pm in our usual location.**