Hamilton College  
Spring 2013  
Behavioral Economics  
Economics 451

Instructor: Stephen Wu  
Office Phone: 4645  
E-mail: swu@hamilton.edu  
Office: Kirner-Johnson 206

Class Meetings: Tue, Thur 10:30-11:45am, KJ 224  
Office Hours: Mon 2-4pm, Tue 2-4pm

Required Book: Thaler and Sunstein, *Nudge: Improving Decisions about Health, Wealth, and Happiness*

Course Description:
Standard microeconomic theory generally assumes that individuals are well-informed, rational, and self-interested utility maximizers. This course will discuss departures from these standard assumptions and discuss a wide range of topics including: desires for altruism and reciprocity, the influence of social norms on decisions, framing and reference point effects, salience and emotional cues, and problems of self-control.

Readings:
I am asking you to purchase one book, *Nudge*, by Richard Thaler and Cass Sunstein. If you do not already own it, you will have plenty of time to purchase it as we will not go over this until the latter part of the semester. There is no textbook, but I am assigning a series of articles that are all posted on Blackboard.

Requirements:
I expect students to come to all class meetings and to be on time. Please have the assigned reading finished prior to the class period that we will be discussing it. This will make discussions more beneficial to you, and to the class as a whole. Some of the articles may be a bit on the technical side, and sometimes I will tell you to skip or skim certain sections. In terms of graded assignments, you will have one midterm exam, a final exam, a few homework assignments based on the readings, and a research proposal and presentation. The research proposal will be an idea for an experiment or an empirical study incorporating concepts we have learned in class. You do not necessarily have to carry out this research proposal, though if I find any of the ideas to have good potential, I may decide to take on the project with you as a possible co-author of an academic research paper.

Students with Disabilities:
Hamilton College will make reasonable accommodations for students with properly documented disabilities. If you are eligible to receive an accommodation(s) and would like to make a formal request for this course, please discuss it with me and allow two weeks’ notice. You will need to provide Allen Harrison, Associate Dean of Students (Elihu Root House; ext. 4021) with appropriate documentation of your disability. I request that any student with a documented disability needing academic adjustments or accommodations speak with me during the first two weeks of class. All discussions will remain confidential.

Grading (tentative percentages):
Homework/Participation 20%  
Research Proposal 20%  
Presentation of Proposal 10%  
Midterm Exam 25%  
Final Exam 25%
Course Outline:

Introduction
1/24: Introduction to Psychology and Economics (Rabin 1998)

Status-Quo Bias, Present-Bias, Self-Control
1/29: Experimental Test of the Endowment Effect (Kahneman, Knetsch and Thaler 1990)
1/31: Status Quo Bias and 401K Participation (Madrian and Shea 2003)
2/5: Golden Eggs and Hyperbolic Discounting (Laibson 1997)
2/7: Procrastination (Ariely and Wertenbroch 2002) and Self Control (O'Donoghue and Rabin 1999)
2/12: Paying Not to Go to the Gym (Della Vigna and Malmeinder 2004)

Preferences Towards Others: Fairness, Envy, Social Norms
2/14: Intrinsic Motives (Kreps 1997); Fairness and Reciprocity (Fehr and Gachter 2000)
2/19: Fairness as a Constraint on Profit Seeking (Kahneman, Knetsch and Thaler 1990)
2/21: Neighbors’ Incomes and Well-Being (Luttmer 2005)
2/26: Peer Salaries and Satisfaction (Card et al. 2012)
2/28: Social Norms and Tipping (Conlin et al. 2003)

3/5: Midterm Exam

Framing and Salience of Choices
3/7: Rational Choice and Framing of Decisions (Tversky and Kahneman 1987)
3/12: Framing and Insurance Decisions (Johnson et al. 1993)
4/2: Salience of Taxation (Chetty, Looney, and Kroft 2009)

Confidence, Beliefs, Identity
4/4: The Gambler’s Fallacy (Croson and Sundali 2005); Hot Hand in Basketball (Gilovich et al. 1985)
4/9: Overconfidence and Stock Trading (Barber and Odean 2003)
4/11: Media Bias (Gentzkow and Shapiro 2006)

Applying Behavioral Economics in Public Policy
4/18: Nudge (Thaler and Sunstein)
4/23: Nudge (Thaler and Sunstein)
4/25: Save More Tomorrow (Thaler and Benartzi 2004); Smoking Cessation (Gine et al. 2010)

Research Presentations
5/2: Presentations
5/7: Presentations
5/9: Presentations

5/18 (Saturday): Final Exam, 2pm