RPAD 345: Psychological Economics and Policy

Fall 2016

Tuesdays and Thursdays, 10:15am to 11:35am

ES 108

Instructor: Prof. Stephen Weinberg

Office Hours: TBA

Grade structure: letter-graded

How do actual, not-perfectly-rational human beings function in a market? How do actual human beings plan for the future? How would perfectly rational people process new information, and how do humans process information? Should the government attempt to help people make better decisions? How can we design environments that promote better decision making for individuals and more just outcomes for society?

This course explores the ways that economists have drawn on psychology to build richer models of human behavior. We will analyze the actual choices of economic decision-makers in the lab and in the field. What are the implications of human psychology for economic policy in areas such as savings behavior, criminal justice, health care, discrimination, poverty, and consumer protection?

Along the way, we will also work on a few specific skills. We will cover core principles of present discounted values (a concept used in any evaluation with a time dimension, from pricing a bond to deciding whether to invest in green energy). We will learn some of the fundamentals of experimental design. We will also work on professional writing. Specifically, we will think about how to structure papers, sentences, and tables to direct the reader's attention to your key points, especially when you are using quantitative information.

Structure of the Course

The course has 3 units.

Unit 1 focuses on learning and cognition. We will learn a great many ways that actual people fail to process information correctly, and the sorts of errors that result.

Unit 2 focuses on issues of decisions about time, especially retirement savings behavior, one of the most richly developed applications of psychological economics. We will see how consistent decision making would require people to use “exponential discounting” to think about the future, and some very specific ways that people fail to think about the future consistently. We will look at the sorts of experiments that have been conducted to study decisions about the future. This unit also focuses on skills development; we will learn the concept of “present discounted value,” a crucial tool for any economic analysis and a central building block of finance. Because you will not understand PDV if you do not practice it, this unit includes a problem set.
Unit 3 focuses on changing human behavior, and the ethics thereof. Students will choose an additional application to do their team papers on.

Along the way, we will continually revisit the topic of how to write effectively.

Grading

Decision Memos (10%)
Team Paper (25%)
Problem Set (10%)
Quizzes (25%)
Final Exam (30%)

Quizzes: before each class, you must take a 15-minute online quiz over the reading. I will drop the lowest four scores; the others will constitute 25% of your grade. (Keeping up with the reading is very important!)

Decision memo: you will write two versions of a professional decision memo (5% each)

Team project: in teams of 3-4 students, you will explore how to apply different aspects of the course to a particular problem (25%).

Problem Set: we will look at how some of these ideas can be developed more analytically, as well as practice reading professional tables. The problem set is worth 10%.

Final Exam: There will be a final exam during exam week, worth 30% of the final grade.

Each assignment will receive a letter grade. To calculate your semester grade, I will convert the final grade to a 4-pt scale (A = 4.0, A- = 3.66, B+ = 3.33, etc). I will then take a weighted average of all your assignments to get your semester score. The score will be converted into a final letter grade with the following thresholds: A: 3.7 or higher; A- : 3.55 to 3.69; B+: 3.2 to 3.54; B: 3.0 to 3.19; B- : 2.60 to 2.99; C+: 2.25 to 2.59.

Plagiarism, Working in Groups, and Editing Services

It should, I think, go without saying that you are to abide with SUNY Albany standards for academic honesty.

Any forms of academic dishonesty will be penalized with a combination of the following: grade reduction or failing grade for the assignment, and revision and re-submission of the assignment, grade reduction or failing grade for the course, referral to the appropriate university judicial board, filing of a case with the Office of Conflict Resolution and Civic Responsibility, suspension, or expulsion. In all cases of academic dishonesty, a Violation of Academic Integrity Report will be submitted to the Dean of Undergraduate Studies to be placed in your university file, with copies provided to you, the department head, and the Dean of Rockefeller College.
You are required to be familiar with the university’s academic honesty policies; ignorance is not an excuse for dishonest behavior. Review the University’s policy regarding academic dishonesty in the Undergraduate Bulletin at http://www.albany.edu/undergraduate_bulleted/regulations.html and the Plagiarism 101 tutorial at http://library.albany.edu/usered/plagiarism/. You are required to submit your papers online via Blackboard’s SafeAssign, which detects and prevents incidents of online plagiarism.

I encourage you to discuss the course and assignments with your colleagues. However, you must turn in your own work, written in your own words. At no point should you ever work directly off of a colleague’s manuscript of a memo or paper. You must also indicate in a footnote if you received helpful input from someone.

For the online quizzes, it is cheating to discuss either the readings in general or the quiz in particular with someone who has already taken the quiz for that week. That is, people who have taken the quiz for that week are not allowed to discuss the course content with people who have not yet taken the quiz. Even answering general questions leaves too much room for you to inadvertently reveal information that you know your friend will need.

If you use an editing service to help you with the language of your memos and papers, you must actually input any changes into your text yourself. Again, you must acknowledge such help in a footnote. Note that such services are allowed only to help you polish your own work.

Cell Phones and Other Electronics

If it rings in my class, the call must be intended for me, and I reserve the right to answer it.

Using electronic devices in class is permitted for course purposes, such as taking notes.

Attendance and Participation

Active participation in class discussions is expected. Absences may be excused under certain circumstances such as religious observance, health or family emergencies, and competing in intercollegiate athletics. More than three unexcused absences will lead to a full letter grade reduction in grade.

Policy on Missed and Late Assignments

The quizzes cannot be made up except under extreme circumstances; this is part of why we drop the lowest four. The problem set and memos will be penalized one-third of a letter grade per 24 hours late. An assignment is late if it is handed in 20 minutes after the beginning of class. The required drafts cannot be made up; failing to bring a credible draft to class that day will result in a large grade penalty.

Web Videos

You may be asked to watch up to 30 minutes of supplementary web lecture in a given week.

Syllabus
I reserve the right to change the readings at any time, and to push back the due dates for assignments if I think we need to. I will NOT change which books are assigned, but I may change when they’re assigned. You are encouraged to acquire all the books at the beginning of the term.
Books

Textbooks have been ordered through the University book store (NOT Mary Jane Books).


Steele, 2011, Whistling Vivaldi: How Stereotypes Affect Us and What We Can Do (isbn-13: 978-0393339727)

Sunstein, 2016, The Ethics of Influence: Government in the Age of Behavioral Science, isbn-13: 978-1107140707. This book isn’t being released until September, but I’ve been assigning Sunstein’s work for 14 years and am eagerly anticipating this one.

In addition, you must acquire Ariely, Hreha, and Berman, Hacking Human Nature for Good: a Practical Guide to Changing Human Behavior, which is available only electronically and, I believe, only from amazon.com, but which has the convenient price of zero dollars.

Note: Articles circulate in many different drafts, especially as working papers or conference papers. It is imperative that you use the correct version of each reading. If I give a link, use it; if it’s broken, let me know. If I give a citation by itself, then you must access the published version of the paper through the library website. Do NOT simply google the article and take whatever version pops up.

Section 1: Experiments

1. Aug 30: Introduction

2. Sep 1: Two Systems Theory I
   a. Kahneman, ch1-4

3. Sep 6: Two Systems Theory II
   a. Kahneman, ch5-9
   b. Download experiment and participate in it

4. Sep 8: Heuristics and Biases
   a. Kahneman, ch10-16
5. Sep 13: Intuition and Confidence  
   a. Kahneman, ch17-20  
   b. Klein, ch11  

6. Sep 15: Writing Interlude  
   a. Pinker, ch1-2  

7. Sep 20: Writing Interlude  
   a. Williams, ch2-3 (posted to blackboard)  
   b. Decision memo 1 due  

8. Sep 22: Decision Memo 1 workshop  

9. Sep 27: Risk and Loss  
   a. Kahneman, ch25-29  
   b. Decision Memo 2 due  

10. Sep 29: Narrow Framing  
    a. Kahneman, ch30-34  

Oct 4: no class  

11. Oct 6: Expertise  
    a. Klein, ch2-4  

12. Oct 11: Design  
    a. Klein, ch5-7  

Oct 13: no class  

13. Oct 18: Interventions  
    a. Ariely et al  

14. Oct 20: Group workshops on interventions  

    a. Team proposal due  
   a. Kahneman, ch21-23
   b. Klein, ch10, 16

17. Nov 1: The Ethics of Intervention
   a. Sunstein, TBD
   b. Problem set due

18. Nov 3: The Ethics of Intervention
   a. Sunstein, TBD

19. Nov 8: Writing Interlude
   a. Pinker, ch3-4

20. Nov 10: Discrimination I
   a. Steele, ch1-4
   b. Team Ethics Comment due

   a. Steele, ch5-8

22. Nov 17: Discrimination III
   a. Steele, ch9-11

23. Nov 22: No class: Tuesday before Thanksgiving (but there is still a reading quiz)
      Thinking,” (posted to blackboard)

   Nov 24: no class

   a. Akerlof and Yellen
   b. Mullainathan and Bertrand

25. Dec 1: Application: Criminal Justice
   a. Simon, In Doubt, ch1, 3

26. Dec 6: Application: Criminal Justice
   a. Simon, In Doubt, ch4-5

27. Dec 8: Conclusions
   a. Team projects due

Sometime During Final Exam Week: Final Exam