Syllabus for RPAD 645: Psychological Economics and Policy

Fall 2013

Thursdays, 5:45-8:50, Husted 308

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Catalog number: 7469

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Should the government attempt to save consumers from themselves? Why do people volunteer? Is it a good idea to keep giving people more and more choices? What are the dangers of group deliberation? What are the psychological landmines in negotiations? What motivates workers? Is it a good idea to pay people to do things they “should” be doing anyway? Why do experts sometimes strongly believe things that just are not true? Can we use marketing techniques to improve the ‘take-up’ of social programs?

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?

While originally constructed as a course in economic policy, I have reworked the course to be highly relevant for management students as well. Note that I’ve worked with Judith Saidel to make the course work for nonprofit management, and can be used for credit towards a concentration in nonprofit management. Students taking the course for non-profit management credit must choose to do memo 2 on non-profit board management, must choose to do the “A” reading on fundraising for Nov 15, and must choose a non-profit-related topic for their presentation.

Grading

Quizzes: 25%

Presentation: 10%

Memos/Problem Set: 35%

Final Exam: 25%

Class Participation: 5%
Short Quizzes: there will be a short (20 minute) quiz at the beginning of class EVERY WEEK (except, obviously, for the first week, and for the week with the presentation), for an expected total of 11 quizzes. The quizzes are designed to make sure you come to class ready to discuss that week’s readings. I will post reading guides telling you what to focus on for the next week’s quiz. I will drop the 2 lowest quizzes.1 The remaining quizzes count for 25% of your grade, combined.

Presentations: Each student will study a different topic and present it to the class. I will assign topics based on your preference rankings. The presentation is worth 10% of your final grade. Why the presentations? There are too many cool topics and great readings to fit them all into the syllabus. This “divide and conquer” strategy lets each of you pick something relevant to you to learn more about, and lets the rest of the class learn a little bit about that topic. Note: if enrollment is high, we may need to have you work in groups.

Memos: you will write 3 memo assignments, 4-5pp each. Each memo is worth 9% of your final grade. The memos ask you to apply various concepts from class to a policy question. Some of the memos are assigned in stages, with preliminary assignments to help you create a more polished final project. In such cases, the grade will be based on both the final draft and the intermediate assignments.

Problem Set: the material on probability theory will not be comprehensible unless you get your hands dirty with a problem set, so we’re doing one problem set, worth 8% of your final grade. I believe this is somewhat shorter than my 503 problem sets.

Final Exam: There will be a final exam during exam week, worth 25% of the final grade.

Class Participation is based on attendance, preparation, and the quality of comments and questions. The default participation grade for good attendance is a B; to do better you’ll have to, you know, participate.

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.

Math

1 I may drop the lowest three quizzes, but I am promising to drop only two.
Much of the reading comes from professional economics articles, and as such includes a fair amount of technical material. You can read around the most technical parts. However, you should be comfortable reading basic algebra equations and the output of regression estimation. You should be able to use the regression results reported in the papers we read as evidence in your memos. The memos and exam are not problem-based. The problem set requires basic algebra, plus some probability theory that I will teach you.

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.

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.

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.

Web Videos

You may be asked to watch up to 30 minutes of supplementary web lecture in a given week. I am experimenting with this approach; my current plan is to post the supplements after the relevant class. This will free up more classtime for applied exercises and discussion.

Books

Ordered through Mary Jane Books; some of these are also on three-hour reserve at Dewey Library:

Ariely, 2010, Predictably Irrational: the Hidden Forces that Shape Our Decisions, Revised and Expanded Edition (isbn 978-0061353246). NOTE WELL: the 2008 edition is nearly the same, but with fewer chapters; however, the chapters have been renumbered. The 2010 edition may have revised the chapters that were carried over from 2008, though I haven’t noticed major differences.


Sunstein, 2006, *Infotopia* (isbn 978-0195340679)

Sunstein, 2013, *Simpler* (isbn 978-1476726595)

Note: The required books are ordered through Mary Jane Books. I have also created a listmania list on amazon.com with books that I recommend if you are interested in additional reading:

http://www.amazon.com/RPAD-645-assignments/Im/R1N1APF0K5YCOK . (I set this up solely for your convenience. I receive NO financial benefit from your ordering through amazon.com.)

Most other readings are available in full-text through the university library’s website. *(Note Well: to access journal articles, use the “Journal Finder” to search for the electronic version of the journal you need, not the regular catalog.)* Readings not available through the library will be made available to you on blackboard.

Note Well: as a SUNY student, you should not have to pay for National Bureau of Economic Research (NBER) papers; if the nber.org website tries to make you pay for a paper, look for the link for people who think they don’t have to pay, and enter your SUNY e-mail address.

**With the exception of the first day, all readings should be done BEFORE the class for which they are assigned. The quizzes strongly incentivize you to keep up with the reading....**

**Note: readings subject to change. The Reading Guides constitute the authoritative assignment for any given week.**

1. August 29: Implicit Biases
2. September 12: Identity

3. September 19: Group Processes
   c. Students will read excerpts from McLean and Elkind, *The Smartest Guys in the Room: the Amazing Rise and Scandalous Fall of Enron*:
      i. Everyone reads pp39-43, 155-161 and one of the following:
      ii. Reading 1: chapter 9
      iii. Reading 2: pp161-170, 189-193
      iv. Reading 3: chapter 15

4. September 26: Reciprocity
   a. Memo 1 pre-writing exercise due

5. October 3: Pro-Social Behavior
   a. Memo 1 due

6. October 10: Attention
   a. Memo 2 draft due

7. October 17: Anti-Social Behavior—Character versus Attention
   a. Memo 2 due
   d. Handout on probability theory
8. October 24: Narrow Framing
   a. Problem Set 1 due
   b. Watch Kahneman’s Nobel Prize lecture,
      http://nobelprize.org/nobel_prizes/economics/laureratees/2002/kahneman-
      lecture.html, from the beginning to 20:30 (watch this FIRST, before reading the
      articles; it will make the articles easier to follow; the whole lecture is well-worth
      watching, but only the first 20.5 minutes are required)
   c. Camerer, 2003, “Prospect Theory in the Wild: Evidence from the Field,” in
      Camerer, Loewenstein, and Rabin, eds, Advances in Behavioral Economics,
      http://www.hss.caltech.edu/~jernej/BehEcon485b/ABE_Ch5.pdf
   d. Thaler, “Mental Accounting Matters,” Journal of Behavioral Decision Making
      12(3): 183-206
      Incentives through Loss Aversion: a Field Experiment,” NBER Working Paper
      18237, abstract and introduction

9. October 31: Choice Overload
   a. Schwartz, The Paradox of Choice, chapters 1, 3, 4, 5, 8
      National Academy of Social Insurance, October, No 7,
      http://sds.hss.cmu.edu/media/pdfs/loewenstein/MoreChoiceBetter.pdf
      Curves without Stable Preferences,” Quarterly Journal of Economics 118(1): 73-
      105: ABSTRACT, INTRODUCTION, SECTIONS I-IV

10. Nov 7: Negotiation
    a. Malhotra and Bazerman, 2007, Negotiation Genius 1-5, 7, 9
    b. Negotiation Case Study
    c. Memo 3 draft due

11. November 14: Pattern Recognition
    a. Gilovich, 1991, How We Know What Isn’t So, ch1-3, 5
    b. Kahneman, 2012, Thinking Fast and Slow, ch21
12. November 21: Regulation  
   a. Memo 3 due  
   b. Sunstein, 2013, *Simpler*  
      http://lawreview.uchicago.edu/issues/archive/v73/winter/08.Glaeser.pdf

November 28: No Class

13. December 5: Finale  
   a. Presentations due

14. Any Time During Exam Week, Probably Dec 12 but It Isn’t Up to Me: Final Exam