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?

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, economic development, health care, 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 5 units.

Unit 1 focuses on methods and experimental design. We will look at experiments that have been conducted around the world and assess their internal and external validity. The primary content here will be about economic development and about savings behavior.

Unit 2 is a skills-development unit on writing. It is possible that you think that you already “know” how to write; however, learning to write is a life-long process. I learned a great deal about writing even after I got my doctorate, especially during my time teaching in the writing program at Duke University. In this unit, I will share some of the texts about writing that have most influenced my own thinking. This unit will culminate in your first memo, which you will workshop with your peers.

Unit 3 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. This unit also focuses on skills development;
we will learn the concept of “present discounted value,” a crucial tool for any economic analysis. Because you will not understand PDV if you do not practice it, this unit includes a problem set.

Unit 4 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 5 focuses on applications across a wide range of economic and policy issues. I used my student survey to select some of the specific topics (financial aid, the criminal justice system). Students will choose an additional application to do their second memo on.

Grading

Paper 1 (20%)

Paper 2 (20%)

Problem Set (10%)

Quizzes (20%)

Final Exam (30%)

Quizzes: most classes will start with a short (5 to 10 minute, depending on that day’s format) quiz on the main themes of that day’s readings. I will drop the lowest four scores; the others will constitute 20% of your grade. (Keeping up with the reading is very important!)

Papers: you will write two 6pp papers (not counting tables and works cited). Each paper has a mandatory draft, which you will workshop in class. The second paper allows you to explore an application of your choice. Each paper is worth 20% of the grade.

Problem Set: there will be a problem set on present discounted value. You won’t learn this topics if you don’t actually try a few examples on your own. 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.

RPAD 645

I also teach a masters-level course on psychological economics, RPAD 645. I have intentionally limited the amount of overlap between the two courses so that it makes sense for students to take both courses if they wish. RPAD 645 places more emphasis on issues related to management, to motivation, to probability theory, to regulation, and to perception.
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_bulletin/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.

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 will answer it.

Using electronic devices in class is permitted for course purposes, such as taking notes. If I catch you web-surfing instead, I will revoke your electronic device privileges.

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 constitute failure of the course.

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). I have also placed copies on reserve in the Dewey Library on the Downtown Campus.


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 25. Introduction
2. Aug 27. The Promise of Experiments
   a. More Than Good Intentions, chapters 1-3

Sept 1: NO CLASS

   a. More Than Good Intentions, chapters 4, 7

4. Sep 8. Natural Experiments: 401(k) policy

5. Sep 10. Field Experiments: Deadlines

Section II: Writing

6. Sep 15. Writing
a. Williams and Bizup, Style, chapters 3-5, 10 (the whole book is strongly recommended)

7. Sep 17. Writing with Numbers
a. Weinberg handout on writing with numbers

8. Sep 22. How to Revise
a. Draft of memo 1 due, to workshop in class

Sep 24: NO CLASS

9. Sep 29. Writing Across the Disciplines
   b. Memo 1 due

Section III: Present Discounted Value

a. Handout on present discounted value

11. Oct 6. Present Discounted Value; introduction to hyperbolic discounting

   a. Problem Set due

Section IV: Cognition


15. Oct 22. Kahneman, Thinking Fast and Slow II


17. Oct 29. Kahneman, Thinking Fast and Slow IV

18. Nov 3. Prospect Theory  
   b. Thaler, “Mental Accounting Matters”

Section V: Cognition Applied

19. Nov 5. NO CLASS.  
   a. Work on memo 2.  
   b. Watch video on prospect theory applications  
   c. Take online quiz on video

20. Nov 10. Application: Criminal Justice  
   a. Simon, In Doubt, ch1, 3

   a. Simon, In Doubt, ch4-5

22. Nov 17. Workshop memo 2

   a. Klein, Uses of Power I
   a. Klein, Uses of Power II

25. Nov 26: NO CLASS

26. Dec 1: Cognition wrap-up  
   a. Memo 2 due


27. Dec 8. A Cautionary Note  
   b. Weinberg, 2014

Sometime During Final Exam Week: Final Exam