Syllabus for RPAD 645: Psychological Economics and Policy

Fall 2015

Mondays, 5:45-8:35, Husted 006

Instructor: Stephen Weinberg

Catalog number: 9723

Office Hours: Milne 213B, TBD

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. Students taking the course for non-profit management credit must choose a non-profit-related topic for their presentation.

Grading

Quizzes: 27%
Presentation: 10%
Memos/Problem Set: 36%
Final Exam: 27%

Short Quizzes: there will be a short (20 minute) quiz at the beginning of class EVERY WEEK (except, obviously, for the first week), for an expected total of 12 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 3 lowest quizzes. (An extra drop has been added on the presumption that many of you will choose to fail the quiz on the day you present, but I leave that choice to you.) If a class is canceled for some reason, the quiz for that week will be posted online.
Presentations: Each student will read two papers on a different topic and present it to the class for six minutes. I will assign presentation dates and 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: you are NOT excused from that week’s reading quiz if you are doing a presentation that day, but the number of “dropped” quiz grades has been increased by one on the presumption that many of you will choose to focus on your presentation that week.

Memos: you will write 2 memo assignments, about 5pp each. Each memo is worth 12% of your final grade. The memos ask you to apply various concepts from class to a management or policy question.

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 12% 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 27% of the final grade. The exam is not at all the same format as the quizzes.

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

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 occasionally be asked to watch supplemental web lectures.

Books

You are expected to acquire the following, which have not been ordered through any book store. The earliest reading in an assigned book is due Oct 5.

- Ariely, 2013, The Honest Truth about Dishonesty: How we Lie to Everyone—Especially Ourselves (isbn 978-0062183813)
- Sunstein, 2013, Simpler (isbn 978-1476726595)
- Sunstein, 2015, Choosing Not to Choose: Understanding the Value of Choice (isbn 978-0190231699)
- Sunstein and Hastie, 2014, Wiser: Getting Beyond Groupthink to Make Groups Smarter (isbn 978-1422122990)

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.
DO NOT USE GOOGLE SCHOLAR TO FIND THE ARTICLES. Academic articles circulate in many
different forms under the same title. You need to make sure you access the version listed in
the syllabus. Use the fracking library databases or find a new definition of pain and suffering,
as you are slowly digested over a thousand years.

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.

Schedule of Readings

Note: readings subject to change. The Reading Guides constitute the authoritative
assignment for any given week. The Reading Guides will also typically tell you which parts of
a reading to skip. If it looks like there is an insane amount of reading for a given day, it means
that the reading guide will pare it down to a merely unreasonable amount.

Except for the first week, all readings should be done BEFORE the class for which they are
assigned. The first week’s readings will be quizzed over the break. The quizzes strongly
incentivize you to keep up with the reading.

Unit I: Motivation

1. Aug 31: Introduction, and Implicit Biases

Sep 7: NO CLASS

Sep 10: Online Reading Quiz 1 due
      American Economic Review 95(2): 94-98
      and Jamal? A Field Experiment on Labor Market Discrimination,” American Economic
      Review 94(4): 991-1013

Sep 14: NO CLASS

Commented [SW1]: Note: these comments are notes to
myself; it is my intention to keep them invisible on the student
version. If a student is somehow seeing these, they are hopefully
too cryptic to mean anything to you, and you should ignore them.

Commented [SW2]:
Give a problem based on personnel management; discuss with Ellen
make sure to describe Ariely and Wertenbroch, RAND HIE, demo
Chabris and Simon, demo IAT
https://implicit.harvard.edu/implicit/demo/
2. Sep 21: Reciprocity and Pro-Social Behavior

3. Sep 28: Identity
   b. Ariely, Predictably Irrational, chapter 4. (This is not the assigned Ariely textbook; this excerpt will be posted to blackboard)
      https://benjamin.economics.cornell.edu/socialID.pdf

4. Oct 5: Group Processes
   a. Sunstein and Hastie, Wiser (selected chapters; see reading guide)
   b. Students will read excerpts from McLean and Elkind, The Smartest Guys in the Room: the Amazing Rise and Scandalous Fall of Enron:
      Everyone reads pp39-43, 155-161 and one of the following:
      i. Reading 1: chapter 9
      ii. Reading 2: pp161-170, 189-193
      iii. Reading 3: chapter 15
      iv. (Maybe add another reading group?)
5. Oct 12: Dishonesty
   a. Ariely, The (Honest) Truth about Dishonesty (selected chapters, see reading guide)
   b. Draft of paper 1 due, bring three copies to class

6. Oct 19: Applications to Wages and Management
   f. Memo 1 due

Unit II: Cognition

7. Oct 19: Introduction to Cognition
   a. Handout on probability theory
   b. Kahneman (2011), ch1-9
   c. Watch Kahneman’s Nobel Prize speech

8. Oct 26: Heuristics v Bayesian Updating
   b. Kahneman (2011), ch10-18

9. Nov 2: Pattern Recognition
   a. Gilovich, ch2-3, 5 (posted)
   b. Kahneman (2011), ch21-23

d. Problem Set due

10. Nov 9: Prospect theory

a. Kahneman (2011), ch25-34


11. Nov 16: Choice Overload


c. Different people read different papers

12. Nov 23 (No, you do NOT get the MONDAY before Thanksgiving off)

a. Sunstein, 2015, *Choosing Not to Choose: Understanding the Value of Choice*, selected chapters

b. Draft of memo 2 due, bring 3 hard copies to class
13. Nov 30: Regulation
   b. Memo 2 due

14. Dec 7: Negotiation
   a. Malhotra and Bazerman, selected chapters
   b. Case on NYC sanitation workers

15. Dec 14: Final Exam. BWAH HA HA HA HA HAHAHAHAHAHAHAHAHAHA!!!