Syllabus for RPAD 645: Psychological Economics and Policy

Thursdays, 5:45-8:50, Husted 310

Instructor: Stephen Weinberg

Office Hours: Milne 213B, time TBD and by appointment

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. That change didn’t make it into the manual.

Grading

Quizzes: 24%
Presentation: 9%
Memos/Problem Set: 36%
Final Exam: 25%
Class Participation: 6%

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 a total of 11 quizzes. The quizzes are designed to make sure you come to class ready to discuss that week’s readings. Each week, I will tell you what to focus on for the next week’s quiz. **I will drop the 2 lowest quizzes.** The remaining quizzes count for 24% 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 9% 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 choose 3 out of 4 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. NOTE: I will grade only 3 memos; you cannot turn in all 4 and drop the lowest one. The FIRST memo is mandatory, so that everyone can get early feedback on the memo process, and so that nobody digs themselves too deep a hole early on.

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 9% of your final grade.

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

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, however, 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.

Books

Note: everything but Chabris and Simon is available in paperback. Get the paperback edition.


Gilovich, 1991, How We Know What Isn’t So (isbn 978-0029117064)

Malhotra and Bazerman, 2007, Negotiation Genius (isbn 978-0-553-38411-6)

Sen, 2006, Identity and Violence (isbn 978-0141027807)

Schwartz, 2005, Paradox of Choice: Why More is Less (isbn 978-0060005696)

Sunstein, 2006, Infotopia (isbn 978-0195340679)

With lots of cheap books, it doesn’t make sense to have you pay the mark-ups that the bookstore would have to impose, so I am asking you to buy these online.

To make it easy to find them on amazon.com, I have created a listmania list, titled RPAD 645 assignments: http://www.amazon.com/RPAD-645-assignments/lm/R1N1APF0K5YCOK . (I set this up solely for your convenience. I receive NO financial benefit from your ordering through amazon.com. Get the books wherever you choose.)

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 in full-text will be made available to you.

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1 In April, 2011, I could get all 7 of these books on amazon.com for $97.24, with free shipping, or a bit less than a typical economics textbook, such as the one we use in 503.
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.

Additional books may be required, based on your special topics.

**Note Well:** * indicates required readings. (Non-required readings are NOT fair game for quizzes or exams, but may be useful on memos, or just for your own interest, especially for PhD students.)

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.

**Unit I: Motivation**

1. Sept 1: Reciprocity

2. Sept 8: Motivation and Public Goods

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2 The readings for the first day of class are unusual, in that I do not expect you to read them in advance. Instead, I will describe them in lecture. However, they are available for use on the memos, and are fair game for the final exam.

3 Very annoyingly, the library’s Journal Finder pulls up the Journal of Economic Issues as the first hit when you search for the Journal of Economic Perspectives. You have to scroll down to the second journal listed.
d. *Ariely, 20010, The Upside of Irrationality, ch9: 237-256

3. Sept 15: Identity and Motivation
   a. *Ariely, 2008, Predictably Irrational, ch4, 11-12
   c. *Sen, 2006, Identity and Violence, prologue, ch1-4

4. Sept 22: Group Processes
   a. *Memo 1: Labor Contracting (mandatory)\(^4\)
      c. *Jerome K Jerome, 1889, Three Men in a Boat (excerpt)

Sept 29: NO CLASS, gosh dang it

Unit II: Cognition

5. Oct 6: Attention and Probability

\(^4\) Memo 1 is mandatory for your own good. I don’t want you digging yourself a hole early in the semester. Plus, this way everyone will get early feedback on memo writing.


e. *Handout on probability theory


   a. Memo 2 due: nonprofit boards

   b. *Ariely, 2010, Predictably Irrational, ch9

   c. *Gilovich, 1991, How We Know What Isn’t So, ch1-5, 7

   d. *Handout on DNA Evidence

7. Oct 20: Applications

   a. Half the class reads Group A, and half the class reads Group B.

   Group A: Charity


   Group B: Taxes


8. Oct 27: Negotiation
   a. *Problem Set 1 due

Unit III: Consumer Behavior

9. Nov 3: Narrow Framing
   a. *Watch Kahneman’s Nobel Prize lecture, http://nobelprize.org/nobel_prizes/economics/laureates/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. *Thaler, “Mental Accounting Matters”

10. Nov 10: Choice Overload

11. Nov 17: Exploiting Consumers
   a. Memo 3: PriceChopper
   b. *Gabaix and Laibson paper on shrouded attributes

e. *Ariely, ch12


Nov 24: NO CLASS

Unit IV: The Grand Finale

12. Dec 1: Presentations

13. Dec 8 (Reading Day; class still meets): Libertarian Paternalism

   a. Memo 4: OTDA/NYSaves

   b. *Thaler and Sunstein, “Libertarian Paternalism is Not an Oxymoron”


TBA (probably Dec 15): final exam