Syllabus for RPAD 645: Psychological Economics and Policy

Fall 2017

Tuesdays, 5:45-9, Husted 012

Instructor: Stephen Weinberg

Catalog number: 10208

Credits: 4

Office Hours: Milne 213B, TBD

This course explores the ways that economists have drawn on psychology to build richer frameworks for human motivation and information processing in markets. We will analyze the actual choices of economic decision-makers in the lab and in the field. What motivates people to act for the good of the group? How do people form and change their beliefs? How can firms exploit people for fun and profits? How can government protect human brains from such exploitation? How can government agencies steer people into desired behavior?

Grading

Quizzes: 27%

Presentation: 10%

Memos/Problem Set: 36%

Final Exam: 27%

Short Quizzes: there will be a short (20 minute) in-person quiz at the beginning of class EVERY WEEK (except for the first and last weeks), for an expected total of 13 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 do a separate reading on an individual topic and present it to the class for eight 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 to learn more about, and lets the rest of the class learn a little bit about that topic.

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.


Sunstein, 2015, *Choosing Not to Choose: Understanding the Value of Choice* (isbn 978-0190231699)

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.

All readings should be done BEFORE the class for which they are assigned. The quizzes strongly incentivize you to keep up with the reading.

Unit I: Motivation

1. August 29: Introduction

2. September 5: Reciprocity and Motivated Reasoning

3. Sept 12: Pro-Social Behavior

c. Additional reading TBD

a. Ariely, The (Honest) Truth about Dishonesty (selected chapters, see reading guide)
b. Draft of paper 1 due, bring three copies to class

5. Sept 26: Identity
b. Ariely, Predictably Irrational, chapter 4. (This is not the assigned Ariely textbook; this excerpt will be posted to blackboard)
e. Paper 1 due before class

Unit II: Cognition

6. Oct 3: Introduction to Cognition

7. Oct 10: Heuristics v Bayesian Updating
a. Handout on probability theory
c. Kahneman (2011), ch12-18

8. Oct 17: Pattern Recognition
a. Gilovich, ch2-3, 5 (posted)
b. Kahneman (2011), ch21-23

d. Problem Set due

   a. Kahneman (2011), ch25-34

10. Oct 31: Choice Overload
    c. Different people read different papers

11. Nov 7: Choice (continued)
    a. Sunstein, 2015, Choosing Not to Choose: Understanding the Value of Choice, selected chapters
    b. Draft of paper 2 due (bring 3 hard copies to class)
12. Nov 14: Regulation
   a. Halpern, 2016, *Inside the Nudge Unit*
   b. Paper 2 due before class

Nov 21: ON-LINE QUIZ DUE, but NO CLASS
   a. The quiz will review course material to date

13. Nov 28: Regulation Challenges
   b. Sunstein, 2017, “Nudges that Fail,” *Behavioural Public Policy* 1: 4-25,
      https://www.cambridge.org/core/services/aop-cambridge-core/content/view/8DE5FFFB7DA5BE14F8DC1E3D2C0C0AA/S2398063X16000038a.pdf/nudges_that_fail.pdf
   d. Glaeser, 2005, “Paternalism and Psychology,”
      https://scholar.harvard.edu/glaeser/publications/paternalism-and-psychology

14. Dec 5: Negotiation
   a. Malhotra and Bazerman, selected chapters
   b. Case on NYC sanitation workers

Dec 19: final exam