14.160: Behavioral Economics
Syllabus – Spring 2020
Mon/Wed 10:30 am to noon
Zoom Meeting Room (https://mit.zoom.us/j/445881289)

Instructors:
Frank Schilbach, E52-560
Email: fschilb@mit.edu
Office hours: Sign up at http://economics.mit.edu/faculty/fschilb/office

Abhijit Banerjee, E52-540
Email: banerjee@mit.edu
Office hours: By appointment

Graduate Teaching Assistant:
Pierre-Luc Vautrey
Email: vautrey@mit.edu
Recitation: Fridays 11AM
Office hours: Fridays Noon

Zoom Details for Lectures, Recitations and Pierre-Luc’s Office Hours:

Join Zoom Meeting here: https://mit.zoom.us/j/445881289
Meeting ID: 445 881 289

US : +1 646 558 8656 or +1 669 900 6833
International Numbers: https://mit.zoom.us/u/ad0GpoUHxe

Course overview:

This class covers recent topics in behavioral economics, with an emphasis on empirical applications and tests. Topics include deviations from the standard neoclassical model in terms of (i) preferences (time and risk preferences, reference dependence, and social preferences), (ii) beliefs and learning (overconfidence, projection bias, and attribution bias), and (iii) decision-making (cognition, attention, framing, and persuasion), as well as (iv) market reactions to such deviations. Applications will cover a wide range of fields, including labor and public economics, industrial organization, health economics, finance, and development economics.

The main course objectives are as follows:

1) Obtain exposure to the frontier of empirical research in behavioral economics
2) Learn how to critically assess a rapidly evolving literature and how to develop novel ideas that contribute to it
3) Learn how to test (behavioral) economic theory using field experiments and non-experimental data
4) Develop and present a research proposal, as well as give feedback to others
The course is designed for first- and second-year PhD students in economics. It is meant to help launch students into conducting research in behavioral economics, or to incorporate behavioral economics into their research in other fields. It is complementary to 14.137 (Psychology and Economics) taught by Prof. Drazen Prelec. 14.137 focuses on the underlying psychology of many of the topics discussed in 14.160, and it covers recent advances in neuroeconomics. PhD students in the economics department may combine 14.137 and 14.160 as a minor.

We particularly welcome and encourage students working in applied fields such as labor, public, development, IO, health, etc. to take this class if they are interested in incorporating ideas and tools from behavioral economics into their research. However, we believe that the class is also well suited for theory-oriented students who are interested in learning about the wonders of applied behavioral economics.

Prerequisites for this class are 14.121 and 14.122, though MIT graduate students should be able to and are in fact encouraged to take this course in their first year, especially since this class will likely not be taught next year. If you have not taken these courses and are not an MIT economics PhD student, please contact the instructors regarding your participation in this course (and/or come to the first class to see whether the class is appropriate for you).

We encourage students to attend Matthew Rabin’s excellent (theory-oriented) PhD course at Harvard, which is for the most part complementary to 14.160. Students are also strongly encouraged to attend the Harvard Behavioral and Experimental Economics Workshop.

**Course requirements and grading:**

Grades will be determined based on (i) weekly short memos discussing starred readings (20%), (ii) problem sets (20%), (iii) written research proposal (15%), (iv) presentation of research proposal (30%), and (v) feedback on two other students’ research proposals (15%). There will be no exams.

(i) Required Readings (20%)
The evening before each class (8 pm on Sundays and Tuesdays), students are required to submit a short summary of the required readings for that day (marked with ***). Other important papers are marked with one star (*). No written responses are required for those papers. In some weeks, (e.g. the weeks of 3/9, 3/16 and 4/13), there is only one required reading, in which case they are due at 8pm on the Sunday only. Late submissions will not be accepted.

The summaries should cover the following: (i) Why is the paper important (or why not)? (ii) An overview of the core contributions of the paper (iii) Any questions you have about the paper (optional). (iv) Any additional ideas that you might want to pursue on this topic (optional).

(ii) Problem Sets (20%)
There will be up to four (bi-weekly) problems sets. The problem sets are designed, in part, to help you flex your research muscles.
(iii) Written Research Proposal (20%)
Students will write a short research proposal on a topic related to the themes of the class. By then, and ideally earlier, you must have met one of the instructors in office hours to discuss your idea for the research proposal. We can help you choose between ideas if necessary.

(iv) Presentation (20%)
During the last lecture date (May 11), students will present their proposal on Zoom for about 20 minutes each. We will grad both the quality of the presentation and the content the proposal. If you prefer not to present, you can submit a revised version of your proposal (based on your fellow students’ comments), in which case the revised proposal will count for 20% of your grade.

(v) Feedback on Other Students’ Research Proposals (20%):
You will write 1-2 page written feedback to the proposal and presentation of two different students. Please write 1-2 pages of feedback to the proposal/presentation, with focus on suggestions for improvements. Please also include brief summary what you found would be the main contributions of the project, as well as the proposals’ limitations. Please note that the substance of comments will be more important than the length. For proposal and presentation, please make brief comments on how they could have written/presented more effectively. Your feedback to the proposal and presentation will each count 10% of the grade.

Timeline:
(1) Talk to either Abhijit or Frank at least once about your proposal before spring break.
(2) Submit your proposal by April 15
(3) Submit your feedback responses by April 29
(4) Submit your revised proposal by May 11
**Collapsed (tentative) course outline:**

<table>
<thead>
<tr>
<th>Date</th>
<th>#</th>
<th>Who teaches?</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mon 2/3</td>
<td>1</td>
<td>Frank</td>
<td>Intro</td>
</tr>
<tr>
<td>Wed 2/5</td>
<td>2</td>
<td>Frank</td>
<td>Default Effects</td>
</tr>
<tr>
<td>Mon 2/10</td>
<td>3</td>
<td>Frank</td>
<td>Time Preferences I</td>
</tr>
<tr>
<td>Wed 2/12</td>
<td>4</td>
<td>Frank</td>
<td>Time Preferences II</td>
</tr>
<tr>
<td>Tues 2/18</td>
<td>5</td>
<td>Frank</td>
<td>Time Preferences III</td>
</tr>
<tr>
<td>Wed 2/19</td>
<td>6</td>
<td>Leo</td>
<td>Social Preferences I</td>
</tr>
<tr>
<td>Mon 2/24</td>
<td>7</td>
<td>Frank</td>
<td>Social Preferences II</td>
</tr>
<tr>
<td>Wed 2/26</td>
<td>8</td>
<td>Leo</td>
<td>Social Preferences III</td>
</tr>
<tr>
<td>Mon 3/2</td>
<td>9</td>
<td>Abhijit</td>
<td>Social Preferences IV</td>
</tr>
<tr>
<td>Wed 3/4</td>
<td>10</td>
<td>Abhijit</td>
<td>Social Preferences V</td>
</tr>
<tr>
<td>Mon 3/9</td>
<td>11</td>
<td>Abhijit</td>
<td>Risk Preferences and Reference-Dependence</td>
</tr>
<tr>
<td>Wed 3/11</td>
<td>12</td>
<td>Abhijit</td>
<td>Risk Preferences and Reference-Dependence</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Week off – Moving to Remote teaching</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Spring Break</td>
</tr>
<tr>
<td>Mon 3/30</td>
<td>13</td>
<td>Abhijit</td>
<td>Learning</td>
</tr>
<tr>
<td>Wed 4/1</td>
<td>14</td>
<td>Abhijit</td>
<td>Learning</td>
</tr>
<tr>
<td>Mon 4/6</td>
<td>15</td>
<td>Frank</td>
<td>Behavioral Development</td>
</tr>
<tr>
<td>Wed 4/8</td>
<td>16</td>
<td>Abhijit</td>
<td>Poverty</td>
</tr>
<tr>
<td>Mon 4/13</td>
<td>17</td>
<td>Hunt</td>
<td>Behavioral Public I</td>
</tr>
<tr>
<td>Wed 4/15</td>
<td>18</td>
<td>Hunt</td>
<td>Behavioral Public II</td>
</tr>
<tr>
<td>Mon 4/20</td>
<td>19</td>
<td>Abhijit</td>
<td>Behavioral IO</td>
</tr>
<tr>
<td>Wed 4/22</td>
<td>20</td>
<td>Abhijit</td>
<td>Behavioral IO</td>
</tr>
<tr>
<td>Mon 4/27</td>
<td>21</td>
<td>Leo</td>
<td>Gender</td>
</tr>
<tr>
<td>Wed 4/29</td>
<td>22</td>
<td>Frank</td>
<td>Sleep and Mental Health</td>
</tr>
<tr>
<td>Mon 5/4</td>
<td>23</td>
<td>Frank</td>
<td>Psychology for Economists</td>
</tr>
<tr>
<td>Wed 5/6</td>
<td>23</td>
<td>A+F</td>
<td>Presentations of proposals</td>
</tr>
<tr>
<td>Mon 5/11</td>
<td>23</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
COURSE READINGS

Below is a tentative reading list for this course. We will almost certainly make some changes to this list, but they broad structure and the majority of papers will remain fairly similar to the below list.

There is no textbook for the course. Starred readings (★★★) are required, and you are required to read these papers before class and submit a brief write-up on each starred reading as described above.

General readings:

Overview articles


Books (not compulsory)


**Lecture 1: Introduction and Default Effects**
(No write-ups due on starred readings this week)


**Lecture 2: Default Effects**


**Lecture 3: Time preferences I: Theory and Measurement**

Recitation:


**Lecture:**


Lectures 4 and 5: Time Preferences II and III: Applications and Open Research Questions

Recitation:


Lecture:

Time Preferences:


**Lecture 6: Social Preferences I: Social Pressure and Social Norms I (guest lecture by Leo Bursztyn)**


**Lecture 7: Social Preferences II: Determinants of Pro-sociality (Frank)**


Lecture 8: Social Preferences III: Social Image, Norms and Pressure II (Leo)


Lecture 9: Social preferences IV (Abhijit)


**Lecture 10: Social preferences V (Abhijit)**


**Lecture 11 and 12: Risk Preferences and Reference-Dependence (Abhijit)**


**Lecture 13 and 14: Learning (Abhijit)**


**Lecture 15: Behavioral Development Economics (Frank)**


**Lecture 16: Poverty (Abhijit)**


**Lecture 17: Behavioral Public Finance I: Optimal Sin Taxes (Hunt)**


**Lecture 18: Behavioral Public Finance II: Optimal Nudges**


Lecture 19 and 20: Behavioral Industrial Organization (Abhijit)


Lecture 21: Gender (Leo)


[For Lectures 22 and 21 below, please write 3 paragraphs for each of the starred readings:
  1. What did you find most exciting/interesting?
  2. Pick an econ topic for which the readings are relevant/important and explain why
  3. Sketch a potential study]

Lecture 22: Mental Health (Frank)

Biasi, Barbara and Dahl, Michael Slavensky and Moser, Petra, Career Effects of Mental Health (October 11, 2019). Available at SSRN: https://ssrn.com/abstract=2544251 or http://dx.doi.org/10.2139/ssrn.2544251


**Lecture 23: Psychology for Economists (Frank)**


Donnellan, Brent, Richard Lucas, and William Fleeson (eds): Personality and Assessment at Age 40: Reflections on the Past Person–Situation Debate and Emerging Directions of Future Person-

Lecture 24: In-Class Presentations of Research Proposals
Other MIT resources

The Department of Economics values an inclusive environment. If you need a disability accommodation to access this course, please communicate with us early in the semester. If you have your accommodation letter, please meet with the faculty so that we can understand your needs and implement your approved accommodations. If you have not yet been approved for accommodations, please contact Student Disability Services at uaap-sds@mit.edu to learn about their procedures. We encourage you to do so early in the term to allow sufficient time for implementation of services/accommodations that you may need.

The WCC at MIT (Writing and Communication Center) offers free one-on-one professional advice from communication experts. The WCC is staffed completely by MIT lecturers. All have advanced degrees. All are experienced college classroom teachers of communication. All are all are published scholars and writers. Not counting the WCC’s director’s years (he started the WCC in 1982), the WCC lecturers have a combined 133 years’ worth of teaching here at MIT (ranging from 4 to 24 years). The WCC works with undergraduate, graduate students, post-docs, faculty, staff, alums, and spouses. The WCC helps you strategize about all types of academic and professional writing as well as about all aspects of oral presentations (including practicing classroom presentations & conference talks as well as designing slides). No matter what department or discipline you are in, the WCC helps you think your way more deeply into your topic, helps you see new implications in your data, research, and ideas. The WCC also helps with all English as Second Language issues, from writing and grammar to pronunciation and conversation practice. The WCC is located in E18-233, 50 Ames Street). To guarantee yourself a time, make an appointment. To register with our online scheduler and to make appointments, go to https://mit.mywconline.com/. To access the WCC’s many pages of advice about writing and oral presentations, go to http://cmsw.mit.edu/writing-and-communication-center/. Check the online scheduler for up-to-date hours and available appointments.