14.160: Behavioral Economics
Syllabus – Fall 2020
Tuesdays 4 pm to 7 pm
Zoom Meeting Room (https://mit.zoom.us/j/96930602272)

Instructors:
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Graduate Teaching Assistant:
Pierre-Luc Vautrey
Email: vautrey@mit.edu
Recitation: Fridays 11 am to noon EST
Office hours: Thursdays 11 am to noon EST, by appointment on Canvas at least 12 hours in advance

Zoom Details for Lectures, Recitations and Pierre-Luc’s Office Hours:
Zoom room for all meetings: https://mit.zoom.us/j/96930602272

Course overview:
This class covers recent topics in behavioral economics, with an emphasis on applications to other fields of economics. 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 theoretical and 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. 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 (offered in the spring), which is for the most part complementary to 14.160. Students are also strongly encouraged to attend the MIT Behavioral Lunch on Thursdays and 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 (30%), (iii) written research proposal (20%), (iv) presentation of research proposal (15%), 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 Mondays), students are required to submit a short summary at most 1 page) 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. Late submissions will not be accepted. No such summary is required in the first week of class. 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) What you liked – or did not like – about the paper. (iv) Any questions you have about the paper (optional). (v) Any additional ideas that you might want to pursue on this topic (optional).

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 (30%)**
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 (15%)
During the last lecture date (or possibly during the past two lectures dates, depending on how large the class is), students will present their proposal on Zoom for about 20 minutes each. We will grade both the quality of the presentation and the content of the proposal.

(v) Feedback on Other Students’ Research Proposals (15%):
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 for 7.5% of the grade.

Timeline:
(1) Talk to either Dmitry or Frank at least once about your proposal before spring break.
(2) Submit your proposal by November 3rd
(3) Submit your feedback responses by November 17th
(4) Present on December 1st or 8th
Collapsed (tentative) course outline:

<table>
<thead>
<tr>
<th>Date</th>
<th>#</th>
<th>Who teaches?</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>09/01</td>
<td>1</td>
<td>Frank</td>
<td>Intro + Default Effects</td>
</tr>
<tr>
<td>09/08</td>
<td>2</td>
<td>Frank</td>
<td>Time Preferences I</td>
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<tr>
<td>09/15</td>
<td>3</td>
<td>Frank</td>
<td>Time Preferences II</td>
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<tr>
<td>09/22</td>
<td>4</td>
<td>Dmitry</td>
<td>Risk Preferences</td>
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<tr>
<td>09/29</td>
<td>5</td>
<td>Dmitry</td>
<td>Heuristics</td>
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<tr>
<td>10/06</td>
<td>6</td>
<td>Frank</td>
<td>Social Preferences</td>
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<tr>
<td>10/13</td>
<td></td>
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<td>NO CLASS</td>
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<tr>
<td>10/20</td>
<td>7</td>
<td>Frank</td>
<td>Gender &amp; Mental Health</td>
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<td>10/27</td>
<td>8</td>
<td>Dmitry</td>
<td>Attention</td>
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<td>11/3</td>
<td>9</td>
<td>Dmitry</td>
<td>Behavioral Public</td>
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<td>11/10</td>
<td>10</td>
<td>Dmitry</td>
<td>Behavioral Public</td>
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<tr>
<td>11/17</td>
<td>11</td>
<td>Dmitry</td>
<td>Behavioral IO</td>
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<td>11/24</td>
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<td>NO CLASS (Thanksgiving)</td>
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<td>12/01</td>
<td>12</td>
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<td>Presentations (or TBD)</td>
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<tr>
<td>12/08</td>
<td>13</td>
<td></td>
<td>Presentations (or TBD)</td>
</tr>
</tbody>
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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: Time preferences I: Theory and Measurement**

Recitation:


Lecture:


**Lectures 3: Time Preferences II: Applications and Open Research Questions**

**Recitation:**


**Lecture:**

*Time Preferences:*


**Lecture 4: Risk Preferences**


**Lecture 5: Heuristic Thinking**


**Lecture 6: Social Preferences**


**Lecture 7: Gender and Mental Health**


**Lecture 8: Limited attention, salience, and focusing**


Lectures 9 and 10: Behavioral Public Economics


*** Bernheim, B.D. and D. Taubinsky. “Behavioral Public Economics.” Handbook of Behavioral Economics, Vol 1, edited by Bernheim, DellaVigna, Laibson. (read sections 1, 3, 5; skim sections 2 and 4)


**Lecture 11: Behavioral IO and Mechanism Design**


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**Lectures 12 to 13: 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.