

**Behavioral Economics**

MA Economics

Dr. Jana Freundt, Université de Fribourg

jana.freundt@unifr.ch

---

## 1 Outline

This course is held in **English language** and will take place every **Wednesday from 12:15 to 16:00**, starting at the 16th of September, in PER21, room D230. The lectures are complemented by exercise sessions. Students are required to present one research paper in class and to submit their own research design proposal at the end of the semester. The course yields **4.5 ECTS**. All materials will be provided in Moodle.

## 2 Content

This course covers topics in Behavioral Economics, which aims at integrating insights from psychology into economics. The course will cover central themes in psychology and economics, including non-standard time and risk preferences, social preferences and fairness, reference-dependent preferences, decision biases and heuristics. We will look at how these behavioral models can affect market interactions and inform policy makers. In addition, we will review empirical and experimental evidence for or against these models and discuss study designs. The applied seminar "Behavioral Public Economics" by Professor Schelker is a very good complement to this course.

The main goal of the course is to introduce students to some of the key concepts of behavioral economics. This involves both formal models of behavior and their empirical and experimental assessment. The course is therefore suited both for students interested in theoretical and in empirical work. An emphasis will be put on (lab and field) experiments that test and inform behavioral models and the lectures will (briefly) introduce students to some of the core principles of experimental economics. All lectures are based on articles published in international scientific journals and students will have to present an article in class as well as develop their own research proposal.

## 3 Teaching assistance

Elisa Matthewes

Chair of Industrial Economics, University of Fribourg

Boulevard de Pérolles 90, Pérolles 21, Office G412, 1700 Fribourg

Email: elisa.matthewes@unifr.ch

## 4 Evaluation

- Hand in and pass problem sets 1 to 4 before each exercise takes place (possible in groups up to 3 people)
- Presentation of a paper
- Written proposal for an experimental design (or theoretical model)

You have to pass all parts of the evaluation in order to pass the course. The final grade will consist of the presentation (25%) and the proposal (75%). The outline of the proposal has to be discussed with one of the lecturers.

## 5 Prerequisites

- Sound knowledge in Microeconomics and basic knowledge in Statistics
- Very good English language skills

## 6 Preliminary Program

16.09.	12:15-13:45	1. lecture	Introduction
16.09.	14:00-15:30	2. lecture	Experimental Methods
23.09.	12:15-13:45	2. lecture	Experimental Methods
23.09.	14:00-15:30	2. lecture	Experimental Methods
30.09.	12:15-13:45	3. lecture	Reference-Dependence
30.09.	14:00-15:30	3. lecture	Reference-Dependence
7.10.	12:15-13:45	4. lecture	Risk and Time Preferences
7.10.	14:00-15:30	4. lecture	Risk and Time Preferences
14.10.	12:15-13:45	1. exercise	Risk and Time Preferences & Reference-Dependence
14.10.	14:00-15:30	5. lecture	Social Preferences
21.10.	12:15-13:45	5. lecture	Social Preferences
21.10.	14:00-15:30	6. lecture	Fairness
28.10.	12:15-13:45	7. lecture	Biases and Mistakes
28.10.	14:00-15:30	2. exercise	Social Preferences
04.11.	12:15-13:45	7. lecture	Biases and Mistakes
04.11.	14:00-15:30	3. exercise	Biases and Mistakes
11.11.	12:15-13:45	8. lecture	Beh. IO
11.11.	14:00-15:30	8. lecture	Regulation & Nudges
18.11.	12:15-13:45	4. exercise	Misc.
18.11.	14:00-15:30	no lecture	
25.11.	12:15-13:45	Discussion of Essays	
25.11.	14:00-15:30	Discussion of Essays	
2.12.	12:15-13:45	Presentations	
2.12.	14:00-15:30	Presentations	
9.12.	12:15-13:45	no lecture	
9.12.	14:00-15:30	no lecture	
16.12.	12:15-13:45	no lecture	
16.12.	14:00-15:30	no lecture	

## 7 Preliminary Reading List

All papers will be provided on Moodle. The reading list will be updated during the semester and it includes mandatory readings as well as additional suggestions.

### 7.1 General

- DellaVigna 2009; Thaler 2016, 2018; Köszegi 2014; Rabin 1998, 2002; Kahneman 2003 (his Nobel lecture), video: <https://www.nobelprize.org/prizes/economic-sciences/2002/kahneman/lecture/>

### 7.2 Experiments

- *General*: List, Sadoff, Wagner 2011; List 2011; Gneezy, Rusticchini 2000
- *Lab experiments*: Smith 1976, 1982; Falk, Heckman 2009
- *Field experiments*: Bandiera, Barankay, Rasul 2001; Harrison, List 2004; Levitt, List 2009; List 2011

### 7.3 Reference-Dependent Preferences

- *Prospect Theory*: Kahneman, Tversky 1979
- *Reference-Dependent Preferences*: Köszegi, Rabin 2006
- *Evidence & Misc.*: Kahneman, Knetsch, Thaler 1991; Camerer, Babcock, Loewenstein, Thaler 1997; Kahneman, Knetsch, Thaler 1990; Rabin 2000; List 2003; Fehr, Goette 2007; Farber 2008; Abeler, Falk, Goette, Huffman 2011; Pope, Schweitzer 2011

### 7.4 Time Preferences

- *Basic Theory and Evidence*: Laibson 1997; O'Donoghue, Rabin 1999; Dellavigna, Malmendier 2006
- *Application to Self-Control at Work*: Kaur, Kremer, Mullainathan 2015
- *Commitment Devices*: Ashraf, Karlan, Yin 2006; Augenblick, Niederle, Sprenger 2015

### 7.5 Social Preferences

- *Basic Theory and Evidence*: Güth, Schmittberger, Schwarze 1982; Kahneman, Knetsch, Thaler 1986; Rabin 1993; Andreoni 1998; Fehr, Schmidt 1999; Bolton, Ockenfels 2000; Charness, Rabin 2002; Engelmann, Strobel 2004; Bénabou, Tirole 2006; Falk, Fischbacher 2006; Falk, Fehr, Fischbacher 2008
- *Fairness in Markets*: Falk, Szech 2013; Bartling, Weber, Yao 2015
- *Fairness and Redistribution*: Cappelen et al. 2007; Brock, Lange, Ozbay 2013; Cappelen et al. 2013; Almas, Cappelen, Tungodden 2020

### 7.6 Biases, Heuristics, Non-Standard Beliefs

- *Salience and Focusing*: Bordalo, Gennaioli, Shleifer 2012, 2014; Köszegi, Seidl 2013
- *Mental Accounting and Bracketing*: Thaler 1999; Rabin, Weiszäcker 2009
- *Biases and Heuristics*: Simon 1955; Rabin 2002; Ariely, Loewenstein, Prelec 2003
- *Poverty*: Shah et al. 2012; Mani et al. 2013; Haushofer, Fehr 2014; Schildbach, Schofield, Mullainathan 2016; Haushofer, Shapiro 2016
- *Social Norms*: Bicchieri 2006; Krupka, Weber 2009, 2013

## 7.7 Behavioral Industrial Economics, Regulation & Nudging

- *Behavioral IO*: Heidhues, Kőszegi 2010, 2016; DellaVigna, Malmendier 2004
- *Regulation & Nudging*: Allcott, Knittel, Taubinsky 2015; Heidhues, Johnen, Kőszegi 2018; Thaler, Sunstein 2003; Camerer et al. 2003; Johnson, Goldstein 2003

## 7.8 Helpful Further Literature

There are some books that you may find useful:

Behavioral Economics:

- Dhami, S. 2016. *The Foundations of Behavioral Economic Analysis*. Oxford University Press.
- Wilkinson, N. and Klaes M. 2012. *An Introduction to Behavioral Economics*. Palgrave Macmillan.
- Angner, E. 2012. *A Course in Behavioral Economics*. Palgrave Macmillan.
- Cartwright, E. 2011. *Behavioral Economics*. Routledge.
- Camerer, C., Loewenstein, G. and Rabin, M. (eds.). 2004. *Advances in Behavioral Economics*. Princeton University Press.
- Diamond, Peter and Hannu Vartiainen (eds.). 2007. *Behavioral Economics and its Applications*, Princeton University Press.
- Camerer, C.F. 2003, *Behavioral Game Theory: experiments in strategic interaction*, Princeton University Press.

Experimental Methods:

- Schram, A. and Ule, A. (eds.). 2019. *Handbook of research methods and applications in experimental economics*. Edward Elgar Publishing.
- Kagel, J. H. and Roth, A. E. (eds.). 2016. *The handbook of experimental economics (Vol. 2)*. Princeton university press. *Experimetrics*
- Moffatt, P. G. 2016. *Experimetrics - Econometrics for Experimental Economics*. Palgrave Macmillan, UK.
- Fréchette, G. R. and Schotter, A. (eds.). 2015. *Handbook of experimental economic methodology*. Oxford University Press, USA.
- Friedman, D. and Cassar, A. 2004. *Economic Lab. An intensive course in experimental economics*, Routledge, New York.