Schedule of classes (Stefano’s Part – Updated on 4/7/10)

The schedule will vary somewhat as the class unfolds. The syllabus will be updated periodically on course webpage. Grading for my part of the course will be 20% on one problem set, 50% on the final exam, and 30% on your choice of an empirical problem set or a short (5-10 page) proposal for an empirical paper. The proposal can be on any topic we touched on in the class, or a related topic, and can be joint in a group of up to 3 students. The paper can also be of an applied theory type, applying one of the models covered in the class (including in Matthew’s part) to a specific topic (such as labor supply, consumption, taxation, etc.)

A reminder that the grade for my part will depend on

February 24 – Lecture 1
   **Non-Standard Preferences**
   Present-Biased Preferences, Part 1
   Status-Quo in Financial Decisions
   Consumption Choices
   **Methodological Topic**: Reading the Psychology Journals

March 17 – Lecture 2
   Present-Biased Preferences, Part 2
   Consumption Choices
   Life-Cycle Savings I
   Summary of the Applications
   **Methodological Topic**: Common Errors in Applying Present-Biased Preferences
   **Non-Standard Beliefs**, Part 1
   Overconfidence I

March 24 – Spring Break – No Lecture

March 31 – Lecture 3
   Non-Standard Beliefs, Part 2
   Overconfidence II
   Law of Small Numbers
   Projection Bias
   **Methodological Topic**: Clustering Standard Errors
   **Non-Standard Decision-Making**
   Limited Attention, Part 1
   Simple model
   eBay Auctions

April 7 – Lecture 4
Limited Attention, Part 2
   Consumer Behavior
   Financial Market Evidence
Methodological Topic: Portfolio Methodology
Framing
Menu Effects, Part 1
   Excess Diversification
   Choice Avoidance
Methodological Topic: Clustering of Standard Errors
Problem set assigned

April 14 – Lecture 5
Menu Effects, Part 2
   Preference for Familiar
   Preference for Salient
   Confusion
Persuasion
Social Pressure
Methodological Topic: Human Subjects Approval
Empirical problem set assigned

April 21 – Lecture 6
   Market Response to Biases
      Behavioral IO
      Behavioral Labor
      Behavioral Finance
      Behavioral Corporate Finance
      Behavioral Political Economy
Problem set due

April 28 – Lecture 7 (Matthew and Stefano)
   Behavioral Welfare Economics
   Emotions
   Empirical Methodologies in Psychology and Economics
   Methodological Topic: Five Ways to Write a Psychology and Economics Paper

May 5 – In-class exam

May 12 – Empirical problem set or paper proposal due
Readings

*designates required readings.

The following paper covers, in a dense manner, the topics covered in the class:

**February 24 – Lecture 1**

*Present-Biased Preferences: Status-Quo Bias in Financial Decisions I*


*Comparison to Effect of Financial Education*


Choi, James J., David Laibson, Brigitte C. Madrian and Andrew Metrick. 2006. “Saving for Retirement on The Path of Least Resistance,” in Ed McCaffrey and Joel Slemrod, eds.,

Present-Biased Preferences: Consumer Behavior I (Investment Goods)
* Ariely, Dan and Wertenbroch, Klaus (2002), “Procrastination, Deadlines, and Performance: Self-Control by Precommitment, Psychological Science, 13 (May), 219-224

March 17 – Lecture 2
Present-Biased Preferences: Consumer Behavior I (Investment Goods)

Present-Biased Preferences: Consumer Behavior II (Leisure Goods)

Present-Biased Preferences: Life-Cycle Consumption and Savings Decisions I


Methodology: Common Errors in Applying Present-Biased Preferences


Overconfidence I
CVF 23


March 31 – Lecture 3
Overconfidence II


Law of Small Numbers


Projection Bias

Limited Attention: eBay Auctions


April 7 – Lecture 4
Limited Attention: Consumption Behavior

Lacetera, Micola, Devin Pope, and Justin Sydnor. 2009. “Inattention in the Used Car Market” working paper.

Limited Attention: Financial Market Evidence


**Menu Effects: Excess Diversification**


**April 14 – Lecture 5**

**Menu Effects: Choice Avoidance**


**Menu Effects: Preference for Familiar**


**Menu Effects: Preference for Salient**


** Menu Effects: Confusion  


** Persuasion  


** Social Pressure  


** April 21 – Lecture 6  
** Market Response to Bias: Pricing  


Market Response to Biases: Behavioral Finance


Market Response to Biases: Employers


Market Response to Biases: Corporate Decisions


Market Response to Biases: Politicians

Methodology: Do Markets Eliminate Biases?

April 28 – Lecture 7 (Stefano and Matthew)

Market Response to Biases: Welfare Maximization


Emotions: Mood


Emotions: Arousal