

Applications of Psychology and Economics – Econ 219B  
Spring 2004  
Wednesday 12-3, 639 Evans Hall

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Office Hours: Tuesday 10-12

## Syllabus

### Features of this course

This course is the continuation of the 219A class in *Psychology and Economics – Theory*, taught by Matthew Rabin. As in 219A, we will keep emphasizing the psychological evidence as the basis for sound economic analysis. This should surprise nobody, given the name by which the course (and the field) goes. We will also insist on the importance of neoclassical theory as a very successful benchmark that you are required to know. Finally, several topics of this course are designed to be the empirical counterpart of the theory covered in 219A. This is in particular true for the sections on Self Control, Reference Dependent Preferences, and Social Preferences.

There are two main differences between 219A and 219B. First, this class has largely an empirical orientation, as opposed to the theoretical orientation of 219B. The emphasis on data just reflects the empirical status of economics. In particular, the success of the Psychology and Economics approach will depend on the empirical explanatory power of its theories. Can this approach explain evidence that the neoclassical model struggles with? Can it do so using parsimonious models? In 219B I will present empirical papers drawn from a variety of fields to try to address these questions. We will touch on consumption, public economics, labor economics, industrial organization, political economy, asset pricing, and corporate finance.

The second main feature of the course will be its emphasis on dissertation writing. This will be apparent in the exposition of the topics. More often than not, we will note that the available empirical evidence barely scratches the surface. While this is a drawback for the field, it is a great opportunity for students planning to work in the area. In very few other fields there are so many important questions that still go unanswered. Throughout the course I will do my best to point out what seem to me like good directions for empirical research. In addition, as an incentive to get you started, one of the requirements of the course is a paper on an applied topic. More on this below.

## Rules of the game

As a general rule, you should have taken the 219A course before you take this course. If you have not, but are interested in taking this course, please come and talk to me. The prerequisites of the 219A course, that is, an understanding of the economics of uncertainty, contract theory, and game theory at the level of 201B, apply to this course as well. In addition, it is important that you have had exposure to econometrics and empirical research. You should be familiar with OLS estimation, panel data models, and discrete choice models. For example, you should have no uncertainty as to what fixed effects do in a regression. Although it is not a requirement for this course, I recommend taking at least one labor (or empirical io) course to anyone contemplating doing empirical research.

Throughout the course, I will assign a few required readings each week. The required readings are starred in the reading list below. The non-starred readings are optional, but I suggest that you at least read the abstract. So much of a paper is in the abstract (if the abstract is well-written)!

There are three requirements for the course: weekly assignments, a presentation, and a paper. The assignments are as follows. Every week I will assign a conference-style discussion of one of the required readings. The discussion is only due on eight of the thirteen weeks of the course, at your choice. In the discussion you should focus your attention on the content, the empirical strategy, or possible extensions of the paper. You do not need to summarize the paper. Given the high frequency of the assignment, the format requirements will be minimal. The discussion should be one- to two-pages long, and can be in a bullet format. The discussion is due to me by noon on Tuesday before lecture. This way I can read them before class and try to integrate your comments in the lecture. You can either slide the discussion under my door or email it to me. (if you are indifferent, the 'door method' is faster for me, thanks!).

The other assignment is a one-time empirical problem set. This year, the problem set will focus on earning announcements and the response of stock prices to the new information contained in the announcements. You can work on the assignment in groups of up to three people, but each one should hand in a solution. I will distribute the problem set at the beginning of March. The data will be in Stata format. I will assume that you have a working knowledge of Stata.

The second requirement is a 25-minute class presentation of the weekly reading. The presentation should have three parts: a. summary of the content of the paper; b. criticism of the paper; c. suggestions for new research. I will elicit your preferences on the topic for the presentation. These short presentations are a good practice for many to come in your academic career.

The third requirement for the course is an empirical paper. As a student, I hated courses that required a paper, but was very happy ex post that I had been forced to write one. As an attempt to make this commitment device more palatable, here are two technological innovations:

- The paper can be written in groups of up to 3 students.
- I encourage you to come up with your own topic for the paper. However, if you prefer more guidance, I have a few suggested paper topics that I can assign.

As for the timing, each person/group should come to see me by February 18. You should feel free to either come during office hours or to schedule an appointment via email. A two-page written proposal is due by March 17. The final 10-15 page paper is due on May 14. The ideal paper contains a novel idea, the empirical strategy, and preliminary empirical results. However, I will accept significantly less as long as you show significant effort.

A natural presentation outlet for these papers is the Psychology and Economics Lunch, that will start meeting from mid February. You are strongly encouraged to attend this lunch if you are interested in making Psychology and Economics one of your fields. In addition, you should attend the Psychology and Economics Seminar (Tu 2-4) as much as you can. Spots to go for lunch with the speaker are available for sign-up.

The good news is, there is no exam for this course!

The course webpage is an important instrument for this course ([http://emlab.berkeley.edu/users/webfac/dellavigna/e219b\\_sp04/e219b.shtml](http://emlab.berkeley.edu/users/webfac/dellavigna/e219b_sp04/e219b.shtml)). On the website you will find updated lists of readings, the assignments, and the revised lecture notes in pdf format.

After class, I invite you to join me for a coffee at 3pm to chat about Berkeley, Psychology and Economics, Saddam, Chicago economics, or any other favorite topic of yours.

## Grading

The written discussions will be graded on a scale from 0 to 5 (excellent). The final grade will be an average of your best 5 discussions. You therefore have a bonus of three discussions which will not be counted. The class presentation and the paper are also graded on a scale from 0 to 5.

The final grade will be an average with weight 30% on the written discussions, 15% on the problem set, 15% on the class presentation, and 40% on the paper.

## Tentative schedule of classes

The schedule will vary somewhat as the class unfolds. The syllabus will be updated on the web and will be available on the course webpage at [http://emlab.berkeley.edu/users/webfac/dellavigna/e219b\\_sp04/e219b.shtml](http://emlab.berkeley.edu/users/webfac/dellavigna/e219b_sp04/e219b.shtml). (the course webpage will The first nine classes will focus on economic applications of the material covered in 203a. Lectures 10 to 15 introduce new material. These sections contain both theoretical and empirical papers.

January 21 – Lecture 1

Introduction

Good and Bad Psychology and Economics

Present-Biased Preferences, Part 1

January 28 – Lecture 2

Present-Biased Preferences, Part 2

February 4 – Lecture 3

Present-Biased Preferences, Part 3

February 11 – Lecture 4

Present-Biased Preferences, Part 4

February 18 – Lecture 5

Reference Dependence, Part 1

February 25 – Lecture 6

Reference Dependence, Part 2

March 3 – Lecture 7

Introduction to Behavioral Finance

Financial Data Sets, Part 1

Empirical Problem Set Handed Out (Earnings Announcement)

March 10 – Lecture 8

Financial Data Sets, Part 2

Attention, Part 1

March 17 – Lecture 9

Attention, Part 2

March 24 – Spring Break – No Lecture

March 31 – Lecture 10  
Market Reaction to Biases, Part 1

April 7 – Lecture 11  
Market Reaction to Biases, Part 2  
Narrow Framing, Part 1

April 14 – Lecture 12  
Narrow Framing, Part 2  
Persuasion and Social Learning, Part 1

April 21 – Lecture 13  
Persuasion and Social Learning, Part 2

April 28 – Lecture 14  
Overconfidence -- Guest speaker (Ulrike Malmendier)  
Social Preferences, Part 1

May 5 – Lecture 15  
Social Preferences, Part 2  
Choosing Topics for Dissertation  
Conclusion

## Readings

\*designates required readings.

Some of the readings will be taken from the textbook used in the previous semester of 203, that is from *Choice, Values and Frames*:

\*Kahneman and Tversky *Choices, values and frames*, (henceforth CVF).

For those of you who are looking for a background book in social psychology to complement the content of the Psychology and Economics sequence, I recommend:

L. Ross and R.E. Nisbett, *The Person and the Situation*, McGraw-Hill, 1991.

## Introduction

\*Huberman, Gur, and Regev, Tomer. "Contagious Speculation and a Cure for Cancer: A Nonevent that Made Stock Prices Soar", *Journal of Finance*, February 2001.

\*Michael Rashes. "Massively Confused Investors Making Conspicuously Ignorant Choices (MCI-MCIC)", *Journal of Finance*, October 2001.

## 1. Present-Biased Preferences

*Theory overview*

\*Ted O'Donoghue and Matthew Rabin. "Choice and Procrastination," *QJE*, 2002.

Ted O'Donoghue and Matthew Rabin. "Procrastination in Preparing for Retirement", in *Behavioral Dimensions of Retirement Economics*, Henry Aaron, editor, The Brookings Institution, 1999.

<http://elsa.berkeley.edu/~rabin/retire.pdf>

*Status-Quo Bias in Financial Decisions*

Samuelson, William and Zeckhauser, Richard, "Status-Quo Bias". *Journal of Risk and Uncertainty*, 1988.

\*Madrian, Brigitte and Shea, Dennis. "The power of suggestion: Inertia in 401(k) Participation and Savings Behavior", *QJE*, 2001.

<http://mitpress.mit.edu/catalog/item/default.asp?ttype=6&tid=7463>

\*Choi, James, Laibson, David, Madrian, Brigitte and Metrick, Andrew. "Active Decisions: A Natural Experiment in Savings". Working paper, July 2002.

<http://www.nber.org/~confer/2002/lfs02/choi.pdf>

\*Ausubel, Lawrence. "Adverse Selection in the Credit Card Market", Working Paper, University of Maryland, June 1999.

<http://www.ausubel.com/creditcard-papers/adverse.pdf>

*Consumer Behavior*

\*DellaVigna, Stefano and Malmendier, Ulrike. "Overestimating Self-control: Evidence from the Health Club Industry", October 2002.

[http://emlab.berkeley.edu/users/sdellavi/wp/self\\_control\\_oct02.pdf](http://emlab.berkeley.edu/users/sdellavi/wp/self_control_oct02.pdf)

Ariely, Dan and Wertenbroch, Klaus (2002), "Procrastination, Deadlines, and Performance: Self-Control by Precommitment, *Psychological Science*, 13 (May), 219-224

<http://web.mit.edu/ariely/www/papers/deadlines.pdf>

\*Wertenbroch, Klaus, "Consumption Self-Control by Rationing Purchase Quantities of Virtue and Vice," *Marketing Science*, 17 (4), 317-337

Edward L. Glaeser, David M. Cutler and Jesse M. Shapiro "Why Have Americans Become More Obese?", Harvard University, January 2003.

<http://post.economics.harvard.edu/hier/2003papers/HIER1994.pdf>

\*Shapiro, Jesse. "Is there a daily discount rate? Evidence from the food stamp nutrition cycle" November 2003.

<http://www.people.fas.harvard.edu/~jmshapir/highfreq111703.pdf>

Barenstein and Huffman

Miravete, Eugenio "Choosing the Wrong Calling Plan? Ignorance and Learning" AER, forthcoming, 2002.

[http://www.ssc.upenn.edu/~miravete/Papers/miravete\\_aer\\_2002.pdf](http://www.ssc.upenn.edu/~miravete/Papers/miravete_aer_2002.pdf)

Miravete, Eugenio and Palacios-Huerta, Ignacio "Learning Time Preferences"

*Labor Economics*

DellaVigna, Stefano and Paserman, Daniele. "Job Search and Impatience", November 2001.

[http://emlab.berkeley.edu/users/sdellavi/wp/impatience\\_nov01.pdf](http://emlab.berkeley.edu/users/sdellavi/wp/impatience_nov01.pdf)

*Public Economics*

Hanming, Fang and Silverman, Dan. "On the Compassion of Time-limited Welfare Programs" July 2002, Forthcoming, *Journal of Public Economics*.

<http://www.econ.lsa.umich.edu/~dansilv/compassion.pdf>

Hanming, Fang and Silverman, Dan. "Time-Inconsistency and Welfare Program Participation: Evidence From the NLSY".

<http://www.econ.lsa.umich.edu/~dansilv/tiwelf11.pdf>

\*Becker, Gary S., and Kevin Murphy (1988). "A Theory of Rational Addiction," *Journal of Political Economy*, 96, 675-700.

\*Gruber, Jonathan and Koszegi, Botond. "Is Addiction `Rational?' Theory and Evidence" *Quarterly Journal of Economics*, 2001, 116(4), pp. 1261-1305

<http://emlab.berkeley.edu/users/botond/addiction.pdf>

\*Gruber, Jonathan and Mullainathan, Sendhil. "Do Cigarette Taxes Make Smokers Happier" March 2002.

<http://econ-www.mit.edu/faculty/gruberj/files/happy81.pdf>

#### *Life-Cycle Consumption*

\*Angeletos, M., Laibson, D., Repetto, A., Tobacman, J. and Weinberg, S. "The Hyperbolic Buffer Stock Model: Calibration, Simulation, and Empirical Evaluation (2000)", Journal of Economics Perspectives.

<http://econ-www.mit.edu/faculty/angelet/papers.htm>

\*Laibson, D. "Golden eggs and hyperbolic discounting", QJE, v112 n2, May 1997, p.443-77.

Laibson, D., Repetto, A., and Tobacman, J., "Self-control and saving for retirement", BPEA, 1998 (1), p.91-196.

Laibson, D., Repetto, A., and Tobacman, J., "A Debt Puzzle", forth. in *Essays in honor of E. Phelps*.

<http://post.economics.harvard.edu/faculty/laibson/papers.html>

#### *Mixed Readings*

Mischel, W., Y. Shoda, and M.L. Rodriguez (1992). "Delay of gratification in children" in "Choice over Time", Elster and Loewenstein ed., Russell Sage Foundation.

## **2. Reference Dependence**

#### *Labor supply*

\*Camerer, Colin, Babcock, Linda, Loewenstein, George, and Thaler, Richard. "Labor supply of New York City Cabdrivers: One day at a time", 1997, QJE, p.407-42. CVF 20.

Oettinger, G. 1999 "An empirical analysis of the daily labor supply of stadium vendors", *JPE*, p.360-92.

\*Fehr, Ernst and Goette, Lorenz. "Intertemporal Substitution at Work? Evidence from a Field Experiment", 2002.

<http://www.unizh.ch/iew/wp/iewwp125.pdf>

\*Farber, Hank. "[Is Tomorrow Another Day? The Labor Supply of New York City Cab Drivers](#)", Princeton, 2003.

#### *Market experience*

\* List, John. "Does Market Experience Eliminate Market Anomalies?", QJE, forthcoming.



### *Finance*

\*Odean, Terry. "Are Investors Reluctant to Realize Their Losses?", *JOF*, 1998, p.1775-1798. See other papers at <http://faculty.haas.berkeley.edu/odean/>  
CVF 21

Heath, C., Huddart, S., and Lang, M., "Psychological factors and stock option exercises", *QJE*, 1999.

### *Markets*

\*Genesove, David and Chris Mayer, "Loss Aversion and Seller Behavior: Evidence from the Housing Market", *Quarterly Journal of Economics*, 2001, Vol. 116, No. 4, 1233-1260.  
<http://finance.wharton.upenn.edu/~mayerc>

Benartzi, S. and Thaler, R. "Myopic loss aversion and the equity premium puzzle", *Quarterly Journal of Economics*, v110 n1, February 1995, p.73-92.  
CVF 17.

\*Camerer, Colin. "Prospect theory in the wild: Evidence from the field"  
CVF 16

### *Time preferences*

Loewenstein, G. and N. Sicherman (1991). "Do Workers Prefer Increasing Wage Profiles?" *Journal of Labor Economics* 9(1): 67-84.

## **3. Attention**

### *Theory*

\*Mullainathan, Sendhil. "Thinking Through Categories", April 2002.  
<http://www.haas.berkeley.edu/finance/cat3.pdf>

Gabaix, Xavier and David Laibson "Bounded rationality and directed cognition", Mimeo.  
<http://web.mit.edu/xgabaix/www/papers.html>

\*Gabaix, Xavier, David Laibson, Guillermo Moloche and Stephen Weinberg "The allocation of attention: Theory and evidence", Mimeo. <http://web.mit.edu/xgabaix/www/papers.html>

Rubinstein, A. *Modeling bounded rationality*, MIT Press, 1998.

### *Financial Markets*

\*Barber, Brad and Odean, Terry. "All that Glitters: The Effect of Attention and News on the Buying Behavior of Individual and Institutional Investors", April 2002.  
<http://faculty.haas.berkeley.edu/odean/papers/Attention/All%20that%20Glitters.pdf>

\*Hong, Harrison, Torous, Walter, and Ross Valkanov. "[Do Industries Lead the Stock Market? Gradual Diffusion of Information and Cross-Asset Return Predictability](#)," November 2002

\*DellaVigna, Stefano and Pollet, Josh. "Attention, Demographic Changes and the Stock Market" <http://emlab.berkeley.edu/users/sdellavi/wp/attention.pdf>

Barberis, Nick and Shleifer, Andrei. "[Style Investing](#)", forthcoming, *Journal of Financial Economics*, 2002.

\*Huberman, Gur, and Regev, Tomer. "Contagious Speculation and a Cure for Cancer: A Nonevent that Made Stock Prices Soar", *Journal of Finance*, February 2001.

\*Michael Rashes. "Massively Confused Investors Making Conspicuously Ignorant Choices (MCI-MCIC)", *Journal of Finance*, October 2001.

#### *Rewarding for Luck*

\*Bertrand, Marianne and Mullainathan, Sendhil. "Are CEOs Rewarded for Luck? The Ones Without Principals Are," *Quarterly Journal of Economics*, Vol. 116, Issue 3, August 2001.

Justin Wolfers, [Are Voters Rational? Evidence from Gubernatorial Elections](#), Stanford GSB.

#### *Labor Supply*

Freeman, Richard. "Supply and Salary Adjustments to the Changing Science Manpower Market: Physics, 1948-1975," *American Economic Review* 65(1): 27-39 (March 1975).

Freeman, Richard. "Legal Cobwebs: A Recursive Model of the Market for Lawyers," *Review of Economics and Statistics*, May 1975.

Zarkin, Gary. "Occupational Choice: An Application to the Market for Public School Teachers", *Quarterly Journal of Economics*, 100(2), 1985.

## **4. Market Reaction to Individual Biases**

### *Do biases matter?*

Becker, 1962

Akerlof, G. A. and J. L. Yellen (1985). "Can Small Deviations from Rationality Make Significant Differences to Economic Equilibria?" *American Economic Review* 75(4): 708-720.

### *Experienced and Inexperienced Agents*

\*DeLong, B. Shleifer, A., Summers, L., and Waldman, R., "Noise trader risk in financial markets", *JPE*, v98 n4, Aug 1990, p.703-38. Reprinted in Richard H. Thaler, ed., *Advances in Behavioral Finance*, Russell Sage Foundation, 1993.

Shleifer, Andrei, Summers, Lawrence. "The Noise Trader Approach to Finance". *Journal of Economic Perspectives*, Spring, 1990.

Shleifer, Andrei. *Clarendon Lectures: Inefficient Markets*, [Oxford University Press](#), 2000.

\*Steven D. Levitt [How Do Markets Function? An Empirical Analysis of Gambling on the National Football League](#), NBER w9422, Jan 2003.

#### *Reference Dependence -- Accounting*

\*DeGeorge, Francois, Patel, Jay, and Zeckhauser, Richard. "Earnings Management to Exceed Thresholds", *Journal of Business*, 1999.

<http://ksghome.harvard.edu/~RZeckhauser.Academic.ksg/em8.pdf>

#### *Pricing*

\*DellaVigna, Stefano and Malmendier, Ulrike. "Contract Design and Self-control: Theory and Evidence", *Quarterly Journal of Economics*, May 2004.

[http://emlab.berkeley.edu/users/sdellavi/wp/self\\_control\\_dec03.pdf](http://emlab.berkeley.edu/users/sdellavi/wp/self_control_dec03.pdf)

\*Oster, Sharon and Scott-Morton, Fiona. "Behavioral Issues in Subscription Pricing"

\*Gabaix, Xavier and David Laibson. "Some Industrial Organization with Boundedly Rational Consumers", March 2003.

<http://econ-www.mit.edu/faculty/xgabaix/papers.htm>

#### *Managers and Markets*

Lee, Inmoo, 1997, "[Do Firms knowingly sell overvalued equity?](#)" *Journal of Finance* 52, 1439-1466.

Loughran, Tim, and Jay Ritter, 1995, "[The New Issues Puzzle](#)", *Journal of Finance* 50, 23-51.

\*Baker, Malcolm, and Jeffrey Wurgler (2000), "[The Equity Share in New Issues and Aggregate Stock Returns.](#)" *Journal of Finance* 55, 2219-2257

Baker, Malcolm, and Jeffrey Wurgler (2000), "[Market Timing and Capital Structure.](#)" *Journal of Finance* 57, 1-32 [available on Wurgler's web site at NYU]

#### *Politicians*

\*Glaeser, Ed. "The Political Economy of Hatred", August 2002

<http://post.economics.harvard.edu/hier/2002papers/HIER1970.pdf>

#### *Welfare Maximization*

\*Thaler and Bernatzi "Save More Tomorrow: Using Behavioral Economics to Increase Employee Saving", JPE, forthcoming.

<http://gsbwww.uchicago.edu/fac/richard.thaler/research/SMarT14.pdf>

## 5. Narrow Framing

### *Risk Aversion*

Barsky, Robert B., F. T. Juster and M. Kimball, "Preference Parameters and Behavioral Heterogeneity: An Experimental Approach in the Health and Retirement Study," *Quarterly Journal of Economics*, 112(2), May 1997, 537-579.

### *Framing / Anchoring*

\*Hossain, Tanjim and Morgan, John, "[A Test of the Revenue Equivalence Theorem using Field Experiments on eBay](#)", 2003.

\*Kahneman, D. Ilana Ritov and Savid Schkade, "Economic preferences or attitude expressions? An analysis of dollar responses to public issues" CVF 36.

Ashenfelter and Greenstone

### *Flypaper effect...*

\*Ariely, Dan, Loewenstein, George, & Prelec, Drazen. Coherent arbitrariness: Stable demand curves without stable preferences. Forthcoming *Quarterly Journal of Economics* 118 (1) February 2003  
<http://web.mit.edu/ariely/www/papers/CA.pdf>

Loewenstein, George and Simonsohn, Uri. "Mistake #37: The Effect of Previously Faced Prices on Current Housing Demand".  
<http://www.mit.edu/~uws/housing121802.pdf>

Babcock, L., Wang, X., & Loewenstein, G. (1996). Choosing the wrong pond: Social comparisons that reflect a self-serving bias. *Quarterly Journal of Economics*, 111, 1-19.

Babcock, L., and Loewenstein, G. (1997). Explaining bargaining impasse: the role of self-serving biases. *Journal of Economic Perspectives*. 11, 109-126.  
<http://sds.hss.cmu.edu/faculty/Loewenstein/downloads/bargainingImpasse.pdf>

## 6. Persuasion and Social Learning

### *Model*

\*Akerlof, George. "Procrastination and Obedience", *AER* 1991, 81(2): 1-19.

\*DeMarzo, Peter, Vayanos, Dimitry, and Zwiebel, Jeff. "Persuasion Bias, Social Influence, and Uni-Dimensional Opinions", July 2002  
<http://web.mit.edu/dimitriv/www/PERSU.pdf>

*Implicit Persuasion*

\*Benartzi, S. and Thaler, R., "Naive Diversification Strategies in Defined Contribution Savings Plans". AER 2001.

\*Madrian, Brigitte and Shea, Dennis. "The power of suggestion: Inertia in 401(k) Participation and Savings Behavior", *QJE*, 2001.

<http://mitpress.mit.edu/catalog/item/default.asp?ttype=6&tid=7463>

Huberman, Gur.

*Social Learning*

Duflo, Esther and Saez, Emmanuel, "The Role of Information and Social Interactions in Retirement Plan Decisions: Evidence From a Randomized Experiment", Forthcoming, *QJE*

<http://emlab.berkeley.edu/users/saez/tdafair19.pdf>

Bruce Sacerdote, "Peer effects with random assignment: Results for Dartmouth roommates", *Quarterly Journal of Economics*, May 2001

Marmaros and Sacerdote, "Peer and Social Networks in Job Search", *European Economic Review*, 2002.

Kremer, Michael, and Levy, Dan. "Peer Effects from Alcohol Use Among College Students", mimeo, 2002.

<http://www.nber.org/~confer/2001/si2001/kremer.pdf>

Conley, Timothy, and Udry, Chris "Learning about a New Technology: Pineapple in Ghana", mimeo, 2002.

\*Hong, Harrison, Stein, Jeremy C. and Jeffrey D. Kubik. "[Thy Neighbor's Portfolio: Word-of-Mouth Effects in the Holdings and Trades of Money Managers](#)", August 2002.

*Social Pressure*

\*Luis Garicano, Ignacio Palacios-Huerta, and Canice Prendergast, "Favoritism Under Social Pressure"

<http://www.econ.brown.edu/~iph/pdf/bias19.pdf>

Bernardo A. Huberman, Christoph H. Loch, and Ayse Öncüler "Status as a Valued Resource", mimeo.

[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=281211](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=281211)

Armin Falk, Andrea Ichino, "Clean Evidence on Peer Pressure"

[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=391701](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=391701)

## 7. Overconfidence

### *Entrepreneurs*

\*Camerer, Colin, and D. Lovo (1999) "Overconfidence and Excess Entry: An Experimental Approach," *American Economic Review*, 89:1 (March), 306-318.  
CVF 23

### *Investors*

Odean, T. "[Boys will be Boys: Gender, Overconfidence, and Common Stock Investment](#)" with Brad Barber, *Quarterly Journal of Economics*, February 2001, Vol. 116, No. 1, 261-292.

\*Odean, T. "Do investors trade too much?", *AER*, Dec 1999.  
<http://faculty.haas.berkeley.edu/odean/papers/overconf/DoInvestors.pdf>

### *Managers*

Malmendier, Ulrike, and Geoffrey Tate (2001), "[CEO Overconfidence and Corporate Investment.](#)" working paper, Harvard University.

\*Malmendier and Tate, "[Who Makes Acquisitions? CEO Overconfidence and the Market's Reaction](#)". Manuscript, November, 2002.

## Additional Topics

### Social Preferences

Akerlof, G. "Labor contracts as partial gift exchange", *QJE*, 1982, p.543-69.

\*Bewley, T. *Why wages don't fall during a recession*, 1999, Harvard UP, 2000, Chap. 8, 21.

### *Charitable donations*

\*Jim Andreoni, "The Economics of Philanthropy." in N. Smeltser, P. Baltes, eds., [International Encyclopedia of Social and Behavioral Sciences](#), Elsevier: Oxford, 2001, 11369-11376. [pdf](#)

Clotfelter, Charles T., *Who Benefits from the Nonprofit Sector?*, 1992.

Andreoni, Jim. "An Experimental Test of the Public Goods Crowding-Out Hypothesis", *American Economic Review*, 83 (5), 1317-27, 1993.

Andreoni, Jim. "Why Free-Ride?", *Journal of Public Economics* 37, 1988, 291-304.

B. Kingma, "An Accurate Measurement of the Crow-Out Effect, Income Effect, and Price Effect for Charitable Contributions," *Journal of Political Economy* 97 (1989), 1197-1207.

\*John A. List and David Lucking-Reiley, "The Effects of Seed Money and Refunds on Charitable Giving: Experimental Evidence from a University Capital Campaign." *Journal of Political Economy*, February 2002, vol. 110, no. 8, pp. 215-233. [Download the manuscript.](#)

\*Falk, Armin “Charitable Giving as a Gift Exchange - Evidence from a Field Experiment”,  
September 2003.

<http://www.iew.unizh.ch/home/falk/CharityFinalVersion.pdf>

## **Neuroeconomics**

\*Camerer, Colin; Loewenstein, George; Prelec, Drazen. “Neuroeconomics: How Neuroscience  
Can Inform Economics”

<http://www.hss.caltech.edu/~camerer/neurojepsSubmitted.pdf>

Bernheim, Douglas; Rangel, Antonio