

Experimental and Behavioral Economics
Lecture
Summer term 2013

Literature

Papers suitable for student presentations are marked with an asterisk.

General Reading:

DellaVigna, S. (2009). Psychology and Economics: Evidence from the Field. *Journal of Economic Literature*, 47: 315-372.

1. *Default effects and paternalism*

Thaler, Richard H., Sunstein, Cass R. (2009). *Nudge: improving decisions about health, wealth, and happiness*, Penguin Books, London.

Richard H. Thaler and Cass R. Sunstein, (2003). Libertarian Paternalism, *American Economic Review*, Vol. 93, No. 2, 175-179.

Camerer, Colin; Samuel Issacharoff; George Loewenstein; Ted O'Donoghue; and Matthew Rabin. (2003). Regulation for conservatives: Behavioral economics and the case for "asymmetric paternalism. *Univ. Penn. Law Review*, Vol. 151, 2111-1254.

Carroll, G., Choi, J., Laibson, D., Madrian, B., Metrick, A. (2009). Optimal Defaults and Active Decisions. *Quarterly Journal of Economics*, 124: 1639-1674.

Madrian, B.C., Shea, D.F. (2001). The Power of Suggestion: Inertia in 401(k) Participation and Savings Behavior. *Quarterly Journal of Economics*, 116: 1149-1187.

Beshears, John, James J. Choi, David Laibson, and Brigitte C. Madrian (2008). How Are Preferences Revealed? *Journal of Public Economics* 92.8-9, 1787-1794.

Thaler, R.H. and Benartzi, S. (2004). Save more tomorrow™: Using behavioral economics to increase employee saving, *Journal of Political Economy*, 112, S1, S164-S187.

Samuelson, W., and R. Zeckhauser (1988): Status Quo Bias in Decision Making, *Journal of Risk and Uncertainty*, 1(1), 7-59.

Johnson, E. J., and D. Goldstein (2003): Do Defaults Save Lives?, *Science*, 302, 1338-1339.

Breman, A. (2011). Give more tomorrow: Two field experiments on altruism and intertemporal choice, *Journal of Public Economics*, 95, (11-12), 1349-1357.

Caplin, A. and Martin, D. (2012). Defaults and Attention: The Drop Out Effect, NBER Working Paper 17988.

Read, D., Loewenstein, G. and Kalyanaraman, S. (1999). Mixing Virtue and Vice: Combining the Immediacy Effect and the Diversification Heuristic, *Journal of Behavioral Decision Making*, 12: 257-273.

Read, D. and van Leeuwen, B. (1998). Predicting Hunger: The Effects of Appetite and Delay on Choice, *Organizational Behavior and Human Decision Processes*, 76, No. 2, November, pp. 189–205.

* Altmann, S., Falk, A. (2010). The Impact of Cooperation Defaults on Voluntary Contributions to Public Goods, Working Paper.

* Altmann, S., Falk, A., Grunewald, A. (2012). Incentives and Information as Driving Forces of Default Effects, Working Paper.

2. *Reference dependence and endowment effects*

Kahneman, D., Tversky, A. (1979). Prospect Theory: An Analysis of Decision Under Risk. *Econometrica*, 47: 263-291.

Kahneman, D., Knetsch, J.L., Thaler, R.H. (1990). Experimental Test of the Endowment Effect and the Coase Theorem. *Journal of Political Economy*, 98: 1325-1348.

List, J. (2003). Does Market Experience Eliminate Market Anomalies? *Quarterly Journal of Economics*, 118: 41-71.

Abeler, J., Falk, A., Götte, L., Huffman, D. (2011). Reference Points and Effort Provision. *American Economic Review*, 101: 470-492.

Kőszegi, B., Rabin, M. (2006). A Model of Reference-Dependent Preferences. *Quarterly Journal of Economics*, 121: 1133-1165.

Keith M. Marzilli Ericson and Andreas Fuster (2011). Expectations as Endowments: Evidence on Reference-Dependent Preferences from Exchange and Valuation Experiments, *Quarterly Journal of Economics*, 126(4): 1879-1907.

Plott, Charles R., and Kathryn Zeiler. (2005). The Willingness to Pay-Willingness to Accept Gap, The “Endowment Effect,” Subject Misconceptions, and Experimental Procedures for Eliciting Valuations. *American Economic Review*, 95(3): 530–45.

Plott, Charles R., and Kathryn Zeiler. (2007). Exchange Asymmetries Incorrectly Interpreted as Evidence of Endowment Effect Theory and Prospect Theory? *American Economic Review*, 97(4): 1449–66.

Isoni, Andrea, Graham Loomes, and Robert Sugden. (2011). The Willingness to Pay—Willingness to Accept Gap, the ‘Endowment Effect,’ Subject Misconceptions, and Experimental Procedures for Eliciting Valuations: Comment. *American Economic Review*. 101(2): 991–1011.

Plott, Charles R., and Kathryn Zeiler. (2011). The Willingness to Pay—Willingness to Accept Gap, the “Endowment Effect,” Subject Misconceptions, and Experimental Procedures for Eliciting Valuations: Reply. *American Economic Review*. 101(2): 1012–1028.

* Götte, L., Fehr, E. (2007). Do Workers Work More if Wages Are High? Evidence from a Randomized Field Experiment. *American Economic Review*, 97: 298-317.

* Heffetz, O, List, J. (2012). Assignment, Expectations, and Endowment: Variations in the Lab and Their Effects on Choice.

3. Prosocial Behavior and Charitable Giving

Bénabou, R., Tirole, J. (2006). Incentives and Prosocial Behavior. *American Economic Review* 96: 1652-1678.

Ariely, D., Bracha, A., Meier, S. (2009). Doing good or doing well? Image motivation and monetary incentives in behaving prosocially. *American Economic Review* 99: 544-555

Della Vigna, S., List, J., Malmendier, U. (2011). Testing for Altruism and Social Pressure in Charitable Giving. *Quarterly Journal of Economics*, forthcoming.

Lazear, Edward P., Ulrike Malmendier, and Roberto A. Weber. 2012. "Sorting in Experiments with Application to Social Preferences." *American Economic Journal: Applied Economics*, 4(1): 136–63.

Dana, Jason D., Daylian M. Cain, and Robyn M. Dawes. 2006. What you don't know won't hurt me: Costly (but quiet) exit in dictator games. *Organizational Behavior and Human Decision Processes*, 100(2): 193-201.

Dana, Jason, Roberto A. Weber, and Jason Xi Kuang. 2007. Exploiting moral wiggle room: Experiments demonstrating an illusory preference for fairness. *Economic Theory*, 33(1): 67-80.

* Gneezy, A. et al (2011). Paying to be nice: consistency and costly prosocial behaviour, *Management Science*, forthcoming

* Tore Ellingsen, Magnus Johannesson, Sigve Tjøtta, Gaute Torsvik (2010). Testing guilt aversion, *Games and Economic Behavior*, Volume 68, Issue 1, January 2010, Pages 95-107.

* Fong, Christina, and Felix Oberholzer-Gee (2011). "Truth in Giving: Experimental Evidence on the Welfare Effects of Informed Giving to the Poor." *Journal of Public Economics* 95, 5-6, 436-444.

4. Self-control and willpower

Ariely, Dan (2009). *Predictably irrational: the hidden forces that shape our decisions*. Harper, NY.

Ariely, D., Wertenbroch, K. (2002). Procrastination, Deadlines, and Performance: Self-Control by Precommitment, *Psychological Science*, 13 (3), 219-224.

Baumeister, R. F., E. Bratslavsky, M. Muraven, and D. M. Tice (1998). Ego depletion: Is the active self a limited resource?" *Journal of Personality and Social Psychology*, 74, 1252-1265.

Frederick, S., Loewenstein, G., O' Donoghue, T. (2002). Time Discounting and Time Preference: A Critical Review. *Journal of Economic Literature*, 40: 351-401.

Dohmen, T., Falk, A., Huffman, D., Sunde, U. (2010). Are Risk Aversion and Impatience Related to Cognitive Ability? *American Economic Review*, 100: 1238–1260.

O’Donoghue, Ted and Matthew Rabin. 2001. “Choice and Procrastination,” *Quarterly Journal of Economics*, 116(1): 121-160.

O’Donoghue, Ted and Matthew Rabin. 1999. “Doing It Now or Later,” *American Economic Review*, 89(1): 103-124.

O’Donoghue, Ted and Matthew Rabin. 1999. "Incentives for Procrastinators", *Quarterly Journal of Economics*, 114(3), 769-816.

Spears, D. (2011). Economic Decision-Making in Poverty Depletes Behavioral Control, *The B.E. Journal of Economic Analysis & Policy*.

Akerlof, George A. "Procrastination and Obedience." *American Economic Review*, May 1991 (Papers and Proceedings), 81 (2), pp. 1-19.

S. Meier, and C. Sprenger 2010. Present-biased preferences and credit card borrowing, *American Economic Journal: Applied Economics*, 2 (2010), pp. 193–210.

DellaVigna, S. and Malmendier, U. 2004. “Contract Design and Self-Control: Theory and Evidence.” *Quarterly Journal of Economics*, 119: 353-402.

Prelec, D., and Simester, D., Always leave home without it: A further investigation of the credit-card effect on willingness to pay. *Marketing Letters*, 12:1, 5-12.

Thomas, Manoj; Desai, Kalpesh; Seenivasan , Satheeshkumar. "How Credit Card Payments Increase Unhealthy Food Purchases: Visceral Regulation of Vices" *Journal of Consumer Research* 38.1 (2011): 126-139.

Kaur, S., Kremer, M., and Mullainathan, S., 2010. “Self-Control and the Development of Work Arrangements.” *American Economic Review Papers and Proceedings*, 100(2): 624-628.

Kaur, S., Kremer, M., and Mullainathan, S., 2012. Self-Control at Work, Working Paper

* Nicholas Burger, Gary Charness, John Lynham (2011). Field and online experiments on self-control, *Journal of Economic Behavior and Organization*, Volume 77, Issue 3, March 2011, Pages 393-404.

* Houser, D., Schunk, D., Winter, J., Xiao, E., 2009. Temptation, commitment, and self-control in the laboratory. Working Paper.

5. Limited attention and role of context

Chetty, R. Looney, A., Kroft, K. (2009). Salience and Taxation: Theory and Evidence. *American Economic Review*, 99: 1145-1177.

Tversky, A., Kahneman, D. (1981). The Framing of Decisions and the Psychology of Choice. *Science*, 211: 453-458.

Levav, J., Heitmann, M., Herrmann, A., Iyengar, S. (2010). Order in Product Customization Decisions: Evidence from Field Experiments. *Journal of Political Economy*, 118: 274-299

Karlan, D., McConnell, M., Mullainathan, S., Zinman, J. (2011). Getting to the Top of Mind: How Reminders Increase Saving

Gabaix, X., Laibson, D. (2006). Shrouded Attributes, Consumer Myopia, and Information Suppression in Competitive Markets. *Quarterly Journal of Economics*, 121: 1043-1068.

Bordalo, P., N. Gennaioli and Shleifer, A. (2012). Saliency and Consumer Choice, Working Paper

Ellingsen, T., Johannesson, M., Möllerström, J., Munkhammar, W., (2011). Social Framing Effects: Preferences or Beliefs?, Working paper.

Martin Dufwenberg, Simon Gächter, Heike Hennig-Schmidt (2011). The framing of games and the psychology of play. *Games and Economic Behavior*, Volume 73, Issue 2, Pages 459-478.

* Bordalo, P., N. Gennaioli and Shleifer, A. (2012). Saliency in Experimental Tests of the Endowment Effect, *American Economics Review*, May, 2012.

* Hossain, Tanjim and Morgan, John (2006) "...Plus Shipping and Handling: Revenue (Non) Equivalence in Field Experiments on eBay," *Advances in Economic Analysis & Policy*: Vol. 6: Iss. 2, Article 3.

6. Experience

Steven Levitt, List, John, and David Reiley. 2010. What Happens in the Lab Stays in the Lab, *Econometrica*, Volume 78(4), pages 1413–1434.

List, John A. 2003. "Does Market Experience Eliminate Market Anomalies?" *Quarterly Journal of Economics*, 118(1): 41-71.

List, John A. Neoclassical Theory Versus Prospect Theory: Evidence from the Marketplace, *Econometrica* (2004), 72(2): pp. 615-625.

Palacios-Huerta, I. and Volij, O. (2008). Experientia Docet: Professionals Play Minimax in Laboratory Experiments. *Econometrica*, vol. 76(1), pp. 71-115.

Palacios-Huerta, I. and Volij, O. (2009). Field Centipedes. *American Economic Review* 99(4). pp. 1619-1635.