

Behavioral Economics in the wild: Phenomena and applications to real-world behavior

In the summer term 2017 the chair of Economic Theory of Prof. Dr. Grimm offers a Master seminar on behavioral economics, focusing on its applications and empirical evidence. In this seminar, we will critically assess the role of behavioral phenomena such as time inconsistencies, loss aversion, (in)attention etc. to explain (economic) behaviors that we observe in our everyday life.

The seminar is intended for master students in economics and is open to students of related fields (e.g. business studies, socioeconomics, ...) and exchange students, who possess sufficient knowledge of microeconomics. A list with potential topics for the seminar paper will be provided on our homepage at the beginning of February. Topics for the term papers will be assigned at the organizational meeting on February 7th:

Organizational meeting including topic selection:

Tuesday, February 7th at 5 pm in LG 3.166

Seminar participants have to write a seminar paper (20 pages +/-1), present their paper and discuss the paper of another student in class. All seminar related activities (term paper, presentations and discussions) will be in English. The deadline for the submission of term papers is May 27th 23:59 pm. Seminar presentations and discussions will take place in the week from June 7th to 9th (block week: no regular lectures). You will soon also find a document with additional details regarding the requirements for the term paper and general guidelines for writing scientific papers on our homepage.

Please register for the organizational meeting with an email to Timo.Hoffmann@fau.de **until February 6th noon** (include your name, student ID and field of study). If you have additional questions please also contact Timo Hoffmann. The seminar will be credited as "Seminar Behavioral Economics 1" (or as "Wirtschaftstheoretisches Seminar" for Master students who started their Masters before WS14/15). The seminar can be combined with the Master lecture "Behavioral Economics". Successful participation in the seminar is one way of qualifying for writing a Master thesis at the Chair of Economic Theory.

Rules of the game

Your grade for the seminar will be built from four parts: (1) your paper on the assigned topic, (2) the presentation of your paper at one of the seminar meetings, (3) your discussion of another student's paper and (4) your participation in the discussions.

Students are expected to develop their own research question based on the provided literature. The paper should summarize the main findings and contributions of the assigned papers and answer the chosen research question using the provided **and additional** literature. The paper has to be written in English, with font size 12, 1½ line spacing and appropriate margins. The term paper is limited to 20 pages (+/- 1 page), plus a table of contents, a list of figures, a list of tables, the used references and an appendix. (See also our general guidelines for writing scientific papers "*Guidelines for the preparation of term papers and bachelor/master theses*", which you can find in the subsection "Thesis" on our English homepage.)

With his or her topic each student is assigned a supervisor, who will be the contact person regarding the exact content (and form) of the term paper. A coarse outline of the paper should be discussed with the assigned supervisor before the paper is written. All students are required to meet their supervisor at least once **before April 28th 2017**. A failure to meet the supervisor can result in the exclusion of the student from the seminar.

The deadline for paper submission for all participants is: **Saturday, May 27th at 23.59 pm**. Each student will present his or her term paper in a presentation. The paper presentations and discussions will take place in the week from June 7th to 9th. The number of seminar meetings depends on the number of students that submit a term paper. You have to be present at all seminar meetings.

Each participant will also be assigned a discussion topic. The assignment of discussion topics will be made after the paper submission deadline (each student will receive his or her paper for the discussion on or before May 31st). For the discussion you will receive the term paper of a fellow seminar participant. You are required to prepare a short discussion of the assigned paper. More information regarding the exact dates, the exact (time) requirements for the presentations and discussions will follow at a later point.

We also want to advertise the "Behavioral Economics" lecture we offer each summer term. This is a master's class that considers some of the topics of this seminar as well as many further issues in behavioral economics. The lecture is complementary to the seminar, such that you can participate in the seminar and the lecture. The first class of this year's lecture will take place at Tuesday, April 25th at 11:30, in LG 0.141.

List of Topics

1) Behavioural Biases in Financial decision making

Choi J, Laibson D, Madrian B. (2009), "Why Does the Law of One Price Fail? An Experiment on Index Mutual Funds." *Review of Financial Studies*, 23(4), 1405-1432

Agarwal, Sumit, et al. (2009), "The age of reason: Financial decisions over the life cycle and implications for regulation." *Brookings Papers on Economic Activity*, 2009(2), 51-117

2) Why the poor discriminates against the Poor?

Benabou, R., and E. A. Ok, (2001), "Social Mobility and the Demand for Redistribution: The POUM Hypothesis," *Quarterly Journal of Economics*, 116 (2), 447–487

Kuziemko, I., Buell, R. W., Reich, T., & Norton, M. I. (2014), "Last-place aversion": Evidence and redistributive implications. *The Quarterly Journal of Economics*, 129(1), 105-149

3) Bank runs and Contagion (panics and mania)

Chakravarty, surajeet et al. (2014), "An Experiment on the Causes of Bank Run Contagions" *European Economic Review*, 72, 29-51

Brown, Martin, Stefan T. Trautmann, and Razvan Vlahu. (2016), "Understanding bank-run contagion." *Management Science*

4) Myopic loss aversion: true or false?

Benartzi, S., & Thaler, R. H. (1995), „Myopic loss aversion and the equity premium puzzle" *The quarterly journal of Economics*, 110(1), 73-92.

Kortajarene, I. I. O., Ponti, G., & Lucas, J. T. (2015), "Some (Mis) facts about Myopic Loss Aversion" (No. 2015-09). Instituto Valenciano de Investigaciones Económicas, SA (Ivie)

5) Narrow bracketing and its implications

Read, D., Loewenstein, G., & Rabin, M. (1999), "Choice Bracketing" *Journal of Risk and Uncertainty*, 1(19), 171-197.

Abeler, J., & Marklein, F. (2008), "Fungibility, labels, and consumption. Forthcoming in the *Journal of the European Economic Association*

6) Default options – The mother of nudges

Carroll, G., Choi, J., Laibson, D., Madrian, B.C., Metrick, A. (2009), "Optimal defaults and active decisions." *Quarterly Journal of Economics* 124(4), 1639-1674

Johnson, E. J., & Goldstein, D. (2003), Do defaults save lives?. *Science*, 302(5649), 1338-1339

7) Nudging to improve old-age provision

Thaler, R. H., & Benartzi, S. (2004), "Save more tomorrow™: Using behavioral economics to increase employee saving." *Journal of political Economy*, 112(S1), 164-187

Beshears, J., Choi, J. J., Laibson, D., & Madrian, B. C. (2013), "Simplification and saving." *Journal of economic behavior & organization*, 95, 130-145

8) (Not) highlighting costs in online auctions

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

Brown, J., Hossain, T., & Morgan, J., (2010), "Shrouded Attributes and Information Suppression: Evidence from Field Experiments" *Quarterly Journal of Economics*, 2010, 125(2), 859-876

9) Auction design and behavioral responses

Roth, A. E., Ockenfels, A. (2002), "Last minute bidding and the rules for ending second-price auctions: evidence from eBay and Amazon auctions on the Internet". *The American Economic Review*, 92(4), 1093–1103

Neugebauer, Tibor, and Javier Perote. (2008), "Bidding 'as if' risk neutral in experimental first price auctions without information feedback." *Experimental Economics*, 11(2), 190-202

10) Rationality in auctions

Kagel, J. H., D. Levin (1986), "The Winner's Curse and Public Information in Common Value Auctions," *American Economic Review*, 76(5), 894-920

Garratt, R.J., Walker, M. & Wooders, J. (2012), "Behavior in second-price auctions by highly experienced eBay buyers and sellers" *Experimental Economics* 15(1), 44-57

11) Applications in the developing world

Duflo, E., Kremer, M., & Robinson, J. (2011), "Nudging farmers to use fertilizer: Theory and experimental evidence from Kenya." *The American Economic Review*, 101(6), 2350-2390

Thaler, R. (1981), "Some empirical evidence on dynamic inconsistency." *Economics letters*, 8(3), 201-207

12) Gender and competition

Gneezy, U., Leonard, K. L., & List, J. A. (2009). Gender differences in competition: Evidence from a matrilineal and a patriarchal society. *Econometrica*, 77(5), 1637-1664

Buser, T., Niederle, M., & Oosterbeek, H. (2014), "Gender, competitiveness, and career choice" *The Quarterly Journal of Economics*, 129(3), 1409-1447

13) Evidence of limited attention in attribute valuations

Lacetera et al (2012), "Heuristic thinking and limited attention in the car market." *The American Economic Review*, 102(5), 2206-2236

DellaVigna, S., & Pollet, J. M. (2009), "Investor inattention and Friday earnings announcements." *The Journal of Finance*, 64(2), 709-749

14) Suboptimal attention

Liebman, J. B., & Luttmer, E. F. (2015), "Would people behave differently if they better understood social security? Evidence from a field experiment." *American Economic Journal: Economic Policy*, 7(1), 275-299

Stango, V., & Zinman, J. (2014), "Limited and varying consumer attention evidence from shocks to the salience of bank overdraft fees." *Review of Financial Studies*

15) Commitment Devices

Ashraf, Nava, Dean Karlan, and Wesley Yin. (2006), "Tying Odysseus to the mast: Evidence from a commitment savings product in the Philippines." *The Quarterly Journal of Economics* 121(2), 635-672

Ariely, Dan, and Klaus Wertenbroch. (2002), "Procrastination, deadlines, and performance: Self-control by precommitment" *Psychological science*, 13(3), 219-224

16) Present bias and payments

DellaVigna, S., & Malmendier, U. (2006), "Paying Not To Go To The Gym" *American Economic Review*, 96(3), 694-719

Meier, S., & Sprenger, C. (2010), "Present-biased preferences and credit card borrowing." *American Economic Journal: Applied Economics*, 2(1), 193-210

17) Loss aversion and tax compliance

Per Engström et al (2015), "Tax compliance and loss aversion." *AEJ: Economic Policy*, 7(4), 132-164

Rees-Jones, A. (2014), "Loss Aversion Motivates Tax Sheltering: Evidence from U.S. Tax Returns." *R&R at Review of Economic Studies*

18) Non-linear pricing and (taxpayer) confusion

Feldman, Naomi, Peter Katusak and Laura Kawano (2016), "Taxpayer Confusion: Evidence from the Child Tax Credit." *AER*, 106(3), 807-835

Ito, K. (2014), "Do Consumers Respond to Marginal or Average Price? Evidence from Nonlinear Electricity Pricing." *AER*, 104(2), 537-563