

# PPE 3003-401/PSYC 2750-401 Behavioral Economics and Psychology

Instructor: Pei-Hsun Hsieh

Spring 2024

Canvas link: <https://canvas.upenn.edu/courses/1760014>

Class Hours: TuTh 3:30 pm-5:00 pm

Class Room: FAGN 114

Instructor's E-mail: [pshsieh@sas.upenn.edu](mailto:pshsieh@sas.upenn.edu)

Teaching Assistants: Yang Huang ([yanghuan@sas.upenn.edu](mailto:yanghuan@sas.upenn.edu)), Nicole White ([ngwhite@sas.upenn.edu](mailto:ngwhite@sas.upenn.edu))

Office Hours:

Pei-Hsun Hsieh

Th 1:30 pm - 2:30 pm or by appointment

Yang Huang

W 2:00 pm - 3:00 pm

Nicole White

M 12:00 pm - 1:00 pm

## Course Information

### Course Description

Our understanding of markets, governments, and societies rests on our understanding of choice behavior, and the psychological forces that govern it. This course will introduce you to the study of choice, and will examine in detail what we know about how people make choices, and how we can influence these choices. It will utilize insights from psychology and economics, and will apply these insights to domains including risky decision making, intertemporal decision making, and social decision making.

### Required Texts

All materials required will be available on Canvas.

### Required/Highly Recommended Books

Cartwright, Edward. 2018. *Behavioral Economics*. 3rd Edition. New York: Routledge.

### Recommended Books

Wilkinson, Nick, and Matthias Klaes. 2022. *An Introduction to Behavioral Economics*. Third edition. London New York Oxford New Delhi Sydney: Bloomsbury Academic.

Glimcher, Paul W. 2011. *Foundations of Neuroeconomic Analysis*. New York: Oxford University Press.

## Course Requirements and Grading

Your grade will be based on group activities (25%), a final presentation (15%), quizzes (40%), and a final exam (20%). A brief description of the main requirements of each element is provided below.

- **Group activities and assignments 25%:** During the semester, group activities and discussions will be conducted in class. You will be assigned to a group randomly for each topic. Your grade for this component will be contingent upon both your active participation in the discussions and the overall performance of your assigned group.
- **Final Presentation 15%:** In Weeks 15 and 16, your group will give a presentation that applies behavioral economic theories learned in class to various contexts, such as business, policy (environmental, health, social, etc.), politics, or any scenario involving individual choice. By Week 9, each group is required to submit a list of its five members. Presentations will be allocated a 10-minute time slot, followed by approximately five minutes for Q & A.
- **Quiz 40%:** There will be five quizzes (in class or take home). Each quiz will be worth 10% and the quiz with the lowest grade will be dropped.
- **Final Exam 20%:** There will be a final exam during the final exam week (May 6-14) that will be in person, in class, and on paper.
- **Class Participation:** There will be guest lectures throughout the semester (date to be announced). Attendance at guest lectures is mandatory and will be penalized with 5% of the grade for each missed lecture.

### Grading Scale

93+	A	77-79	C+	60-63	D-
90-92	A-	74-76	C	0-59	F
87-89	B+	70-73	C-		
84-86	B	67-69	D+		
80-83	B-	64-66	D		

## Tentative Course Schedule

*The instructor reserves the right to make reasonable changes to the syllabus and class/readings schedule during the course of the semester. Please refer to Canvas for the most updated version of the syllabus.*

**Please refer to the Materials section below for the required readings.**

### **Week 01 (1/18):**

- Course introduction

### **Week 02 (1/23 & 1/25):**

- Topic 1: What is Behavioral Economics?

### **Week 03 (1/30 & 2/1):**

- Topic 2: Prospect Theory I - Choice under Certainty

### **Week 04 (2/6 & 2/8):**

- Topic 3: Prospect Theory II - Choice with Risk
- **Quiz 1 on Thursday, February 8.**

### **Week 05 (2/13 & 2/15):**

- Topic 4: Prospect Theory III - Origins and Applications

### **Week 06 (2/20 & 2/22):**

- Topic 5: Incentives

### **Week 07 (2/27 & 2/29)**

- Topic 6: Search and Satisfaction

- **Quiz 2 on Thursday, February 29.**

**Week 08 (3/5 & 3/7):** Spring Break (No class)

**Week 09 (3/12 & 3/14)**

- Topic 7: Intertemporal Choice

**Week 10 (3/19 & 3/21):**

- Topic 7: Intertemporal Choice
- Topic 8: Learning from New Information
- **Quiz 3 on Thursday, March 21.**

**Week 11 (3/26 & 3/28):**

- Topic 8: Learning from New Information

**Week 12 (4/2 & 4/4):**

- Topic 9: Social Preferences
- **Quiz 4 on Thursday, April 4.**

**Week 13 (4/9 & 4/11):**

- Topic 10: Interacting with Others

**Week 14 (4/16 & 4/18):**

- Topic 11: Behavioral Economics and Climate Change
- **Guest lecture on Monday, April 16.**

**Week 15 (4/23 & 4/25):**

- **Quiz 5 on Tuesday, April 23.**

- Final Presentations

### Week 16 (4/30):

- Final Presentations

## Materials

### Topic 1: What is Behavioral Economics?

- Required:
  - Glimcher (2011) Chapter 3 and 4
- Recommended:
  - Wilkinson and Klaes (2022) Chapter 1 and 2
  - Gintis, Herbert. 2007. "A Framework for the Unification of the Behavioral Sciences." *Behavioral and Brain Sciences* 30(1): 1–16.

### Topic 2: Prospect Theory I - Choice under Certainty

- Required:
  - Cartwright (2018) Section 2.2
  - Marzilli Ericson, Keith M, and Andreas Fuster. 2014. "The Endowment Effect." *Annual Review of Economics* 6(1): 555–79.
- Recommended:
  - Apicella, Coren L., Eduardo M. Azevedo, Nicholas A. Christakis, and James H. Fowler. 2014. "Evolutionary Origins of the Endowment Effect: Evidence from Hunter-Gatherers." *American Economic Review* 104(6): 1793–1805.
  - Hibbing, John R., Kevin B. Smith, and John R. Alford. 2014. "Differences in Negativity Bias Underlie Variations in Political Ideology." *Behavioral and Brain Sciences* 37(3): 297–307.

### Topic 3: Prospect Theory II - Choice with Risk

- Required:
  - Glimcher (2011) Chapter 5

- Cartwright (2018) Chapter 3
- Recommended:
  - Ruggeri, Kai et al. 2020. “Replicating Patterns of Prospect Theory for Decision under Risk.” *Nature Human Behaviour*. <http://www.nature.com/articles/s41562-020-0886-x> (May 24, 2020).
  - Snowberg, Erik, and Justin Wolfers. 2010. “Explaining the Favorite–Long Shot Bias: Is It Risk-Love or Misperceptions?” *Journal of Political Economy* 118(4): 723–46.

#### Topic 4: Prospect Theory III - Origins and Applications

- Required:
  - McDermott, Rose, James H. Fowler, and Oleg Smirnov. 2008. “On the Evolutionary Origin of Prospect Theory Preferences.” *The Journal of Politics* 70(2): 335–50.
- Recommended:
  - Spencer, Noah. 2023. “Prospect Theory and the Potential for Lottery-Based Subsidies.” *Behavioural Public Policy* 7(2): 500–517.
  - Mercer, Jonathan. 2005. “Prospect Theory and Political Science.” *Annual Review of Political Science* 8(1): 1–21.

#### Topic 5: Incentives

- Required:
  - List, John, and Uri Gneezy. 2014. *The Why Axis: Hidden Motives and the Undiscovered Economics of Everyday Life*. Chapter 4.
- Recommended:
  - Delton, Andrew W., Peter DeScioli, and Timothy J. Ryan. 2020. “Moral Obstinacy in Political Negotiations.” *Political Psychology* 41(1): 3–20.

#### Topic 6: Search and Satisfaction

- Required:
  - Artinger, Florian M., Gerd Gigerenzer, and Perke Jacobs. 2022. “Satisficing: Integrating Two Traditions.” *Journal of Economic Literature* 60(2): 598–635.
- Recommended:
  - Cartwright (2018) Section 2.1

**Topic 7: Intertemporal Choice**

- Required:
  - Cartwright (2018) Chapter 4
- Recommended:
  - Thaler, Richard H., and George Loewenstein. 1994. *The Winner's Curse: Paradoxes and Anomalies of Economic Life*. Chapter 8: Intertemporal Choice.
  - Halevy, Yoram. 2015. "Time Consistency: Stationarity and Time Invariance." *Econometrica* 83(1): 335–52.
  - Hill, Seth J. 2020. "Following Through on an Intention to Vote: Present Bias and Turnout." *Political Science Research and Methods* 8(4): 803–10.

**Topic 8: Learning from New Information**

- Required:
  - Cartwright (2018) Section 5.1 & 5.2
  - Druckman, James N., and Mary C. McGrath. 2019. "The Evidence for Motivated Reasoning in Climate Change Preference Formation." *Nature Climate Change* 9(2): 111–19.
- Recommended:
  - Hill, Seth J. 2017. "Learning Together Slowly: Bayesian Learning about Political Facts." *The Journal of Politics* 79(4): 1403–18.
  - Ortoleva, Pietro, and Erik Snowberg. 2015. "Overconfidence in Political Behavior." *American Economic Review* 105(2): 504–35.
  - Christensen, Love. 2023. "Optimal Persuasion under Confirmation Bias: Theory and Evidence From a Registered Report." *Journal of Experimental Political Science* 10(1): 4–20.

**Topic 9: Social Preferences**

- Required:
  - Cartwright (2018) Chapter 7
- Recommended:
  - Dimick, Matthew, David Rueda, and Daniel Stegmueller. 2018. "Models of Other-Regarding Preferences, Inequality, and Redistribution." *Annual Review of Political Science* 21(1): 441–60.

**Topic 10: Interacting with Others**

- Required:
  - Camerer, Colin F. 2003. *Behavioral Game Theory*. Chapter 1

## Topic 11: Behavioral Economics and Climate Change

- Required:
  - Giddens, Anthony. 2009. *The Politics of Climate Change*. Introduction. Cambridge; Malden, MA: Polity.
  - Van Lange, Paul A.M., and David G. Rand. 2022. “Human Cooperation and the Crises of Climate Change, COVID-19, and Misinformation.” *Annual Review of Psychology* 73(1): 379–402.
- Recommended:
  - Kline, Reuben, Nicholas Seltzer, Evgeniya Lukinova, and Autumn Bynum. 2018. “Differentiated Responsibilities and Prosocial Behaviour in Climate Change Mitigation.” *Nature Human Behaviour* 2(9): 653–61.

## Course Policies

### Office Hour

If you have any questions about the course, feel free to contact/chat with me or the teaching assistants during office hours or via email. Please see the *Office Hours* page on Canvas for details.

### Email Policy

Please cc two TAs when emailing me and include "PPE 3003" or "PSYC 2750" in the subject and your full name in the body. I will respond within two business days. Please follow up if I don't respond within two business days.

### Missed Quiz & Late Work Policy

There is no make-up quiz and presentation except illness, death in the family, religious observance or some other unusual circumstance. Accommodations will be granted on a case-by-case basis in such cases.

## Academic Integrity

Make sure you are familiar with Penn's Code of Academic Integrity (<https://catalog.upenn.edu/pennbook/code-of-academic-integrity/>). I have a zero tolerance policy for plagiarism and cheating, and all violations will result in substantial penalties. If you have questions about academic misconduct and plagiarism, please do not hesitate to contact me.



## Resources

### Academic Support and Disability Services

The Weingarten Center offers a variety of resources to support all Penn students in reaching their academic goals. All services are free and confidential. To contact the Weingarten Center, call 215-573-9235. The office is located in Stouffer Commons, 3702 Spruce Street, Suite 300.

#### Academic Support

Learning consultations and learning strategies workshops support students in developing more efficient and effective study skills and learning strategies. Learning specialists work with undergraduate, graduate, and professional students to address time and project management, academic reading and writing, note-taking, problem-solving, exam preparation, test-taking, self-regulation, and flexibility.

Undergraduates can also take advantage of free on-campus tutoring for many Penn courses in both drop-in and weekly contract formats. Tutoring may be individual or in small groups. Tutors will assist with applying course information, understanding key concepts, and developing course-specific strategies. Tutoring support is available throughout the term but is best accessed early in the semester.

#### Disability Services

The University of Pennsylvania is committed to the accessibility of its programs and services. Students with a disability or medical condition can request reasonable accommodations through the Weingarten Center website. Disability Services determines accommodations on an individualized basis through an interactive process, including a meeting with the student and a review of their disability documentation. Students who have approved accommodations are encouraged to notify their faculty members and share their accommodation letters at the start of each semester. Students can contact Disability Services by calling 215-573-9235.

### Penn Wellness Resources

You can find a number of different health resources from Wellness at Penn (<https://wellness.upenn.edu/>).

#### SHAC (Student Health and Counseling)

<https://wellness.upenn.edu/student-health-and-counseling>

- For Medical Services students can go to 3535 Market Street, 1st Floor. They are open M-F 9:00-4:30 and Saturday 9:00-11:30. For after-hours help call 215-746-3535 (24/7). If the issue is life threatening, call 911.
- For Counseling Services students can go to 3624 Market Street, 1st Floor West or call 215-898-7021. You or your students can call this number 24/7 and a clinician will answer. Counseling Services offers free, confidential mental health services to all students at Penn.

**If You Have Financial Difficulties**

It is important to me that you have the resources you need to be able to focus on learning in this course – this includes both the necessary academic materials as well as taking care of your day-to-day needs.

Students experiencing difficulty affording the course materials should reach out to the Penn First Plus office ([pennfirstplus@upenn.edu](mailto:pennfirstplus@upenn.edu)).

Students who are struggling to afford sufficient food to eat every day and/or lack a safe and suitable space to live should contact Student Intervention Services ([vpul-sisteam@pobox.upenn.edu](mailto:vpul-sisteam@pobox.upenn.edu)).

Students may also wish to contact their Financial Aid Counselor or Academic Advisor about these concerns.

You are welcome to notify me if any of these challenges are affecting your success in this course, as long as you are comfortable doing so – I may have resources to support you.

**Other Resources**

- Penn First Plus (<https://pennfirstplus.upenn.edu/>)
- Cultural Resource Centers (<https://global.upenn.edu/iss/cultural-resources>)
- Marks Family Writing Center (<https://writing.upenn.edu/critical/wc/>)

**Disclaimer**

I reserve the right to change the syllabus at any time. I will notify you if this occurs, but it is also important that you keep up-to-date with all readings related to your class.